

HSA BANK HEALTH & WEALTH INDEXSM

HSA-Based Plans Drive Engagement Among Consumers

2018



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RELEASED: MARCH 7, 2018

INTRODUCTION

The convergence of health and wealth is a prominent topic among employers and benefit consultants. With the high cost of healthcare services in today's marketplace, it's more important than ever for healthcare consumers to focus not only on their physical health but also on their financial health. And for consumers entering retirement age, particularly the baby boomer generation, physical health and its potential costs are a top concern. This uneasiness is compelling some consumers to work well into the typical retirement years, increasing healthcare costs for employers.

Educating employees on how to manage their healthcare finances alongside their physical health may help prepare them to balance the decisions and costs associated with healthy living and healthcare, both in their working years and in retirement. In an effort to empower individuals to own their health, the HSA Bank Health & Wealth IndexSM reveals how modern-day consumers are faring when it comes to financial and physical health and provides insights into their behaviors. Equipped with these findings, employers and benefit consultants will be able to identify, develop, and implement effective benefit programs that put their employees and clients on the path to a healthy physical and financial future.

OVERVIEW

Many factors play a role in physical and financial health. HSA Bank developed a questionnaire that addresses some of the main factors, providing insight into consumers' engagement level in managing their health and health-related funds. More than 1,000 randomly selected U.S. adults completed the questionnaire. Respondents were asked a series of questions about their health plan enrollment status, health practices, ability to pay for health-related expenses, and confidence in their own health and wealth. HSA Bank assumes that consumer participation in these activities results in greater engagement when it comes to physical and financial health. Types of questions consumers were asked included:

- 1 How often do you consider cost when selecting health services?**
- 2 How often do you save for health-related expenses?**
- 3 Do you feel prepared to cover health-related expenses?**

4

Which preventative health services do you receive?

5

How confident are you in your physical health?

6

Have you made lifestyle changes to improve your health?

OUTCOMES

Respondents received an overall index score made up of their individual scores for engagement in both health and wealth. The maximum score was 44 for health engagement and 56 for wealth engagement for a total of 100 possible points. Respondents were then grouped into four categories that identify how they rank for both physical and financial well-being: optimally engaged, highly engaged, moderately engaged, and minimally engaged.

The average overall score for respondents was 62.4, resulting from a 31.3 point (71 percent) average for the health score and a 31.1 point (56 percent) average for the wealth score.



To get your personal health and wealth index score, visit:
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MINIMALLY ENGAGED (0-39)

These consumers received an overall index score below 40. Positive ways for these consumers to improve their physical health include reducing their visits to the emergency room, making healthy lifestyle changes, and increasing the number of preventative care services they receive. In terms of financial health, these consumers can start improving by more frequently saving for health-related expenses, considering cost when selecting health services, and gaining a better understanding of their copays, deductibles, and out-of-pocket maximums.



MODERATELY ENGAGED (40-59)

Consumers who received an overall index score between 40 and 59 are somewhat engaged in the physical and financial aspects of healthcare. They may be stronger in one area but lacking in another, or they may be moderate in both aspects. Depending on the specific areas that need improvement, these consumers likely need to put a greater focus on obtaining more preventative healthcare services as well as saving for health-related expenses and considering cost when selecting health services.



HIGHLY ENGAGED (60-74)

Consumers who received an overall index score between 60 and 74 are highly engaged in managing their physical and financial health. They participate in over half of the initiatives we identified that consumers can take in order to manage their health and wealth.

These consumers are managing their physical health by limiting their visits to the emergency room, making lifestyle changes to maintain or improve their health, and receiving preventative care services. They are focused on the financial aspect of healthcare and look for ways to actively manage their health-related expenses. These consumers also make an effort to save for health-related expenses, consider cost when selecting health services, understand the financial impact of healthcare decisions (including their copays, deductibles, and out-of-pocket maximums), and are confident in their ability to cover unexpected medical expenses.

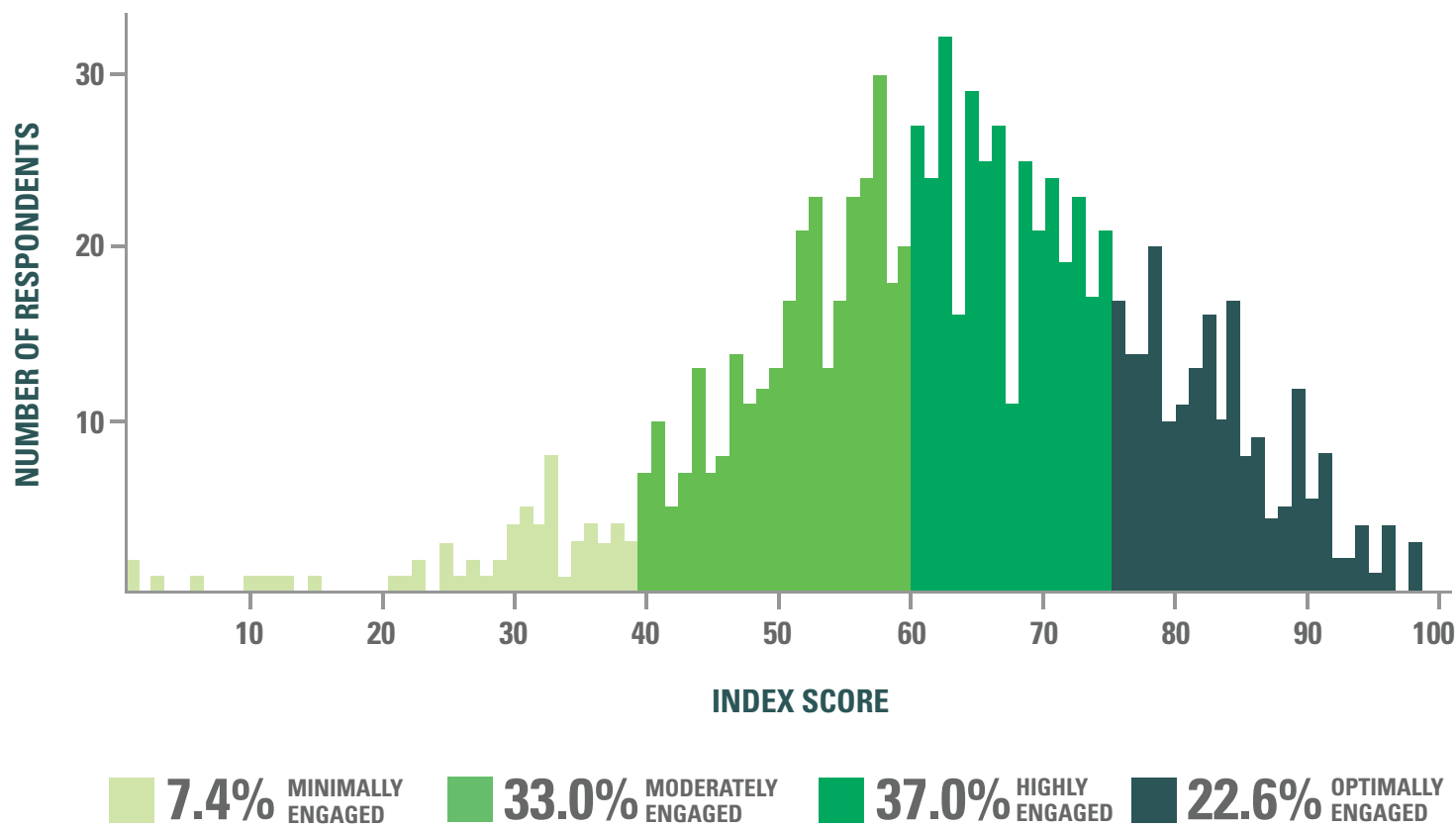


OPTIMALLY ENGAGED (75+)

Consumers who received an overall index score above 75 are in the optimal range. Generally, these consumers are actively taking steps to maintain or improve their physical health and health-related financial well-being. While there may still be room for improvement, the respondents in this category show the most engagement in ensuring the security of their physical and financial health.

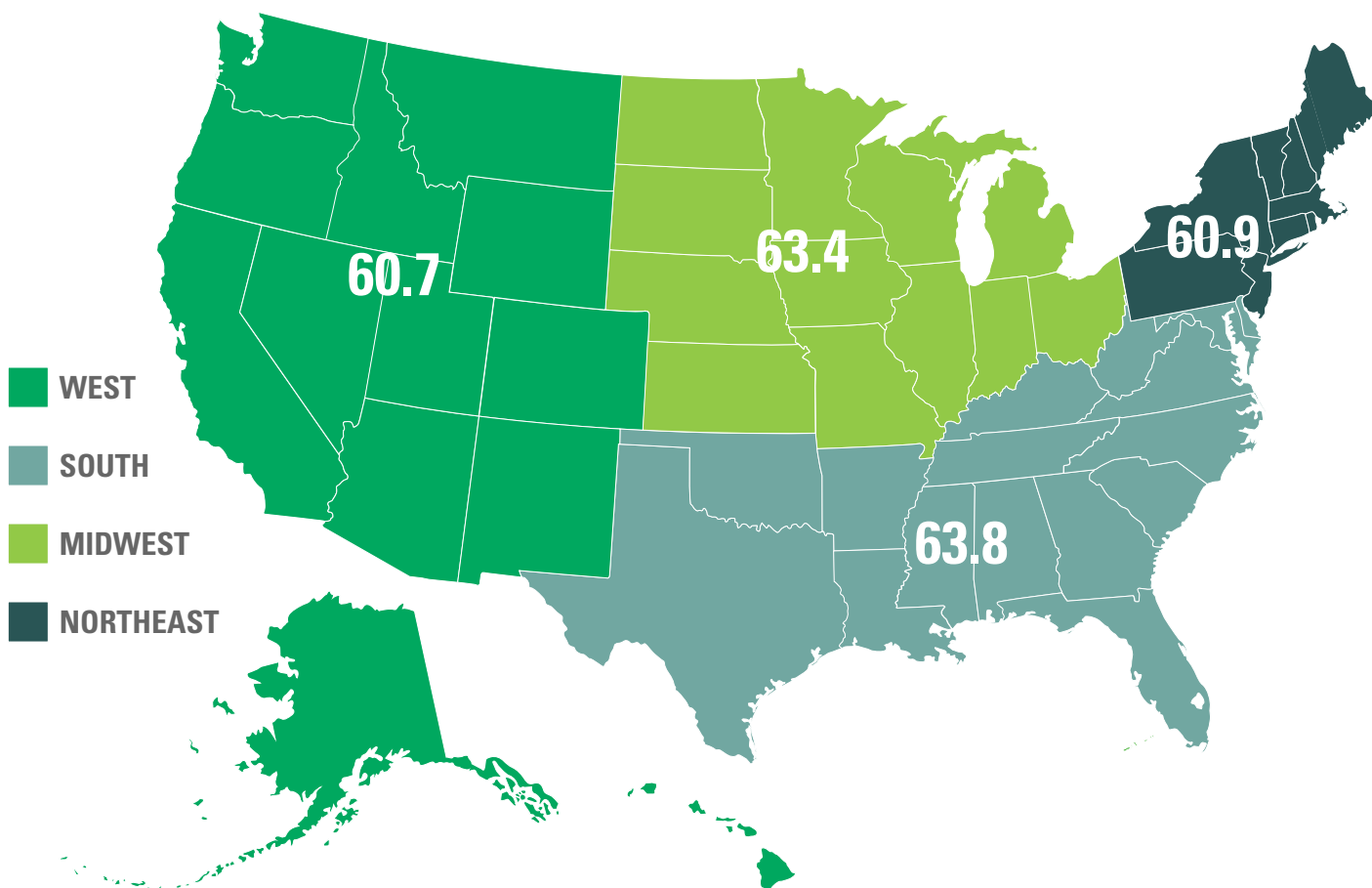
FREQUENCY OF INDEX SCORES BY CATEGORY

Consumer index scores are primarily above 40, with only 7.4 percent of consumers falling below this range. The majority (70 percent) of consumers fall within the moderately or highly engaged ranges with a score between 40 and 74. The most common index score is 62, which was received by 32 of the consumers surveyed and is close to the average index score of 62.4.



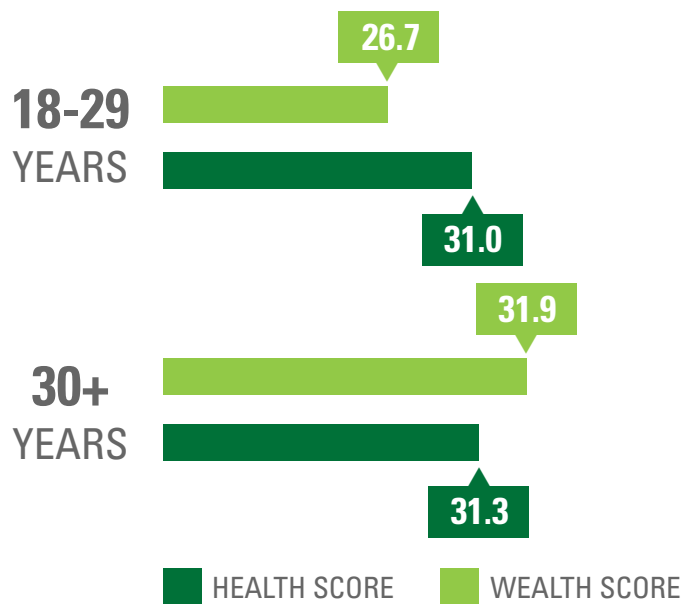
LOCATION

Consumers in the Midwest and South scored about three points higher than consumers in the Northeast and West on the index overall and two to three points higher on the wealth score. The lower wealth scores in the Northeast and West may be a result of the higher cost of living, which may limit consumers' ability to save for medical expenses and lessen their confidence in being able to cover unexpected expenses.¹ While consumers across the U.S. scored similarly on health engagement, consumers in the Midwest and West are the least engaged in making lifestyle changes to improve their health.



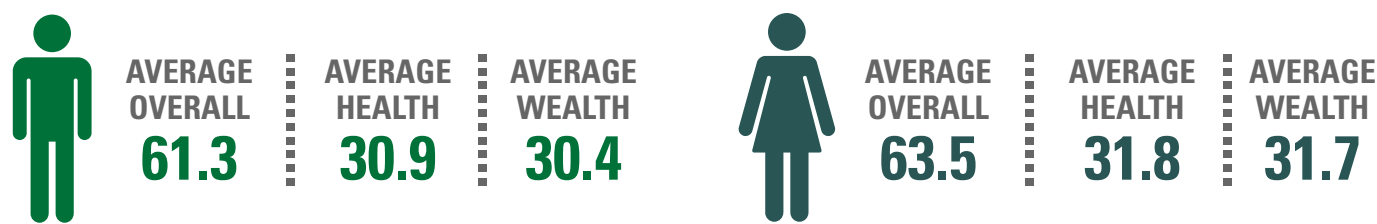
AGE

Young adults (18-29) are less engaged in their wealth compared to older adults (30+). Young adults have an average wealth score of 26.7 versus 31.9 for older adults. Consumer health engagement scores are similar regardless of age. However, consumers between 18 and 29 are more health confident while consumers older than 30 are more engaged in preventative health services and screenings.



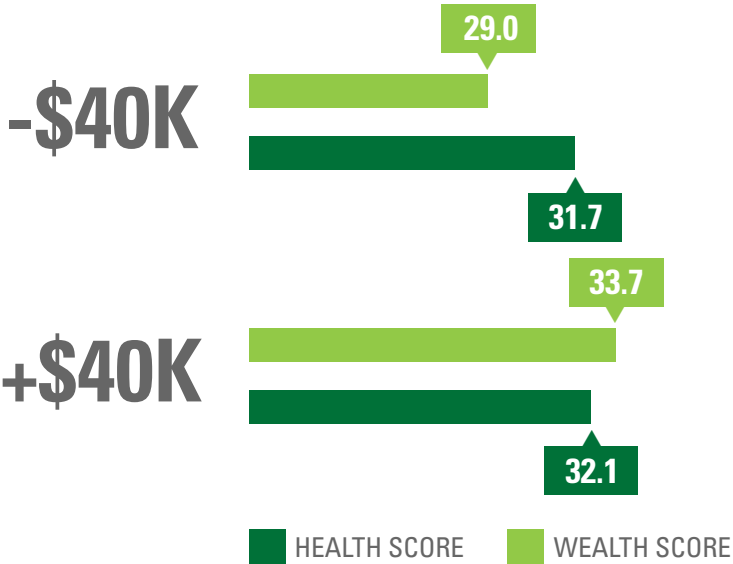
GENDER

There is a two-point difference in the overall index score between men and women, which can be attributed to women being slightly more engaged in seeking preventative health services and screenings as well as considering cost when selecting health services.



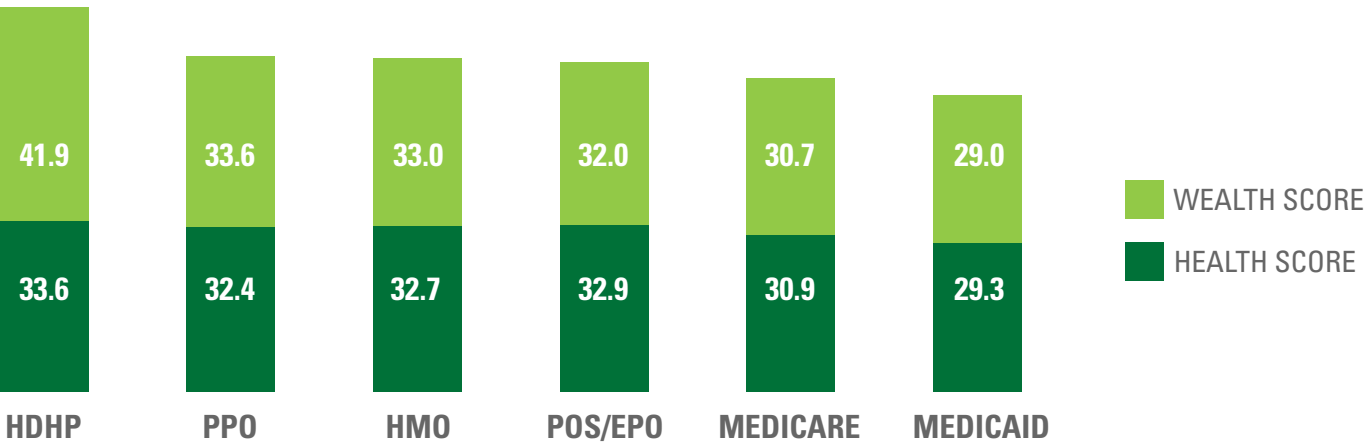
INCOME

Consumers with a household income of less than \$40,000 have a lower wealth score (29.0) than consumers with an income above \$40,000 (33.7). Respondent scores are relatively similar for health engagement regardless of income level. However, consumers with an income below \$40,000 are more engaged in making lifestyle changes to improve their health while consumers with an income above \$40,000 are more confident in their health.



HEALTH PLAN TYPE

The results show that individuals enrolled in a high deductible health plan (HDHP) with a Health Savings Account (HSA) received the highest overall index score (75.5), resulting from their generally higher scores in financial health (41.9). HDHPs often encourage consumers to be more engaged in the financial aspects of their healthcare decisions, which could be a key factor in the higher wealth score for those enrolled in HDHPs. This encouragement on the part of HDHPs typically includes reinforcement of positive healthcare saving habits and education about the importance of considering cost in the selection of medical services.



KEY FINDINGS

The three key findings of the HSA Bank Health & Wealth IndexSM point to interesting trends in consumers' level of engagement in their physical and financial health. The results show that, on average, consumers have room to improve when it comes to focusing on and understanding the financial side of healthcare. On the positive side, most consumers are paying attention to their physical health and engaging in healthy lifestyle behaviors. These findings demonstrate the opportunities available for employers, benefit administrators, and healthcare providers to further educate consumers on the various factors of physical and financial health.

1

Consumers can improve their focus on the financial aspect of healthcare.

2

Consumer confidence in health plan coverage does not align with financial literacy of health plans.

3

Consumers are making lifestyle changes to improve their health.

1

KEY FINDING

Consumers can improve their focus on the financial aspect of healthcare.

The HSA Bank Health & Wealth IndexSM findings indicate that over half of respondents participate in one of two healthcare cost-saving measures: saving money for future healthcare needs and considering costs when selecting health services. While this reflects positively on consumers' attention to the financial side of healthcare, over one third never engage in these cost-saving actions. In fact, 41 percent of respondents never save money for future healthcare expenses and 35 percent never consider cost in the selection of health services.

In addition, 63 percent of consumers do not have enough savings to cover a \$500 to \$1,000 emergency medical expense.² Overall, the survey reveals how much consumers would benefit from additional education on spending and saving techniques that contribute to financial well-being.

Millennials and healthcare finances

Millennials display a contradicting dynamic when it comes to healthcare finances. While they are saving money specifically for future healthcare expenses in similar frequency as other generations, millennials are also the generation that is the least likely to consider cost in the selection of health services and the least confident in their ability to cover an unexpected medical expense in the next year.

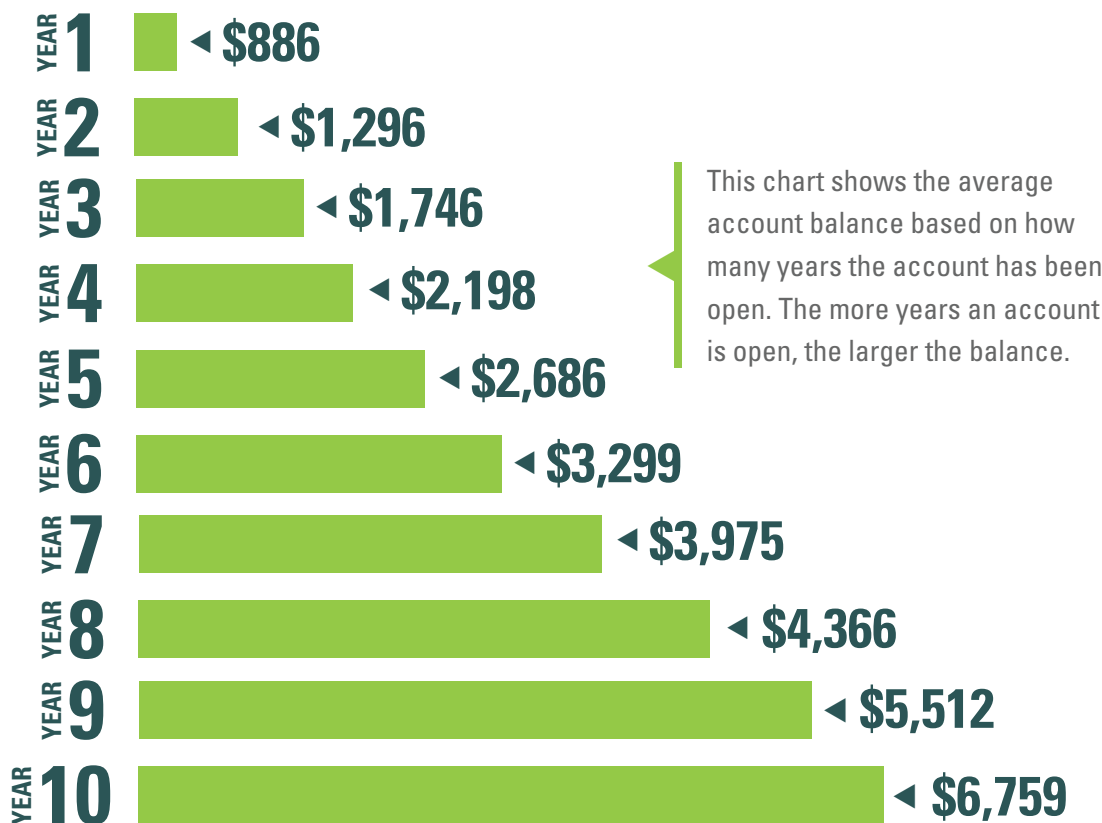
One explanation for these results is that millennials are aware of the high cost of medical services and the importance of saving to cover healthcare expenses; however, they remain overwhelmed by the thought of having to pay for medical expenses. They may not fully understand how to maximize their savings, or they may not be aware of cost-saving techniques like using cost-comparison tools, inquiring about the cost of medical services with their healthcare providers, or shopping around for healthcare services.

Those enrolled in an HDHP with an HSA take more initiative with their healthcare finances.

In general, individuals enrolled in an HDHP with an HSA are more likely to “frequently save specifically for future healthcare expenses” when compared to those enrolled in PPO, HMO, POS, EPO, Medicare, or Medicaid plans. HDHP consumers with an HSA are also more likely to frequently consider cost when selecting health services. These findings could stem from the way consumer-directed health (CDH) plans, such as HDHPs with an HSA option, often encourage consumers to take control of their health and healthcare finances. Typically, CDH plans put more responsibility on the individual to understand his or her coverage, plan for medical expenses, and inquire about the cost of services. CDH plans that also offer an HSA further encourage positive saving behaviors by providing consumers a tax-advantaged incentive to routinely save money for health-related expenses.

Average account balance rises each year

HSA Bank has found that the majority of consumers with HSAs save money in the HSA year over year, which indicates that long-term saving is possible with an HDHP.³ The average balance of accountholders continues to increase the longer the account is open.

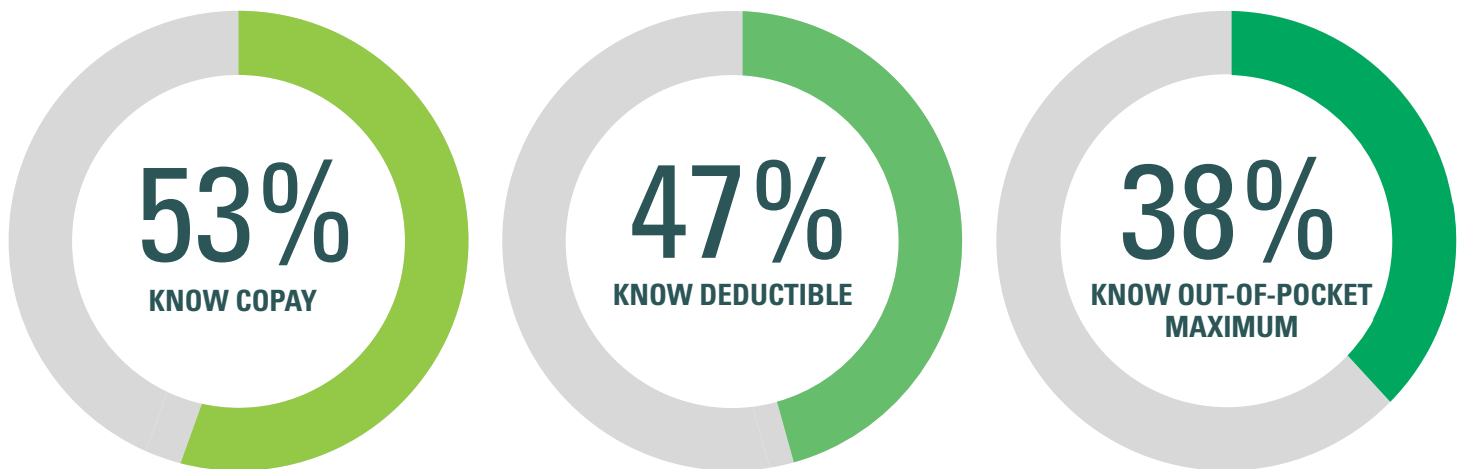




KEY FINDING

Consumer confidence in health plan coverage does not align with financial literacy of health plans.

The majority of consumers (83 percent) agree that their health plan coverage helps them attain the medical services needed while managing costs; however, 35 percent of consumers are not aware of their health plan's cost-sharing amounts, including the copay, deductible, or out-of-pocket maximum. Consumers' confidence in the effectiveness of their health plan's ability to help them attain medical services while managing costs is surprising given that many do not fully understand the financial implications behind the medical services they receive.



TYPES OF COST SHARING:

Copay: the amount consumers pay for routine services, such as doctor visits and prescriptions, as outlined by their health plan. The copay does not apply to the deductible.

Deductible: the amount that the consumer needs to pay for healthcare services before their health insurance covers any services, either in its entirety or as a percentage of the costs.

Out-of-pocket maximum: the absolute maximum a consumer pays annually for healthcare expenses, not including the premium.

How well do consumers know one of these amounts: copay, deductible, out-of-pocket maximum

The three demographic groups that are least likely to know their health plan's copay, deductible, or out-of-pocket maximum are 1) millennials, 2) consumers with an income of less than \$35,000, and 3) consumers with no college education.

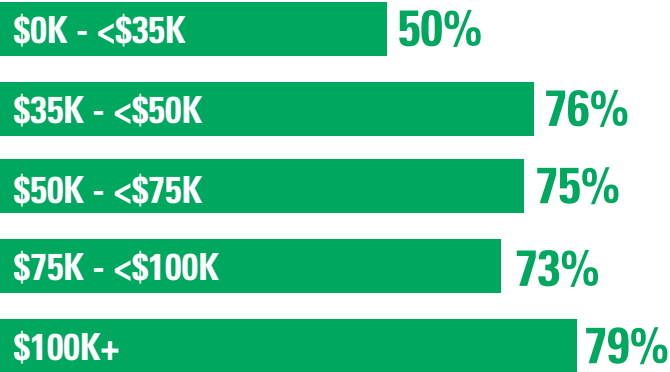
AGE



EDUCATION



INCOME



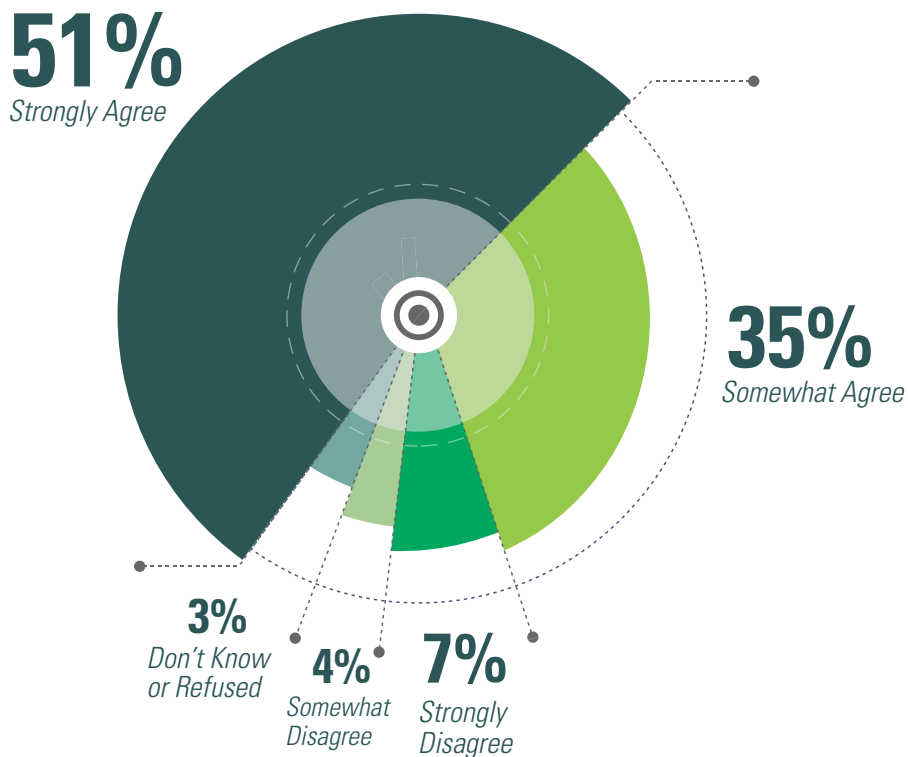


KEY FINDING

Consumers are making lifestyle changes to improve their health.

The majority of consumers (86 percent) believe they have “made lifestyle changes to improve their health in the past year.” Consumers between the ages of 45 and 54 are the group most likely to have made lifestyle changes to improve their health. There were no significant differences in whether or not respondents made improvements to their health when comparing the demographic factors of gender, location, income, or education level.

*To what extent do consumers agree or disagree with the following statement:
I have made lifestyle changes to improve my health in the past year.*

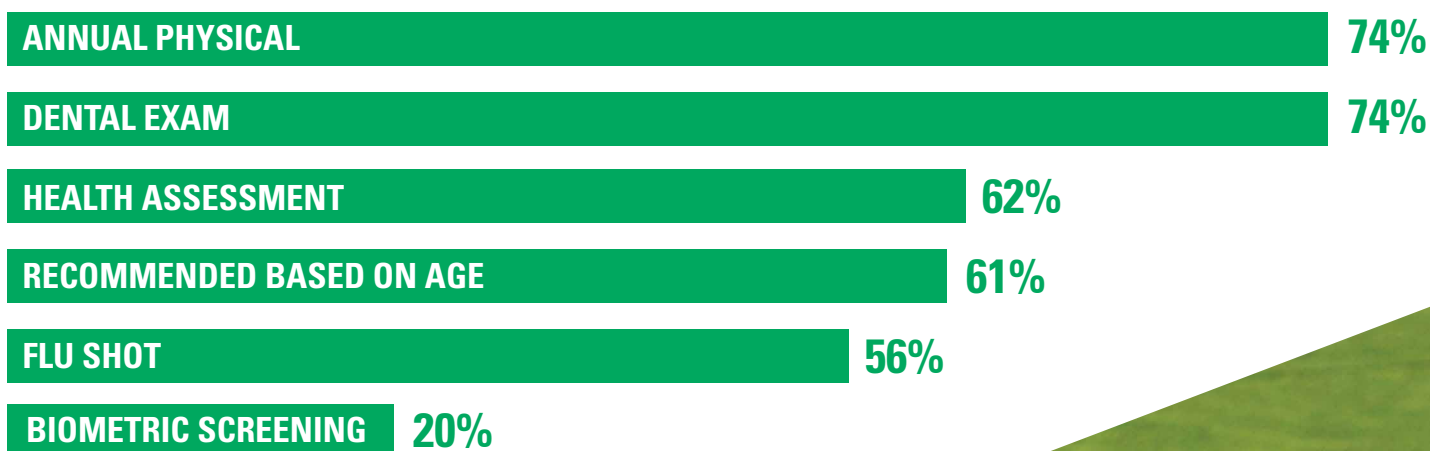


Preventative health services and screenings

In addition to the lifestyle changes that most consumers reported making in the past year to improve their health, 93 percent are also receiving at least one preventative health service or screening annually.

PREVENTATIVE CARE BY TYPE

In an average year, which preventative health services and screenings do consumers typically get?





Women are more likely than men to complete an annual physical, dental exam, health assessment, and recommended preventative exams based on age.



Baby boomers are the generation most likely to receive an annual physical, health assessment, recommended preventative exams based on age, and a flu shot.



Millennials are more likely to complete a biometric screening when compared to other generations.



College-educated individuals are more likely to complete a health assessment when compared to those with a high school education or less.



Consumers who reside in the Northeast and those with a household income above \$35,000 are most likely to get a dental exam.

Increased preventative health services with HDHPs

Individuals enrolled in an HDHP with an HSA are more likely than individuals enrolled in a PPO or HMO plan to receive a flu shot and biometric screening in an average year. This is important to note, as these preventative health measures can play a key role in both staying healthy and identifying health concerns that need to be addressed.

Health plan type does not impact the frequency of doctor visits.

The results show that health plan type does not determine how frequently individuals visit a healthcare provider. One of the presumptions of an HDHP is that consumers visit doctors less frequently, which may result in consumers choosing not to receive necessary medical care to avoid the high cost of doctor visits. On the contrary, the results of the survey reveal that individuals enrolled in an HDHP are visiting the doctor in a frequency similar to those on traditional health plans such as HMOs and PPOs.



CONCLUSION

The majority of consumers (70 percent) ranked as either optimally engaged (22.6 percent) or highly engaged (37 percent) in both physical and financial health. This shows that most consumers are engaged in activities that sustain or improve their physical and financial well-being. Only 7.4 percent of respondents received low scores (below 40), indicating little to no engagement.

HDHP consumers generally received a higher overall score, largely stemming from higher wealth engagement, which points to the valuable role that CDH plans can play in keeping consumers both physically and financially healthy. While other traditional plan designs (HMO and PPO plans with copays) may help people access healthcare, they may not help individuals save for their future healthcare needs as HDHPs with an HSA do. The financial tools provided to CDH consumers from health plans and employers often provide more transparency into the true costs of healthcare and offer ways to lower those costs through proper utilization.

In addition to higher wealth engagement, consumers enrolled in HDHPs with an HSA are likely to receive more preventative health services, specifically biometric screenings and flu shots, when compared to those enrolled in other health plan types. Many employers encourage these behaviors by offering a workplace wellness program with incentives deposited into employees' HSAs for taking preventative steps to stay healthy.

Consumers need to balance the decisions and costs associated with healthy living and healthcare, both during their working years and in retirement. HDHPs and HSAs may be the key to finding this balance because they can help consumers achieve a greater level of physical and financial health engagement.

METHODOLOGY

A survey of more than 1,000 randomly selected U.S. adults (ages 18 and older) was conducted in the fall of 2017 in order to gauge physical and financial health across the U.S. The survey was designed to provide participants with an overall health and wealth consumer index score. Respondents were asked ten questions about their health plan enrollment status, health practices, ability to pay for health-related expenses, and confidence in their own health and wealth.

The survey was commissioned by HSA Bank and executed by a third-party organization. Each survey participant received both a health score and a wealth score, which were combined to produce their overall health and wealth consumer index score. The total possible score for each respondent ranged from zero to 100. The higher the score, the better the respondent ranks in terms of their physical and financial health engagement.

The margin of error for this sample size is +/-3.09 percent at the 95 percent confidence level. Smaller subgroups have larger margins of error.



To get your personal health and wealth index score, visit:

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DEFINITIONS

GENERATIONS

Millennials: individuals 18-36 years old as of Nov. 2017

Generation X: individuals 37-52 years old as of Nov. 2017

Baby boomers: individuals 53-71 years old as of Nov. 2017

LOCATIONS

Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

South: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia

West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

HEALTH PLANS

EPO: An exclusive provider organization is a type of health insurance that limits coverage to in-network providers. There are no out-of-network benefits.

HDHP: A high deductible health plan is a health insurance policy that features higher deductibles and lower premiums than traditional insurance plans. HDHPs can be combined with a Health Savings Account (HSA).

HMO: A health maintenance organization is a type of health insurance plan that usually limits coverage to care from doctors who are in-network.

Medicare: Medicare is the federal government program that provides health insurance to individuals 65 or older, under 65 and receive Social Security Disability Insurance (SSDI) for a certain amount of time, or under 65 and have End-Stage Renal Disease (ESRD).

Medicaid: Medicaid is a federal and state program that helps with medical costs for some people with limited resources.

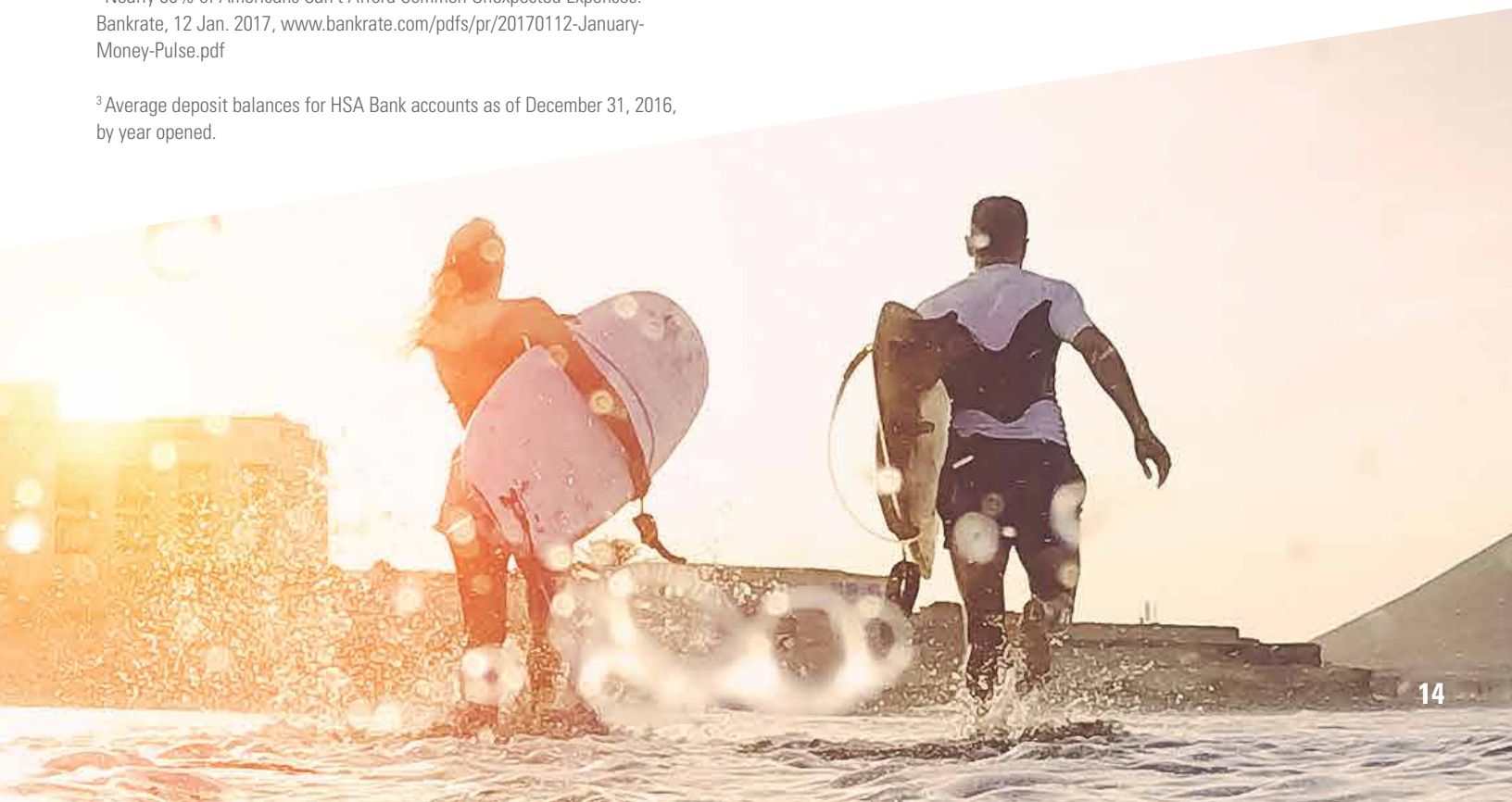
POS: A point-of-service is a type of managed care plan that is a hybrid of HMO and PPO plans.

PPO: A preferred provider organization is a type of health plan that contracts with medical providers to create a network of participating providers.

¹ US Department of Commerce, BEA, Bureau of Economic Analysis. "Real Personal Income for States and Metropolitan Areas, 2015." BEA: News Release, 22 June 2017, www.bea.gov/newsreleases/regional/rpp/rpp_newsrelease.htm

² Nearly 60% of Americans Can't Afford Common Unexpected Expenses." Bankrate, 12 Jan. 2017, www.bankrate.com/pdfs/pr/20170112-January-Money-Pulse.pdf

³ Average deposit balances for HSA Bank accounts as of December 31, 2016, by year opened.



ABOUT HSA BANK

HSA Bank is a trusted leader in consumer-directed healthcare (CDH), focusing on Health Savings Accounts (HSAs) for over two decades and serving as both the bank and administrator. Discover how we can support your benefits strategy with our comprehensive account-based health benefit solutions that include HSAs, Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), Commuter Benefits, and COBRA Administration. With a reputation for outstanding service and thought leadership in the CDH space, we offer one platform and one portal for all of our members. HSA Bank inspires nearly 2.5 million members and more than 35,000 employer groups to own their health by making it easy to access, understand, and afford healthcare. As of December 31, 2017, HSA Bank had \$6.3 billion in total footings comprising \$5 billion in deposit balances and \$1.3 billion in assets under administration through linked investment accounts. HSA Bank is a division of Webster Bank, N.A., Member FDIC.

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