

The Actual Cost of a “Free” HSA

FREE HSA? BUT IS IT REALLY?

SPOILER ALERT: IT'S NOT!

Despite a steady increase in consumer demand for health savings accounts, employers – even those that already offer an HSA-eligible high-deductible health plan—may struggle to see the value in offering an employer-sponsored HSA program.



EXPECTATION



REALITY



THE COST

Hefty additional costs per employee

Substantial FICA tax savings per employee

THOUSANDS OF DOLLARS

Let's look at some numbers:

If your TPA charges \$2.75 per employee per month in HSA administration fees and you, the employer, have 100 employees contributing to their HSA, you might second guess whether spending \$3,300 per year is worth it.

Now let's assume those 100 employees contribute \$2,000 a year each into their HSA through their pre-tax payroll deduction contributions. Based on the FICA tax rate of 7.65%, you'll save \$15,300.

That covers the administrative costs and still leaves you with \$12,000 in savings!

Wasted administrative expense for a low-maintenance account.

Unfamiliarity with an HSA's versatility

INEFFECTIVE (OR NON-EXISTENT) ALLOCATION OF FUNDS DUE TO LACK OF EDUCATION

The similarities between an HSA and a 401(k) lead many to believe they are both equally hands-off. While a 401(k) is basically the crockpot of savings accounts where you can set your contribution amount and then forget about it, the versatility of an HSA allows participants to be much more involved. With the support of your TPA, educating your participants on how to maximize their HSAs and encouraging adoption ends up being as low maintenance as you thought it would be!

Speaking of education, don't you think it's time to find out what “additional fees may apply” actually entails? Does your benefits package offer the value you think it does? Many of the “Free HSA” options result in hidden fees for your participants, such as fees for moving their investments around. These surprise fees can hurt your adoption rates, plus if these are benefits you're providing does it really make sense to make your participants pay out of pocket just to use them?

Pro Tip: Make sure you're choosing the right benefits administrator who can clearly identify fees and point out any hidden fees.

High Risk
Low Reward

No Risk
No Reward

UNATTRACTIVE BENEFITS PACKAGES AND UNEDUCATED EMPLOYEES

There's a misconception that adding an HSA will lead to a more complex Open Enrollment experience. One study showed only a 12% HSA adoption rate for the first year they are offered. So why risk making Open Enrollment more complicated? One of the reasons behind that low adoption rate is because “High Deductible Health Plan” tends to scare off participants. Get you a TPA that makes your participants understand what “High Deductible Health Plan” really means.

The growth of HSA popularity is undeniable, especially once we help get you over those initial adoption hurdles. Don't let your benefits package become outdated by leaving an HSA option. From 2018 to 2020 the amount of invested HSA assets doubled (and then some!) because of having more educated account holders.

The Solution:

CHOOSE A TPA THAT IS WELL EQUIPPED TO PROVIDE EXCELLENT PARTICIPANT EDUCATION AND FACILITATES HIGHER ADOPTION RATES AND CONTRIBUTIONS. THAT MEANS SAVINGS FOR EVERYONE!



Ready to get started? Have more questions? Reach out!

Learn More about HSAs at [BenefitResource.com](https://www.benefitspro.com)

Stats and studies taken from <https://www.benefitspro.com/2021/03/24/the-importance-of-educating-employers-on-hsa-program-fica-savings/> and <https://www.devenir.com/wp-content/uploads/2020-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>