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OPINION / HSA PLAN STRATEGY

Are HSA Plans Becoming an Executive Benefit?

As high-deductible plans become harder for lower-paid employees to use, employers need to rethink who is truly benefiting from the HSA model.

A plan can be affordable to enroll in and still be unaffordable to use.

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THE SHIFT EMPLOYERS SHOULD NOT IGNORE

For years, high-deductible health plans paired with health savings accounts were promoted as the lower-cost option in an employer's benefits package. The idea was easy to understand: employees would pay less out of each paycheck, employers would reduce their health plan costs, and employees would become better healthcare consumers because they had more responsibility for how and where their healthcare dollars were spent.

There is still value in that model, and HSA plans can work very well for the right employees and the right workforce. But the way these plans are experienced has changed. As deductibles, out-of-pocket costs, prescription expenses, and the overall cost of healthcare have continued to rise, HSA plans increasingly provide their greatest value to employees who already have the financial means to take advantage of them.

For higher-paid employees, an HSA can be a powerful tax and retirement planning tool. For lower-paid employees, the same plan may simply create a larger financial barrier between them and the care they need.

That raises a question employers should be willing to ask: Are HSA plans becoming more of an executive benefit than a true low-cost option for the broader workforce?

The same HSA plan can operate as a wealth-building tool for one employee and a barrier to care for another.

One Plan, Two Very Different Experiences

The value of an HSA plan depends heavily on the person enrolled in it. Income, savings, health status, family size, regular prescription needs, and the ability to handle an unexpected medical bill all shape the employee's experience.

A higher-income employee may look at a $3,000 or $5,000 deductible and see manageable financial exposure. They may have enough cash set aside to cover an unexpected procedure or emergency room visit without disrupting the rest of their household budget. Because they can afford to pay current medical expenses from other funds, they may contribute the maximum amount to the HSA, invest the balance, and allow the account to grow for future healthcare costs or retirement. For that employee, the HSA is much more than a way to pay medical bills. It can become a long-term financial planning vehicle with significant tax advantages.

A lower-paid employee can enroll in the exact same plan and have a completely different experience. They may select the HSA option because it has the lowest payroll deduction, not because they have carefully evaluated its tax and investment benefits. The lower premium may be the only way they can fit coverage into their monthly budget.

The problem comes when they actually need care. They may not have enough money in the HSA to cover the deductible, and they may not have emergency savings available somewhere else. A medical bill that is manageable for one employee may force another employee to use a credit card, establish a payment plan, borrow money, or delay care altogether.

Lower Payroll Deductions Do Not Always Mean Lower Costs

Employers often describe HSA-qualified plans as the lower-cost option because employee payroll deductions are usually less than they are under a traditional copay plan. That is an important consideration, but it does not tell the whole story.

Employees do not experience healthcare affordability only through the amount taken from their paycheck. They experience it through the total cost of using the plan. That includes deductibles, coinsurance, prescription expenses, provider charges, facility fees, time away from work, and the uncertainty of not knowing when a large expense may occur.

An employee may save $100 per month in payroll deductions by choosing the HSA plan. That sounds like meaningful savings during open enrollment. But if the employee later faces several thousand dollars in additional out-of-pocket costs because of an accident, a surgery, a chronic condition, or a child's illness, the lower monthly premium may not feel like a savings at all.

This is especially important for employees living paycheck to paycheck. They may make the most financially responsible decision available to them at enrollment by selecting the lowest-cost option, only to find that the plan exposes them to expenses they have no realistic ability to pay. A plan should not be considered affordable simply because an employee can afford the premium. Employers also need to consider whether employees can afford to access care when they need it.

HSAs Offer the Most Value to Employees Who Can Afford to Save

There is no question that HSAs have valuable features. Contributions receive favorable tax treatment, balances roll over from year to year, the account belongs to the employee, and funds can be invested. When used strategically, an HSA can provide a significant financial advantage.

The challenge is that the employees who receive the greatest value from those advantages are usually the employees who have enough disposable income to contribute meaningful amounts in the first place.

A higher-paid employee may be able to fully fund the HSA each year while also maintaining a separate emergency fund. They may avoid using the HSA for current expenses, invest the balance, and save receipts for future reimbursement. Over time, the account can grow into a substantial resource for healthcare expenses in retirement.

A lower-paid employee may not be able to contribute anything beyond what the employer provides. Their paycheck is already committed to housing, food, transportation, childcare, debt payments, and other basic household needs. Even when they understand the benefits of an HSA, they may not have the financial flexibility to use it as a savings or investment vehicle. In that situation, the employee receives the high deductible but not necessarily the long-term financial benefit that is supposed to come with it.

That is the part of the HSA conversation that is often overlooked. Employees may technically receive the same plan and the same account, but they do not receive the same opportunity to benefit from them.

The Risk of Unintended Inequity

Most employers are not intentionally creating an unequal benefits program. They are trying to manage rising costs while continuing to offer employees meaningful coverage. HSA plans are often introduced as part of that effort because they can reduce premiums and give employees another coverage option.

But offering the same plan to everyone does not automatically create an equal outcome. A $3,500 deductible means something very different to an employee earning $40,000 than it does to someone earning $200,000. A $750 employer HSA contribution may be a helpful addition for an executive who is already planning to maximize the account. For a lower-paid employee, that same contribution may cover only a small portion of the financial exposure created by the plan.

The same issue applies to healthcare consumerism. Employees are frequently encouraged to shop for care, compare prices, use lower-cost providers, and make informed decisions. Those are reasonable goals, but they assume the employee has access to reliable information, enough time to evaluate options, the ability to leave work for appointments, and enough money to act on those choices.

For many employees, those assumptions do not reflect reality. They may have limited provider options, transportation challenges, rigid work schedules, or little experience navigating the healthcare system. They may also be making decisions while sick, injured, or worried about a family member.

Simply giving employees more financial responsibility does not automatically make them better consumers. Without the right support, it may only make healthcare more difficult to access.

Uniform plan design does not always produce an equitable employee experience.

The Answer Is Better Design, Not Abandoning HSAs

None of this means employers should eliminate HSA plans. They can still be an important and valuable part of a benefits strategy. Many employees prefer the lower payroll deductions, the ability to build long-term savings, and the flexibility that an HSA provides.

The problem is not the HSA itself. The problem is treating it as a universal solution for every employee and every workforce.

Employers should look more closely at who is enrolling in the HSA plan and how they are actually using it. Are employees contributing their own money? Are they delaying care because they cannot meet the deductible? Are lower-paid employees disproportionately selecting the plan because it is the only option they can afford from a payroll standpoint? Are employees using preventive care, primary care, and necessary medications, or are they avoiding the system until a condition becomes more serious?

Employers should also evaluate whether their contribution strategy is doing enough to offset the risk employees are being asked to assume. In some cases, larger employer contributions may be appropriate. Some employers may want to provide greater contributions to lower-paid employees, deposit funds at the beginning of the year, or make additional contributions available when employees complete certain preventive or financial wellness activities.

The timing of the contribution matters as well. An employer may provide a meaningful annual amount, but if the funding is spread evenly across each payroll, an employee who experiences a major claim in January may have very little money available when it is needed most. Plan design should reflect how healthcare expenses actually occur, not just how the annual budget looks on a spreadsheet.

HSA Plans Need Better Support Around Them

An HSA plan is more likely to work for a broader group of employees when it is supported by programs that reduce unnecessary financial exposure and make care easier to access.

That may include no-cost or low-cost primary care, virtual care, transparent prescription programs, navigation services, chronic condition support, site-of-care guidance, second-opinion services, and access to lower-cost imaging, surgery, and specialty medications.

Employers should also consider whether certain high-value services can be provided before the deductible or at no cost to the employee. Preventive care is important, but employees with chronic conditions often need much more than an annual wellness visit. They may need regular medications, specialist appointments, lab work, mental health care, or ongoing treatment that becomes difficult to afford under a traditional high-deductible structure.

The goal should not be to remove all financial responsibility. It should be to make sure employees are not discouraged from receiving care that can prevent more serious and expensive problems later. An HSA plan works best when employees have meaningful tools to control costs. It works poorly when the deductible is the primary cost-control strategy.

Workforce Demographics Should Drive the Decision

There is no single plan design that works equally well for every employer. An HSA plan may be very successful in a professional services firm with higher average wages, strong financial literacy, and employees who are comfortable managing investment accounts.

The same plan may create significant hardship for a manufacturer, school, nonprofit, restaurant group, healthcare provider, or employer with a large hourly workforce.

That does not mean those employees should not have access to an HSA. It means employers need to consider the financial realities of the workforce when deciding how heavily to rely on one.

Compensation levels, turnover, family enrollment, chronic conditions, prescription use, access to care, work schedules, and employee savings habits should all be part of the discussion. Employers should also consider whether offering only an HSA-qualified plan removes an important choice for employees who know they will need regular care during the year.

In some organizations, offering both an HSA plan and a more traditional option may make sense. In others, the right answer may be a better-funded HSA, a lower deductible, a stronger employer contribution, or additional programs that provide employees with access to high-value care outside the normal deductible structure. The right decision depends on the workforce, not just the renewal spreadsheet.

A Valuable Benefit, but for Whom?

HSAs can be exceptional benefits. For employees who have the ability to contribute, invest, and leave the funds untouched, they may be among the most valuable financial tools an employer can offer.

But employers should be honest about the difference between how these plans work in theory and how they work in practice.

For a higher-income employee, the HSA may function as a tax-advantaged savings account, investment account, and supplemental retirement benefit. For a lower-paid employee, it may function primarily as a high-deductible health plan with an account they cannot afford to fund.

That does not make the HSA a bad benefit. It does mean employers need to stop automatically describing it as the low-cost option without looking at who is actually benefiting from it.

A strong benefits strategy should not focus only on whether a plan reduces premiums or employer spending. It should also consider whether employees can access care, afford their share of the cost, and realistically take advantage of the financial tools being offered.

The most important question is no longer whether the HSA plan is affordable to enroll in. It is whether the people covered by it can afford to use it.

ABOUT THE AUTHOR

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