

DEMYSTIFYING HEALTH SAVINGS ACCOUNTS

RESULTS FROM THE FIDELITY®/GfK SURVEY OF HSA ATTITUDES

In early 2013, Fidelity commissioned a research study among employees eligible to participate in high deductible health plans (HDHPs) with health savings accounts (HSAs) to explore their awareness and understanding of this investment and savings vehicle. Key questions explored in this research included:

- What factors drive employees to consider opening an HSA?
- What are the barriers to electing an HDHP and opening an HSA?
- To what extent (if any) have they considered that HSAs can be used as a long-term savings vehicle?
- What are the most common misconceptions about HSAs?
- Who are the major influencers on health plan enrollment decisions?

About the research study

The HSA research study was conducted on behalf of Fidelity Investments by GfK Public Affairs & Corporate Communications from February 4–20, 2013, using GfK's online KnowledgePanel. The study was conducted among a nationally representative sample of 1,836 U.S. adults between the ages of 25 to 62, with a household income of \$25,000 or more, who have primary or shared responsibility for household financial decisions and receive healthcare benefits through their own or a spouse's employer. Of the respondents, 306 self-identified as being enrolled in a high-deductible health insurance plan that allows an HSA, and another 306 self-identified as declining to enroll in the same.

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MOST PEOPLE ARE NOT SURE ABOUT WHAT HSAs ARE, INCLUDING HOW THEY DIFFER FROM HEALTH FLEXIBLE SPENDING ACCOUNTS (FSAs).

2013 FIDELITY®/GfK SURVEY OF HSA ATTITUDES

KEY FINDINGS:

Individuals who have enrolled in HSA-eligible health plans are largely satisfied and plan to stick with them, although many are unfamiliar with their benefits, including how HSA monies may be used to pay for future qualified medical expenses including those in retirement. For individuals not enrolled in HDHPs, inertia plays a key role; many simply remain with their current health plan and do not explore HDHPs/HSAs further.

Other key findings of this survey include:

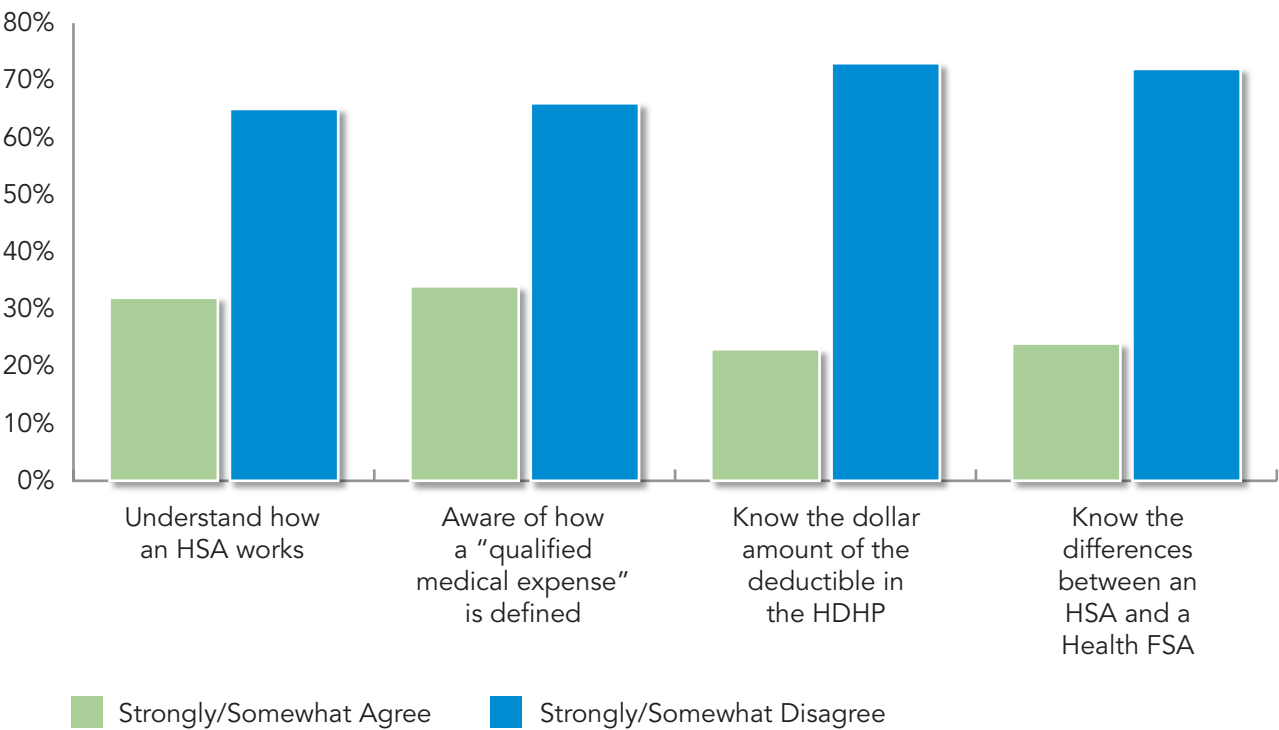
- Most people are not sure about what HSAs are, including how they differ from Health Flexible Spending Accounts (FSAs).
- Current HSA account holders are very satisfied overall with their experience with the HDHP—from the quality of coverage to the various HSA features—and the vast majority intend to re-enroll in an HDHP next year.
- Those who decline an HDHP make their choice right at the beginning of the Open Enrollment period, while those who enroll in an HDHP spend more time weighing their health benefits options.
- Employees look to employers as a principal trusted source when they are making health plan decisions.
- Some 37% of survey respondents who recently declined to enroll in an HDHP will likely make the same choice next year. However, the ability to engage them remains an opportunity for employers: the more that employees know about and understand an HDHP, the more likely they are to elect it.
- The ability for an HSA to be used as a long-term vehicle to pay for qualified medical expenses in retirement is lost on many—including a majority of current HSA account holders who either are not investing their HSA dollars at all or don't know how their dollars are being invested.

LACK OF AWARENESS ABOUT HSAs

Most people are not sure what HSAs are. While few respondents think that an HSA and a Health FSA are the same thing, they cannot quite put their finger on how the two differ. Many HSA account holders also fail to understand their saving and investment potential.

Figure 1 demonstrates that just one-third of respondents understand how an HSA works and are aware of its specifics, and only 23% understand how it differs from a Health FSA.

FIGURE 1: GENERAL UNCERTAINTY RELATED TO HSAs



52% WERE UNSURE IF AN HSA COULD BE USED AS A LONG-TERM SAVINGS VEHICLE.

Figure 2 highlights some common misconceptions about HSAs. For example, 69% responded either “true” or “not sure” to the statement “At the end of the year, I lose any unspent money in my HSA.” 52% were unsure if an HSA could be used as a long-term savings vehicle, and 63% were unsure if “an HSA is pretty much the same thing as a Health FSA.”

FIGURE 2: UNCERTAINTY ON HSA SPECIFICS

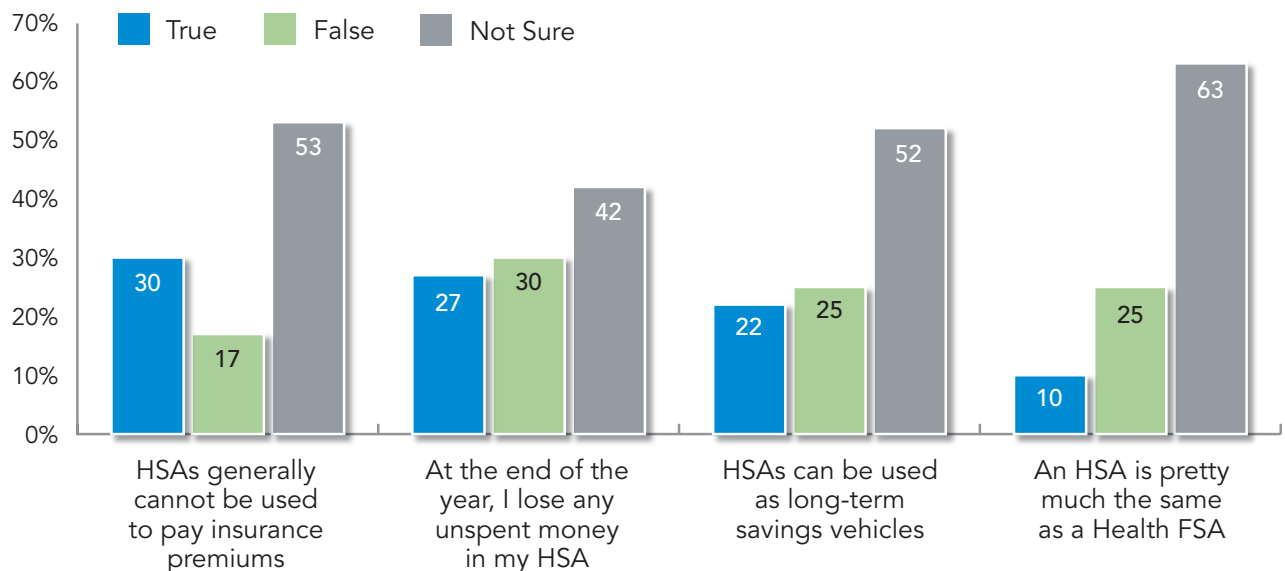
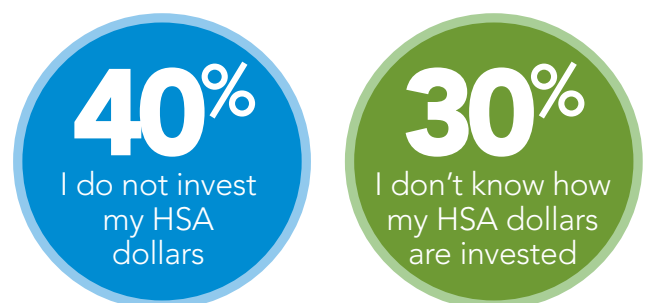


Figure 3 underscores how many enrolled in an HDHP either do not invest their HSA dollars or don't know how those dollars are invested.

FIGURE 3: LITTLE UNDERSTANDING OF HSA AS LONGER-TERM INVESTMENT OPTION

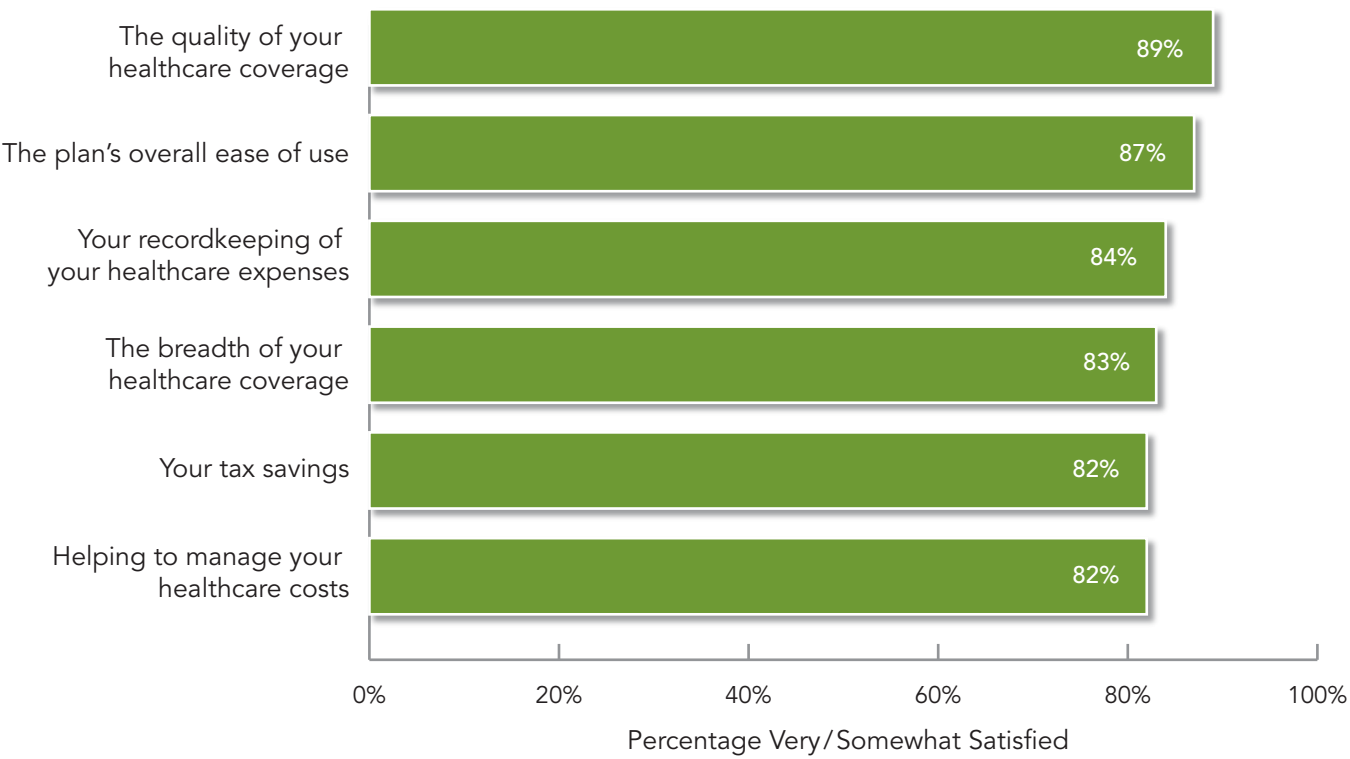


HSA ACCOUNT HOLDERS ARE SATISFIED WITH THEIR EXPERIENCE

Overall, HSA account holders are highly satisfied with their experience, especially the quality of coverage in their HDHP, account features, and its use in managing healthcare expenses.

Figure 4 demonstrates the overall satisfaction of HSA account holders, with the most popular reasons being the quality of healthcare coverage (89%) and ease of use of the HDHP (87%).

FIGURE 4: SATISFACTION WITH THE HDHP/HSA EXPERIENCE



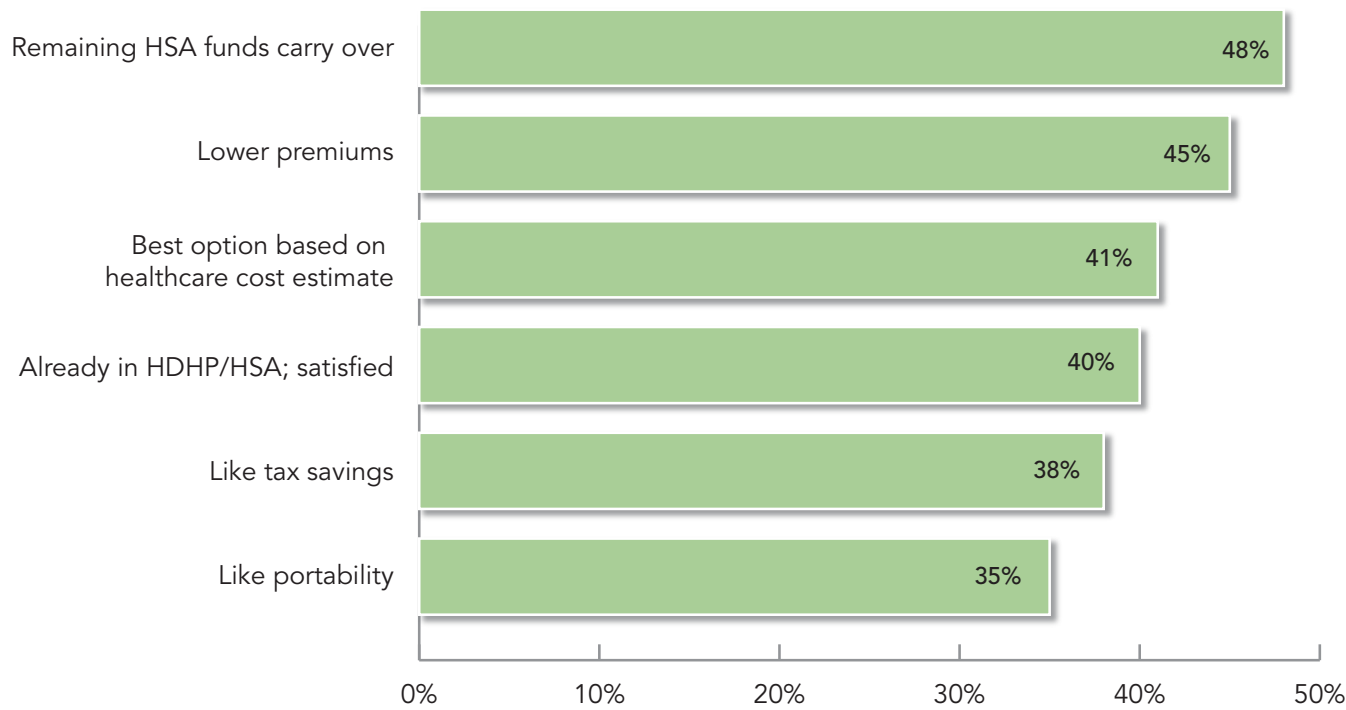
THE TOP REASONS INDIVIDUALS
ENROLL IN HSA-ELIGIBLE HEALTH PLANS
ARE LARGELY FINANCIAL.

HSA ACCOUNT HOLDERS FAVOR THE FINANCIAL INCENTIVES

Reasons for enrolling in an HDHP with an HSA tend to be financial, such as lower HDHP premiums and the ability to carry over HSA funds into next year. While HSA account holders like the financial incentives, they are less certain about the possibility of long-term saving and retirement benefits.

The top reasons individuals enroll in HSA-eligible health plans are largely financial. Figure 5 shows that the most popular reason for enrolling in an HSA-eligible health plan instead of a traditional health plan is because it allows rollover of remaining funds into next year’s account (46%). The next most popular reason is the lower premiums in an HDHP (43%). 37% prefer the tax savings aspect of an HSA.

FIGURE 5: TOP REASONS FOR ENROLLING/OPENING AN HDHP/HSA

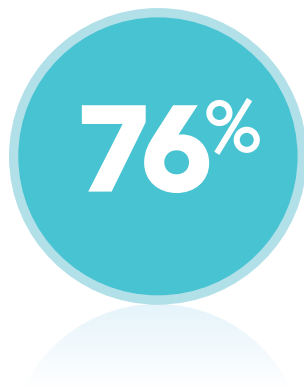


HSA ACCOUNT HOLDERS ARE MORE LIKELY
TO CONTRIBUTE MORE IN THEIR HSA IF THEY
ARE MADE AWARE THAT IT MIGHT PROVIDE
A MORE SECURE RETIREMENT.

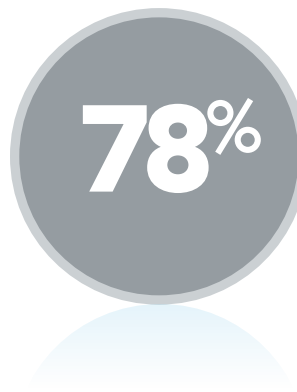
Figure 6 shows that more than three-quarters of HSA account holders are more likely to contribute more in their HSA if they are made aware that it might provide a more secure retirement and that they would be likely to invest their accounts to help pay for qualified medical expenses in retirement.

FIGURE 6: LIKELIHOOD OF INVESTING HSA DOLLARS FOR RETIREE MEDICAL EXPENSES

Percentage Very/Somewhat Likely



Likely to contribute more in your HSA if you thought it may help to provide a more secure retirement



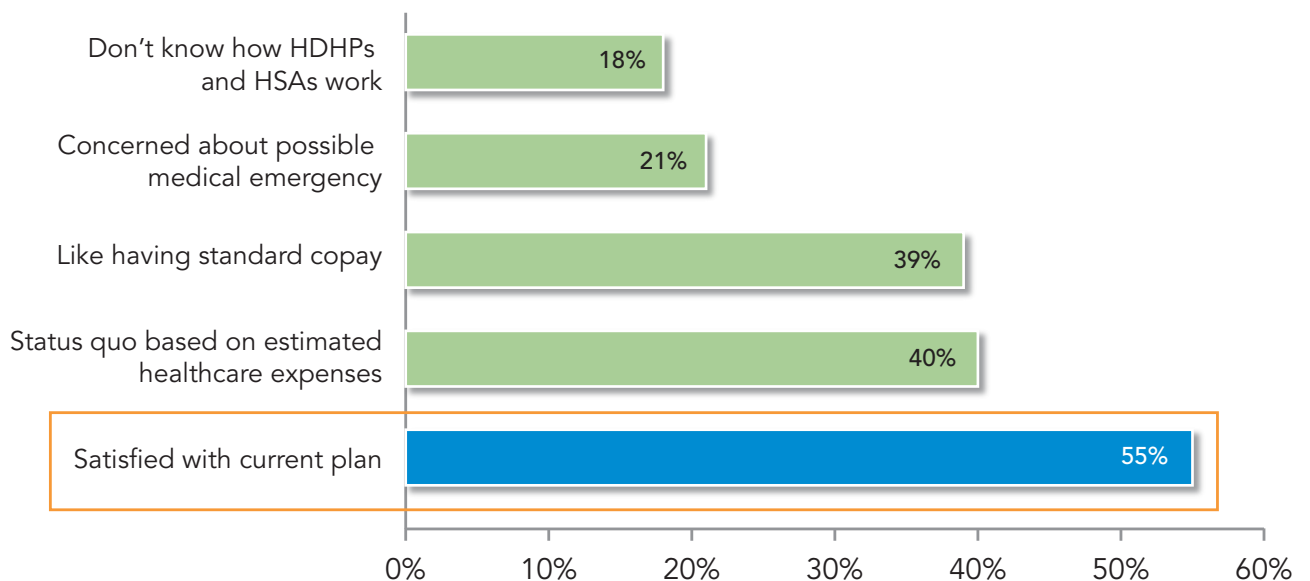
Likely to invest your HSA account to pay for qualified medical expenses in retirement

THOSE NOT CHOOSING HDHPs/HSAs ARE STICKING WITH STATUS QUO

The most popular reason for enrolling in a traditional health plan over an HSA-eligible health plan is a tendency to stick with last year's selection. HDHP/HSA decliners tend to make a snap decision and are less in the habit of making any changes during Open Enrollment.

Figure 7 demonstrates that for more than half of those who declined to enroll in an HSA-eligible health plan (55%), the most popular reason is the "if it ain't broke don't fix it" approach—i.e., they are satisfied with last year's traditional plan and find no reason to change it.

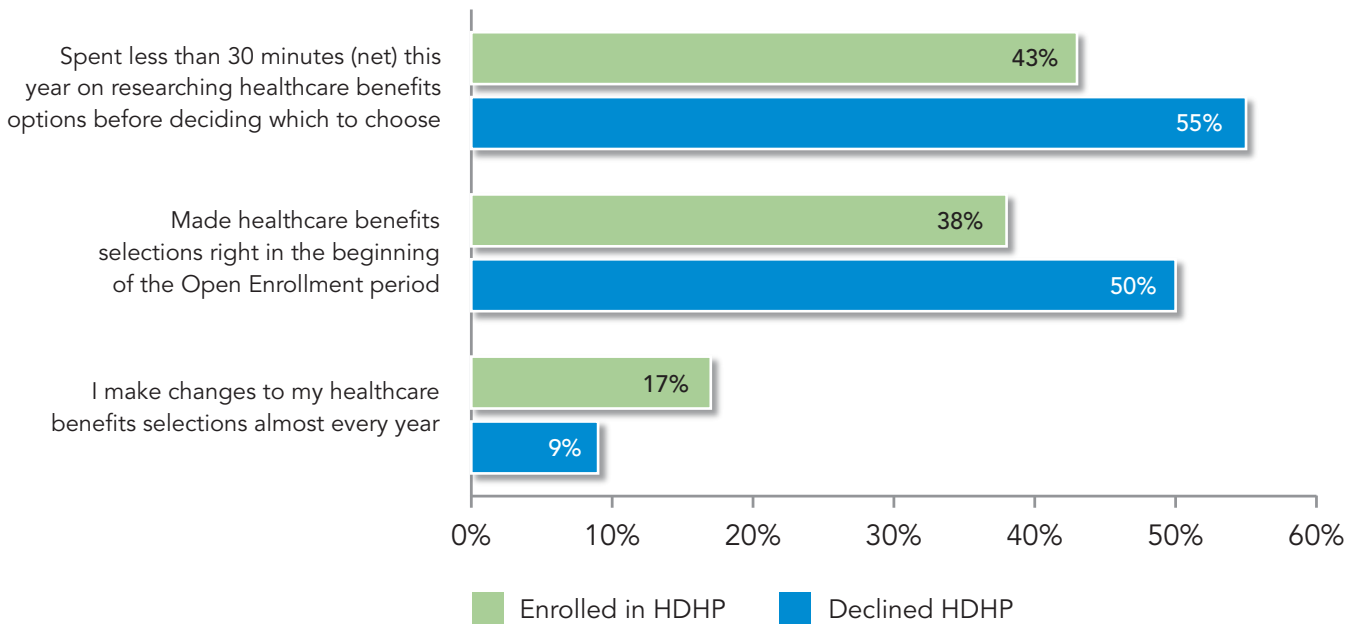
FIGURE 7: WHY PEOPLE DON'T ENROLL IN AN HDHP WITH AN HSA OPTION



THOSE WHO DECLINE AN HSA-ELIGIBLE HEALTH PLAN SPEND LESS TIME REVIEWING THEIR OPTIONS.

Figure 8 shows that those who decline an HSA-eligible health plan spend less time reviewing their options. Half of them make their selections at the beginning of Open Enrollment and most do not make changes to their annual selection.

FIGURE 8: HSA DECLINERS SPEND LESS TIME RESEARCHING THEIR BENEFITS OPTIONS



EMPLOYERS HAVE A STRONG INFLUENCE ON EMPLOYEE ATTITUDES.

EMPLOYERS INFLUENTIAL IN THE SELECTION OF HDHPs

Employers and their multi-channel employee communications efforts have a strong influence on employee attitudes and engagement in HDHPs.

Figure 9 demonstrates that an employer or a spouse's employer has the most influence on the decision to choose an HDHP with an HSA (32%).

FIGURE 9: INFLUENTIAL SOURCES IN DECIDING ON AN HDHP OR TRADITIONAL HEALTH PLAN

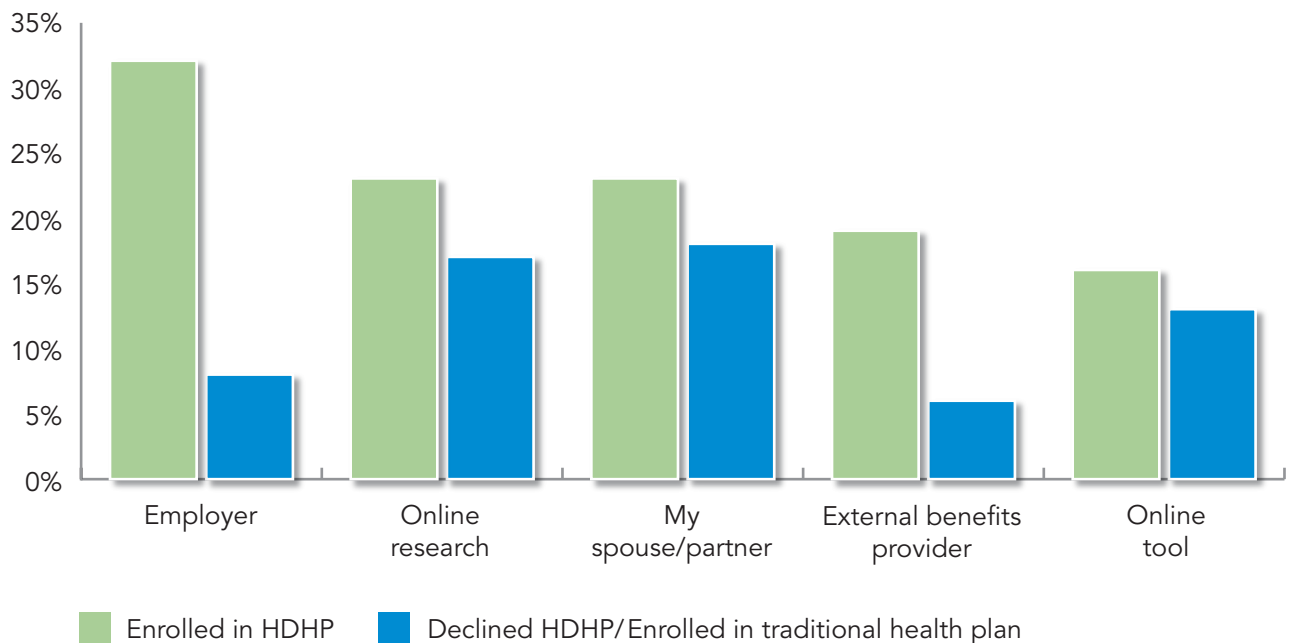
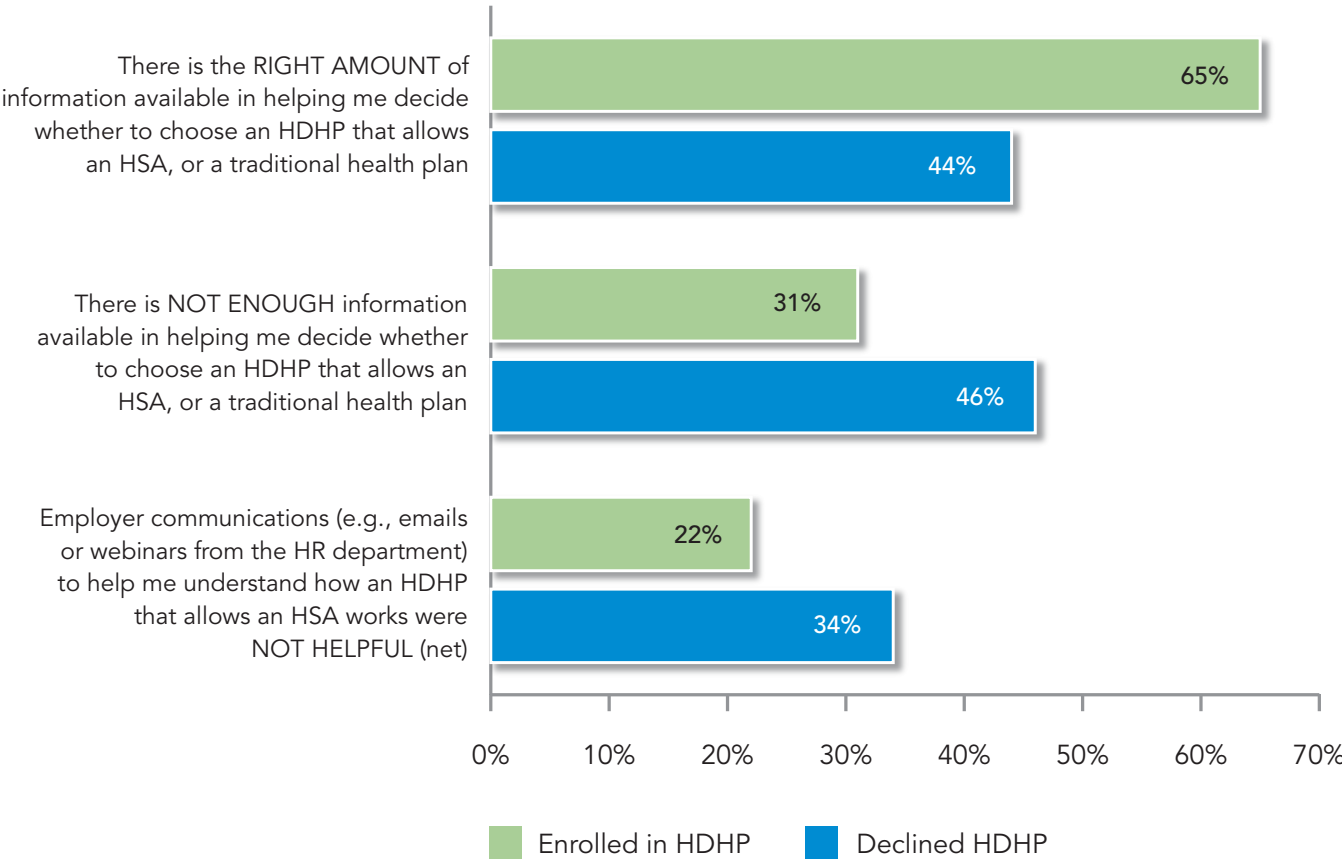


Figure 10 shows that among those who declined to enroll in an HDHP, nearly half responded that there is not enough information available, and about a third indicated their employer’s communications about how HDHPs/HSAs work were not helpful.

FIGURE 10: AVAILABILITY AND HELPFULNESS OF RESOURCES





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SUMMARY

While HDHPs with HSAs offer value and flexibility to participants, they are far from understood. Employees are not clear on the benefits of HDHPs/HSAs, including their possible use as a long-term savings vehicle to pay for qualified medical expenses including those in retirement. While HSA account holders are satisfied with their decision to enroll in HDHPs and are generally pleased with the financial incentives available, a lack of awareness and inertia are the two principal barriers to increasing engagement. Employers have an opportunity to expand their education efforts in the workplace to promote better understanding of HSAs and their benefits.

Suggested action steps for employers:

- Since survey respondents see their employers as the most influential source of health benefits information, you can help your employees to make a more informed choice about your HDHP paired with an HSA. Start early and provide clear messaging about their benefits and features, not just at Open Enrollment, but all year long.
- Keep it simple. Stress the basics of HDHPs to drive employee interest and engagement with HSAs. With out-of-pocket healthcare expenses in retirement predicted to rise, employees need help to better understand the advantages of saving in an HSA now versus later.
- When introducing an HDHP/HSA for the first time, “Go Big” by utilizing all available employee communications channels, including HR portals, email, print, employee meetings, and even social media.

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