

Designing a High-Deductible Health Plan That Works

Introduction

At first glance, high-deductible health plans¹ (HDHPs) are a great value. The lower premiums associated with these plans mean a smaller deduction from your paycheck -- something that's especially attractive to lower wage workers. The tradeoffs for a lower premium, however, are high out-of-pocket costs. This makes HDHPs potentially challenging for lower wage workers. The trick to optimizing these plans is to save money in order to cover the deductible, so that a lower wage worker doesn't have to make a healthcare decision based on finances.

A great vehicle for that savings is the health savings account (HSA).² HSAs have several tax advantages and afford employees more ownership regarding how their money is used. Still, simply having access to an HSA does not mean all of the challenges associated with HDHPs are eliminated. It can be hard for employees to predict future healthcare expenses and determine how much needs to be budgeted for those expenses during open enrollment. Others have trouble understanding how HSAs work. Those challenges can be addressed in the effective design of an HDHP, which includes access to a robust HSA.

Challenges Faced by Consumers

Many of the challenges that employees face when planning and paying for healthcare expenses can be addressed through the features of an HSA.

During open enrollment, employees are expected to know not only what they will be spending money on, but also how much money they will need to budget for those expenses. This can be difficult because predicting certain healthcare needs before they come up is next to impossible. And even if an employee is able to figure out what those will be, they might not have any sense of how much to actually save. Imagine the impact of providing employees with a tool that shows them how they have used healthcare in the past -- seeing personalized utilization and spending patterns puts an employee in a better position to make accurate predictions.

It can also be difficult for employees to understand the benefits of an HSA when they do not understand how it

works. A lack of understanding can lead to low engagement. In contrast, a well-designed HSA can reduce confusion and increase engagement. One way to alleviate confusion is by making it easier for employees to change their own payroll contributions. This gives them a better understanding of how money goes in and comes out of their account. And while it may seem obvious that a platform needs to have good UX to drive engagement, what might not be as obvious is that the platform can also be rewarding and fun. An innovative way to do this is by tracking an employee's progress towards savings goals, encouraging them as they take steps towards those goals, and rewarding them when those goals have been met.

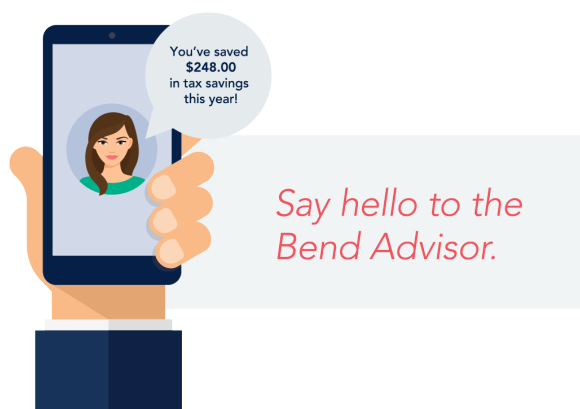
Luckily, there are promising practices in the HSA landscape of products that try to tackle many of those challenges.

¹ These plans, as defined by the IRS, are health insurance plans with a deductible of at least \$1350 for the individual and \$2700 for a family.

² All HDHPs that meet the criteria defined by the IRS can be combined with an HSA.

Case Study: Bend HSA

Bend HSA is a health savings account administrator driven to make a difference in how people manage their financial health. They look for new ways to make HSAs better with innovative, intuitive, and elegant solutions that simplify the user experience, organize information, and guide participants on how to best use their HSA.



HSA Features That Work for Financially Vulnerable Employees

Commonwealth's mission is to improve the financial security and opportunity of financially vulnerable people. Bend HSA is an example of a product that has the potential to work well for financially vulnerable employees because of its features. Bend HSA has been designed to minimize employee challenges and optimize engagement.

The first goal for an HSA administrator is to have employees engage and setup their account. Bend uses targeted affirmations to motivate employees through each step of the process. When a user completes a step, they receive a congratulatory message which motivates them to complete the entire HSA setup. This type of messaging motivates employees to complete all the steps needed to set up an HSA. Once the HSA is opened, the Bend Advisor uses artificial intelligence and machine learning to provide personalized advice and messaging to help employees meet their healthcare needs and achieve financial wellness.

In any HDHP, predicting future healthcare needs and budgeting for those needs is crucial, but also extremely difficult. Bend allows employees an opportunity to update their payroll contributions by choosing between a one-time or ongoing contribution within the HSA website.

Bend HSA also has a feature that uses transaction history from the employee's bank and other payment accounts to identify potentially eligible expenses after the expense has been incurred (an employee must link their bank account or personal payment account to the Bend HSA to enable this feature). Bend HSA's interactive interface then alerts the accountholder to the expense. After a simple accountholder verification, Bend makes it easy for the user to "reimburse themselves" for that expense. If the user does not have enough money in their HSA account, they can request a one-time contribution for their next payroll or adjust an ongoing payroll contribution. The employee ends up not only with a tax advantage but also savings they can accumulate. As time goes on, Bend will learn more about the accountholder and use its insights to offer advice on maximizing tax savings, saving money, and achieving financial wellness. These two features allow employees to add money to their HSA as they are able, while also saving money through past eligible purchases.

As more employers opt for HDHPs, it is important that employees have access to an HSA that is designed to maximize engagement and meet the needs of all workers. Bend HSA is one example of a well-designed product that helps facilitate a better experience by meeting the needs of lower wage workers.

