

## The 5 Stages of Health Saving and Spending and the Health Finance Journey Model™

Using analytics to create a best-in-class employee engagement program



### **You've migrated to a health plan with an HSA. Do your employees understand it?**

Employers of all sizes are adopting consumer driven health plans (CDHPs) as an effective way to keep costs down while providing employees with quality health care. In 2014, nearly three quarters of companies with more than 1,000 employees offered high-deductible health plans linked to health savings accounts (HSAs) or health reimbursement arrangements (HRAs) and another 9 percent said they planned to add them in 2015.<sup>1</sup>

Despite the enthusiasm for CDHPs and their accompanying health accounts, employees struggle to understand them. Only 30 percent of HSA participants passed a basic HSA proficiency quiz.<sup>2</sup> And a recent survey found two-thirds (65 percent) of respondents simply do not understand how an HSA works.<sup>3</sup>

Also lacking among employers and employees alike is an understanding of the HSA as a retirement vehicle. By saving tax deferred for current and future qualified health care expenses, an HSA balance can pay for health care expenses in retirement.

It's clear that employees are lacking guidance in how these accounts help them save and pay for qualified health care expenses, and that there is a gap between what the employer provides and what the employee needs.

**What do employees need?** Information that is relevant to them along with education on the purpose and benefits of an HSA, focusing on how they can make the most of it to save for health care needs in the short term and in retirement.

**What do employers need?** They need help providing the right tools and programs to educate employees so they understand the HSA and the potential it offers.

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## Bringing clarity to the HSA experience with the health saving and spending journey

To bridge the gap between what employees and employers need, in January 2014, Optum Financial launched the 5 Stages of Health Saving and Spending — a proprietary behavioral model based on consumer research and analysis of the HSA experience. The model maps an employee’s health care saving and spending behavior across 5 Stages: Decide, Open, Use, Manage and Optimize.



## Building on the 5 Stages with the Health Finance Journey Model

The Health Finance Journey Model builds on the 5 Stages by providing the employer with a data-driven understanding of their employees’ progress across the 5 Stages. Together, the 5 Stages of Health Saving and Spending and the Health Finance Journey Model are tools for employers to understand where employees are in their journey. The data and models drive an actionable marketing plan that provides the right message at the right time so employees can make the most of an HSA for health care needs now and into retirement.

For employees, these tools educate them on their accounts, making them more relevant to their lives. Greater knowledge allows them to move to the next stage and increases confidence in their ability to save and pay for health care. In addition, migrating along the journey builds long-term wealth, increases preparedness for health care costs now and into the future, and saves on taxes.

For the employer, the Health Finance Journey Model increases HSA engagement by identifying employees who are ready to move to the next stage and creating programs to move them along the 5 Stages continuum. This helps ensure that you are helping to make health care affordable for your employees and it also saves you money on payroll taxes and, potentially, monthly maintenance fees.

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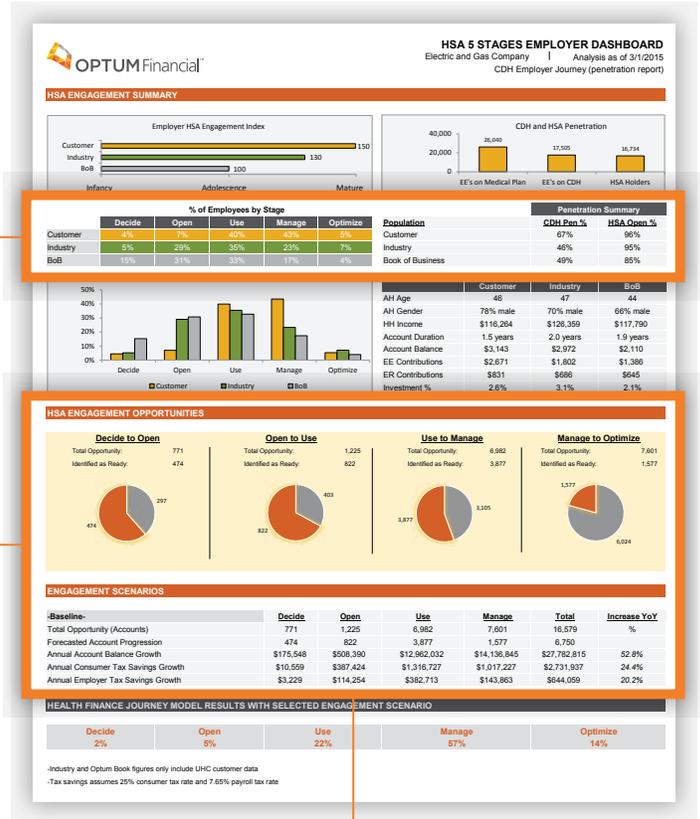
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### The Journey Model dashboard: Identifying your cost-savings opportunities

The Health Finance Journey Model captures analytics around the employee HSA experience in a customized employer dashboard. This resource captures how increasing engagement at the employee level (moving them across the 5 Stages) increases consumer wealth and tax savings for the employer and employee alike.

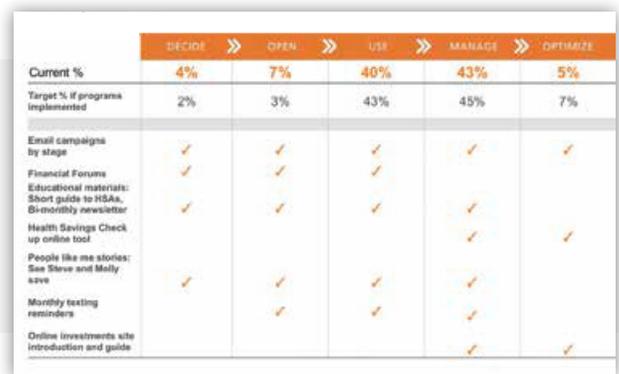
- Shows you where your employees currently are in their journey across the 5 Stages
- Shows you the penetration of your employee base into your CDHP and the penetration of HSAs that have been opened with the highdeductible plan
- Forecasts via a propensity model where your employees could be in the next 12 months by identifying opportunities for moving across the stages so employees are better prepared to save and pay for the health care
- Details how moving employees across each of the 5 Stages saves your organization payroll taxes and, potentially, monthly maintenance fees

The 5 Stages is a unique behavior model that — when combined with the Health Finance Journey Model data — leads to meaningful recommendations to help solve issues and engage members. This information is only available from Optum Financial for clients.



### The Health Finance Journey Model helps

Optum collaborate with an employer to create a custom marketing plan based on the stages employees are in.



## Who is on the journey?

The 5 Stages of Health Saving and Spending model includes rich, relevant account holder profiles for individuals in each stage. These profiles provide valuable insights into education and income levels, household composition, HSA activity, claim activity, clinical risk, and engagement with wellness programs and services.

This data comes from a variety of sources and includes demographics, behaviors, attitudes and lifestyles; HSA and engagement data; and claims data. Pairing the profiles with data that illustrates what percentage of employees are in each stage reveals behaviors and opportunities. Each group is different in terms of its finances, demographics, attitudes, health and wellness beliefs, credit scores and buyer behaviors.

Interestingly, Optum Financial’s research shows that the journey across the 5 Stages is largely in sync with a natural life progression. Younger populations tend to have more individuals in Open and Use while older populations tend to have a higher composition of individuals in Manage and Optimize.



**Individuals in the Open stage typically have single health care coverage and no children.** At this point in their lives, they’re not thinking much about their health care or saving for it in their HSAs. They don’t need a lot of care, and when they do need it, they’re more likely to spend money on out-of-network care. They generally spend less on preventive services and more on emergency room care.

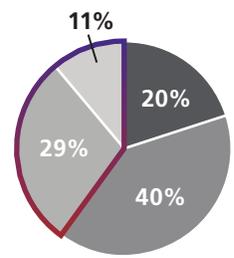
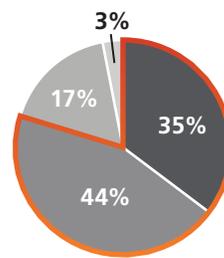
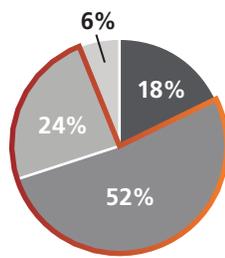
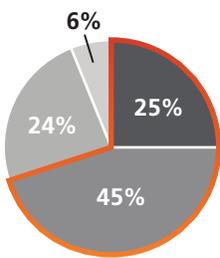
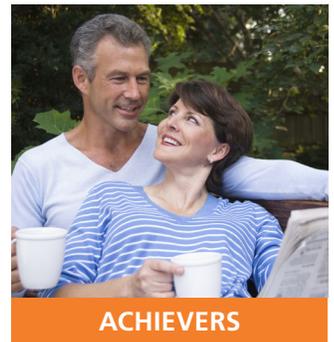
**This category is often reflective of people who are family oriented with children.** They actively use the health care system with a lower proportion spent on preventive services and a higher proportion spent on emergency room services. They have a higher prevalence of chronic conditions.

**Employees in the Manage stage may have children close to college age or out of college.** As a result, they’re not spending as much on health care. They have an average prevalence of chronic conditions, spend more on preventive services and use the emergency room less frequently.

**This is the oldest demographic, populated by employees considering retirement and whose children are mostly out of the house.** They spend the least on health care. They have the highest spend on preventive services and the lowest emergency room and out-of-network spend.

Beyond understanding the stages and the profiles of account holders within each stage, Optum Financial also wanted to study consumers who have HSAs and the reasons behind their financial habits and decisions. Optum Financial identified four distinct profiles within a large HSA population of over 1 million accounts: Traditionalists, Active Families, Stretched Singles and Achievers.

By blending the HSA demographic segmentation with the Health Finance Journey Model behavioral segmentation, we can further identify the right message to deliver at the right time and which consumers are likely to move to the next stage and optimize their accounts. For example, we know that Traditionalists skew toward the Open and Use stages, Active Families toward Use and Manage and Stretched Singles toward the Open and Use stages. Out of all of the segments, Achievers represent the greatest percentage of account holders trending toward the Manage and Optimize stages. Optum can recommend engagement strategies to move them through the journey.



**Segmentation includes profiles of account holders** within each of the 5 Stages as well as HSA participants and their financial habits.<sup>4</sup>



## Research into the journey

The entire health care saving and spending journey can be confusing for employees. This puts an added burden on employers' human resources teams who may or may not have the information needed to answer employees' questions and help guide them. Health care today is very complex, and employees don't often have the time or patience to figure it out. They need help understanding how to get the most from their benefits and HSAs.

Optum Financial conducted qualitative research to better understand the consumer journey through the 5 Stages and the potential barriers to move from stage to stage. Fusion Hill, a Minneapolis-based research team, conducted 10, two-hour focus groups, five in Houston and five in New York. Two groups were identified for each stage: Decide, Open, Use, Manage and Optimize.

Here are insights into barriers moving from stage to stage and understanding their HSAs:

- Generally, participants say they are **routinely frustrated as they try to financially navigate the health care system.**
- Nearly all say that having a high-deductible health plan has **impacted how they think and make decisions about seeking health care.**
- Due to their high-deductible plan, many say they are now **taking more ownership of their own well-being.**
- Even though they feel more in charge than before, they have **no idea how much health care does or should cost.**
- Most are **not fully aware of the purpose of the HSA** and/or what financial benefits it could provide.
- Nearly all participants say their company's **human resources department did not have the resources to adequately educate them** on the benefits of the HSA and how to use it.
- Nearly all participants say the **biggest barrier to moving forward** in their journeys with their HSAs or doing more with their accounts is **knowledge about the options available.**
- Almost all participants say the **Optum Financial proprietary 5 Stages of Health Saving and Spending model helped them better understand the potential stages a person can go through with their HSA.** Many say they **wish it had come with their enrollment packet** and would have made them think about, use and/or manage their HSA differently because it illustrates where they need to get to.
- An overwhelming majority say **they want more information about how to optimize their HSA.**

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and employees don't often have the time or patience to figure it out. They need help understanding how to get the most from their benefits and HSAs.



## Opportunities moving forward

Employees are asking for more information about how to optimize their HSAs. They want simple materials — like the 5 Stages — that help them easily understand how to use, save and invest with their health account. Finally, they want access to an HSA professional — someone who can help them get smart about their account and the potential it offers.

There is more to know about employee decisions when enrolled in a CDHP. Currently, Optum Financial is studying the relationship between health savings engagement and how it relates to health care utilization. Specifically, are consumers who engage more with their HSA more likely to make better decisions about their health care?

Optum Financial is taking insights from its research to further target messaging within each stage to either encourage progression to the next stage or — when appropriate — retain members in their current stage.

We're closely studying our account holders and their progression across the 5 Stages. Using the Health Finance Journey Model data, we initially determined that we could successfully move a percentage of account holders from stage to stage simply with emails. We expect that by applying additional programs and communications we will increase the percentage of account holders progressing across the 5 Stages.

For employees, this means they will have the education and resources needed to better understand their HSAs so they can use them to plan and save for health care now and in the future. For employers, it means support from Optum Financial that will provide greater insight into the progress employees are making in their HSA journeys.

## Increase engagement among your employees

Optum Financial can help clients increase HSA engagement among their employees. Beginning with a customized Health Finance Journey report, we show you where your employees are today in their health care journeys, identify opportunities for progression across the 5 Stages and share recommendations for increasing engagement. If you would like information on Optum Financial HSAs or the 5 Stages of Health Saving and Spending and Health Finance Journey Model, contact your Optum Financial representative today.

## About Optum and Optum Financial

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 Financial is the financial services unit of Optum, a health and wellness company serving more than 60 million people. Optum Financial is solely dedicated to health care banking with more than 10 years of experience managing HSAs. With more than 1.5 million HSA holders and over \$3 billion in assets,<sup>5</sup> Optum Financial is uniquely positioned to guide consumers along the journey from opening to optimizing an HSA. Extensive research has empowered Optum Financial with the knowledge and tools to understand consumers and the reasons behind their financial habits and decisions. By developing customer profiles and understanding their journeys, Optum Financial can help employers more fully understand the health care savings needs of their employee populations and, in turn, help these employees take ownership of their health care finances.

## Increasing HSA contribution rates

In summer 2014, Optum Financial measured the effectiveness of messaging for the individuals in the Open, Use, Manage and Optimize stages with an **email campaign to 643,000 account holders**. The campaign generated an annualized **lift in HSA payroll contributions of \$5.2 million — a 154 percent return on investment**.



**643,000**  
account holders



**\$5.2 million**



**154% ROI**

### Why is this important?

It demonstrates that using the 5 Stages as framework for communications can dramatically increase HSA engagement among employees so they're better prepared for health care expenses.

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