

The health savings and spending customer journey

The importance of providing comprehensive guidance every step of the way: 5 stages of health savings and spending

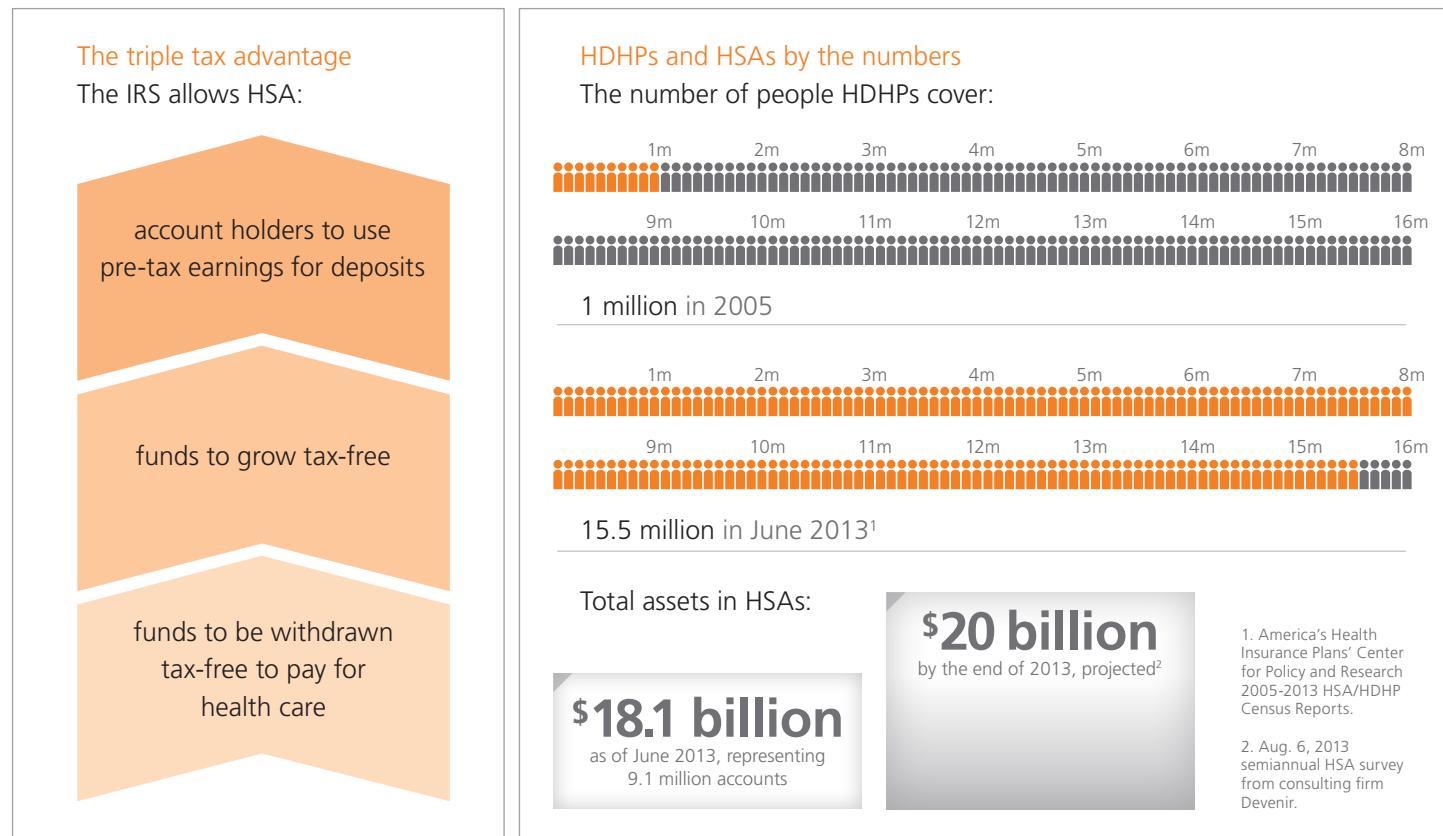
By Barb Page, senior director of marketing for Optum Financial Services

Introduction

Most people recognize that health care is one of life's basic necessities. But for many consumers, how they finance their care is not likely their favorite topic of conversation. Indeed, discussions of health plans and benefits can be both confusing and intimidating for people. Ongoing changes in the health care industry however, have led a growing number of consumers to take greater control of their health care dollars, often through vehicles such as health savings accounts (HSAs), health reimbursement account (HRAs) or flexible spending accounts (FSAs).

HSAs, one account option, are available to high-deductible health plan (HDHP) members as a way to help them manage the higher out-of-pocket costs related to HDHPs. By allowing members to set aside pre-tax earnings for qualified medical expenses, HSAs enable consumers to use their dollars more wisely. In addition, funds within an HSA grow tax-free, and the funds are not taxed when they are withdrawn from the account to make payments, resulting in a triple tax advantage for consumers. As a result, these vehicles are becoming an increasingly important and prevalent part of consumer health care and consumer-directed health plans.

In addition, the reality is your HSA is always yours — you do not lose it and can take the account with you even when you change health plans or leave your job.



Five stages of the health savings and spending consumer journey

To better understand the journey that consumers undertake when they open and use an HSA*, Optum BankSM, Member FDIC, developed a proprietary model that explains consumer goals, mindsets and activities. The model can be used to deliver relevant messaging to members based on their profile and what stage they are in. This can drive savings behavior and thus better health care decisions. **The five stages of the journey are: Decide, Open, Use, Manage, and Optimize.** Within each of these stages, consumers face a variety of goals, pain points and activities.

1. Decide

Goal: Potential enrollees must first explore the option and ask: Do I have a qualified HDHP (minimum deductible of \$1,250 for an individual, \$2,500 for a family)? If so, should I open an HSA? Why do I need an HSA?

Mindset/pain points: During this time, some consumers will feel anticipation and enthusiasm for a tool that can help them better manage their health care finances. Others will be confused or even intimidated by all the information they're receiving. Some will even be skeptical and resistant.

Activities: Consumers become aware of HSAs through various channels. They may attend member benefits meetings, read literature, chat with colleagues or friends, or see an advertisement about HSAs. During this decision-making process, they want to know how an HSA works and how it can help them with their health care needs. They want to understand the benefits and risks, as well as how payments and other processes differ from their existing insurance plans. Decision makers want to find information that helps them answer preliminary questions, such as:

- What are my contribution options?
- How much will my employer contribute?
- What are the tax implications?
- Will I end up paying more for my health care than last year?
- What is the right decision for me?

2. Open

Goal: Consumers want to set up their account and complete the HSA application documents properly, ideally in a single encounter and with minimal thought and effort.

Mindset/pain points: At this stage, consumers may feel uncertain and anxious about their new HSAs and the enrollment process. Others may consider the new processes as "just paperwork" and feel little anxiety.

Activities: During the enrollment process, account holders will forecast their health care spending for the year and calculate their contribution to the HSA based on their cost and savings plans. They will review account materials and activate their Optum Bank Health Savings Account Debit MasterCard®. The questions at this stage are more operational:

- What do I do the first time I have a doctor visit?
- How do I use my debit card?
- Who do I call with questions?

*Many of the 5 stages also apply to other health savings and spending accounts, such as HRAs and FSAs.

3. Use

Goal: Account holders want to obtain basic value from their accounts by ensuring HSAs have sufficient funds for upcoming expenses and that payments are properly made.

Mindsets/pain points: Users may feel confident and in control about setting aside money on a pre-tax basis, watching it grow tax-free, and taking tax-free funds out of the account. The savings attributed may give them peace of mind. Others may feel overwhelmed or irritated with the number of decisions they need to make, or even cynical about the HSA and fear that it won't provide the intended benefits.

Activities: Account holders will begin saving by making deposits to the accounts, either through their employer or personal contributions, or both up to the IRS established contribution limits. Or, they'll contribute rollover contributions from other HSA accounts. They will forecast their health care costs for anticipated and unanticipated services. Users will use their HSA funds to pay for health care services, medical products and prescriptions and use the HSA online bill-pay options. They will decide if they want to directly use the HSA funds to make the payments. For example, they might use an HSA debit card or they may wish to use a personal credit/debit card or pay cash for the service, and reimburse themselves from their HSA. Users will ask how to resolve mistakes they may make in using the HSAs:

- What if my forecasted expenses fall short? How do I make up for the gap?
- I paid out-of-pocket, what happens now?
- What retirement savings options do I have?
- Is the medical expense a qualified cost under my HSA?

4. Manage

Goal: Account holders want to keep up-to-date with account responsibilities.

Mindset/pain points: Some account holders may feel confident and empowered to take advantage of their HSAs. Others will feel burdened with how to use it properly and fear they are overlooking an important function of the account.

Activities: Users will learn the rules of reimbursement for payments made out of pocket — either intentionally or unintentionally. They will understand how to calculate amounts, transfer funds and confirm deposits. Users will perform routine maintenance, such as reviewing monthly statements, reconciling accounts, and tracking cash inflow and outflow. Users may also begin to manage their taxes by transferring pertinent information to tax forms or sharing the information with their accountants. Finally, users will learn how to make changes to accounts, such as with account settings, product types or amount of payroll deduction. The questions they may still have include:

- How much can I reimburse myself, and for how long can I go back in time?
- How does this get reported to the IRS?
- What are some other plan options?

5. Optimize

Goal: Account holders want to get the most value out of their accounts by saving for the longer term.

Mindset/Pain Points: Some users will be confident and proactively invest in mutual funds for the longer term, while others may be intimidated by investing.

Activities: Account holders will set up an investment account, decide how much to invest, select the funds and monitor returns. An investor may, for example, roll over a certain amount from an HSA into a mutual fund. They may also transfer funds between their HSA cash and investment accounts and rebalance the portfolio as the market changes. They may become better at forecasting their health care costs and understanding how to integrate their HSAs into their broader financial planning picture.

Investors may still have many questions, but ultimately, they want to know:

- How can I use my HSA to improve my long-term financial health?
- How much money will I need in retirement to pay for my health care?
- Can I use HSA money to pay for health care in retirement?

Tips for health plans

As your members move through these stages, consider these tips to help them progress through their journey:

- Understand what stage your members are at in the journey
- Make sure you provide educational materials on HDHPs and HSAs
- Ensure that benefits managers are knowledgeable about HSAs
- Provide a call center or a representative your members can call with questions
- Explain and discuss HSAs at member benefits meetings
- Seek member feedback on how well they are understanding and using their HSAs
- Understand your population metrics: How many members have opened an HSA? How many members have an HDHP but did not open their HSA? What are the average balances of your member HSAs? Are they saving enough? Are any of your members thinking longer-term and investing their HSA dollars in mutual funds?

Meeting the challenge

To develop this journey map and understand who these consumers are and what their journey from “deciding to open an account” to “optimizing their account” entails, Optum researched its existing account holders and developed profiles of their HSA consumers.

The work included examining hundreds of HSA-related documents and interviewing key stakeholders, such as Optum executives, Optum Bank customer service representatives, and product and sales teams, many of whom have direct interaction with consumers. Optum wanted to know: What questions do these customers have? How knowledgeable and sophisticated are they about HSAs? How active are they in using their accounts? How can we help health plans engage with them better to be prepared?

To discover this, Optum also did ethnographic research on consumer financial and health savings behavior, as well as a weeklong, moderated online discussion board with more than 350 consumer participants ages 25 to 64.

Optum then paired this data with HSA usage metrics that investigated: How long does it take for account holders to fund their accounts? How often are HSA funds used for making health care payments? Are they making payments online or using the HSA debit card? How do account holders invest their funds as their account balance grows?

"This research really helped Optum gain greater understanding of the consumer behavior to understand their needs," says Zahoor Elahi, SVP, Optum Financial Services. "Through it, we can help health plans determine where their population is at and develop engagement opportunities to help people better prepare for their health care needs."

Overall, Optum found that 85 percent of account holders contribute funds to their HSAs, but much fewer use their account features to their full potential. Consumers use various sources to understand HSAs, and they use multiple methods to fund and manage their accounts. In addition, their understanding of how HSAs can be used for retirement planning also varies. The bottom line: To be proactive and prepared to take on greater responsibility for their health care needs, consumers need education and guidance on each step of the journey.

HSA consumer profiles

Optum HSA consumer profiles can help health plans better understand their member populations, which can lead to better opportunities for engagement and behavior change. The four distinct profiles of HSA account holders are*:

- **Traditionalists:** At an average age of 49, traditionalists have the second-highest HSA balance (\$2,056), but they tend to struggle overall with managing their health care costs. They are the core American group who respond well to open and simple dialogue about HSAs. Traditionalists represent 22 percent of Optum Bank HSA holders; 1.27 percent have investment accounts with balances at a level that they can invest their HSA dollars in mutual funds. Promoting the use of HSAs as part of their financial planning is critical — especially for health care expenses during their retirement years.
- **Active families:** The average age of this account holder is 44, and their average HSA balance is \$1,872. This group is mainly interested in achieving a work-life balance. Active families make up 20 percent of Optum Bank HSA holders, and 1.6 percent have investment accounts. Active families will benefit most from help ensuring their HSA can, at a minimum, cover their deductibles and out-of-pocket maximums for the year, as well as assistance with preparing for unexpected expenses.
- **Stretched singles:** As the youngest group (average age 37), singles have the lowest average income and net worth and contribute the least amount to their HSA, with an average balance of \$1,165. Singles are however, the second-largest group of Optum Bank HSA holders, totaling 27 percent. Typically, this group has a low propensity to invest their HSA balances for long-term growth — less than 1 percent have investment accounts. Stretched singles would benefit most from longer-term savings planning.
- **Achievers:** Not surprisingly, achievers (average age of 48) have the highest average income, net worth and HSA balance (\$2,072). Although they have a moderately high propensity to invest, they may not be contributing all they can to their HSAs. Achievers comprise 30 percent of Optum Bank HSA holders; 2.5 percent have investment accounts. As a catch-up advantage, the IRS allows those 55 and older to contribute an additional pre-tax \$1,000 in their accounts. Understanding this benefit — along with how they can use their HSAs to plan for retirement — could help achievers be more prepared in retirement.

Why HSAs?

As health care costs continue to rise and consumers become more responsible for managing those qualified medical costs, an HSA can help plan members prepare for both expected and unexpected expenses. Consumers appreciate having options, but they need help understanding both the fundamental and substantial roles these vehicles can play in their near and long-term savings goals.

At their basic level, HSAs can help members plan and pay for their health care. However, HSAs are more than just insurance vehicles that must be adequately managed; savvy users will view HSAs as investment vehicles that can help them in their financial planning for retirement.

The challenge is that, for many people, the journey from opening an HSA to managing and using an account wisely can be a long one with many varied steps along the way. Consumers often require extensive guidance to manage this journey successfully. Getting members enrolled in an HSA is only the first step. As consumers move through the HSA journey, it's imperative to help answer their questions and understand their options.

"The goal is not just about making consumers aware of health savings accounts, but helping people leverage the value of it," Elahi says. "It's like a lifelong educational requirement to help consumers along this journey of being prepared to pay for their health care and therefore, making better health care decisions."

About Optum and Optum Bank

Optum is a leading information and technology-enabled health services business dedicated to helping make the health system work better for everyone. With more than 35,000 people worldwide, Optum delivers intelligent, integrated solutions that modernize the health system and help to improve overall population health.

Optum BankSM, Member FDIC, is a part of the financial services unit of Optum, a health and wellness company serving more than 60 million people. Optum Bank is solely dedicated to health care banking with more than 10 years of experience managing HSAs. With more than 1 million HSA holders and \$2 billion in assets**, Optum Bank is uniquely positioned to guide consumers along the journey from opening to optimizing an HSA. Extensive research has empowered Optum with the knowledge and tools to understand consumers and the reasons behind their financial habits and decisions. By developing customer profiles and understanding their journey, Optum can help health plans more fully understand the health care savings needs of their members populations and, in turn, help these members take ownership of their health care finances.

For more information, visit optumbank.com.

* Based on Optum 1M HSA owners.

** as of September 30, 2013.

About the Author:

Barb Page is the senior director of marketing for Optum Financial Services. She is responsible for marketing strategy for Optum Bank products including commercial lending, health savings and spending accounts. Barb also leads marketing for several other Optum solutions including stop loss, electronic payment systems and digital solutions. Barb has over 25 years of financial services and health care marketing and business experience. Barb is a licensed RN and has worked in adult intensive care and neo-natal intensive care units. She has a Bachelor of Individualized Studies in Journalism and Marketing and a Master of Business Communications from the University of St. Thomas and recently graduated from Bethel University with a Bachelor of Science in Nursing, Public Health Nurse certification and a Master of Science in Nursing and Health Care Leadership.



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Health savings accounts (HSAs) are individual accounts offered by Optum BankSM, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. State taxes may apply. Fees may reduce earnings on account. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment, and restrictions. Federal and state laws and regulations are subject to change.

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