

THE HSA EFFECT

How two school districts reversed runaway healthcare costs by transitioning to HSA-qualified health plans.



HSA SAVINGS

4 years • 500 employees
2 school districts

\$14.3M

District
healthcare savings

\$600

Average savings per
employee per month

\$1.7M

Employee tax free
HSA ending balances

Note: Throughout this document HSA savings are adjusted net (employer HSA contributions have been included in these numbers). Savings are based on district paid HSA contributions and medical claims compared to keeping the old plan at prior trends. HealthEquity does not provide legal, tax, financial or medical advice.



FROM HSA TO ROI

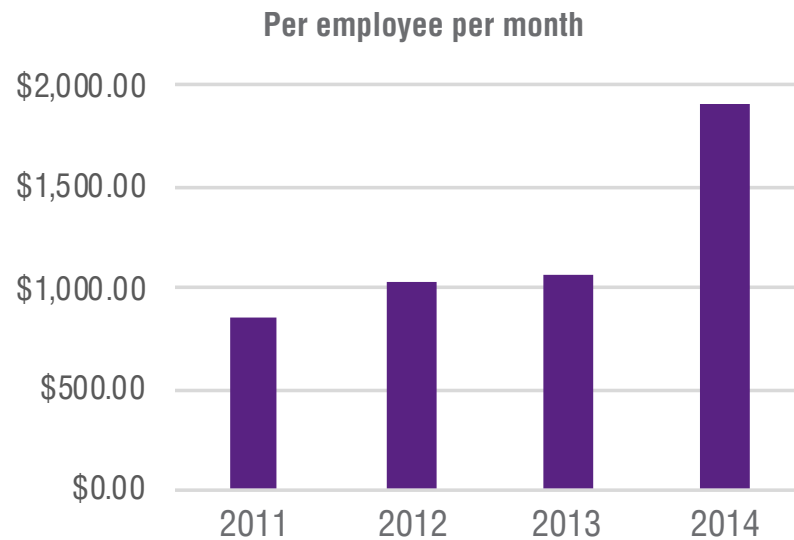
It pays to invest in your employees.

Benefits professionals recognize the value of high-deductible health plans (HDHPs). Combined with Health Savings Accounts (HSAs), these plans empower employees to take control of their healthcare, make more prudent decisions and save for retirement.

This report documents the 4-year journey of two Pennsylvania school districts after the transition to HSA-qualified health plans. The two PA school districts inked new collective bargaining agreements effective January 1, 2015. Both districts fully transitioned to an HSA plan with a \$1,500 deductible for individuals and \$3,000 deductible for family plans.

Our analysis reveals that savings increased significantly each year. By year four (2018) the districts enjoyed a combined \$6.0 million in annual savings—or \$1,022 per employee per month (PEPM) for that year. In addition, employees reported a high level of health plan satisfaction and significant HSA tax free account balances (\$1.7 million in total). In fact, both districts included renewals for HSA-qualified health plans in their new CBAs.

In the four years (2011-2014) prior to adopting HSA-qualified health plans, the two districts saw an average healthcare cost increase of 12.4% annually.



Independent research underscored the viability of an HSA-qualified plan.

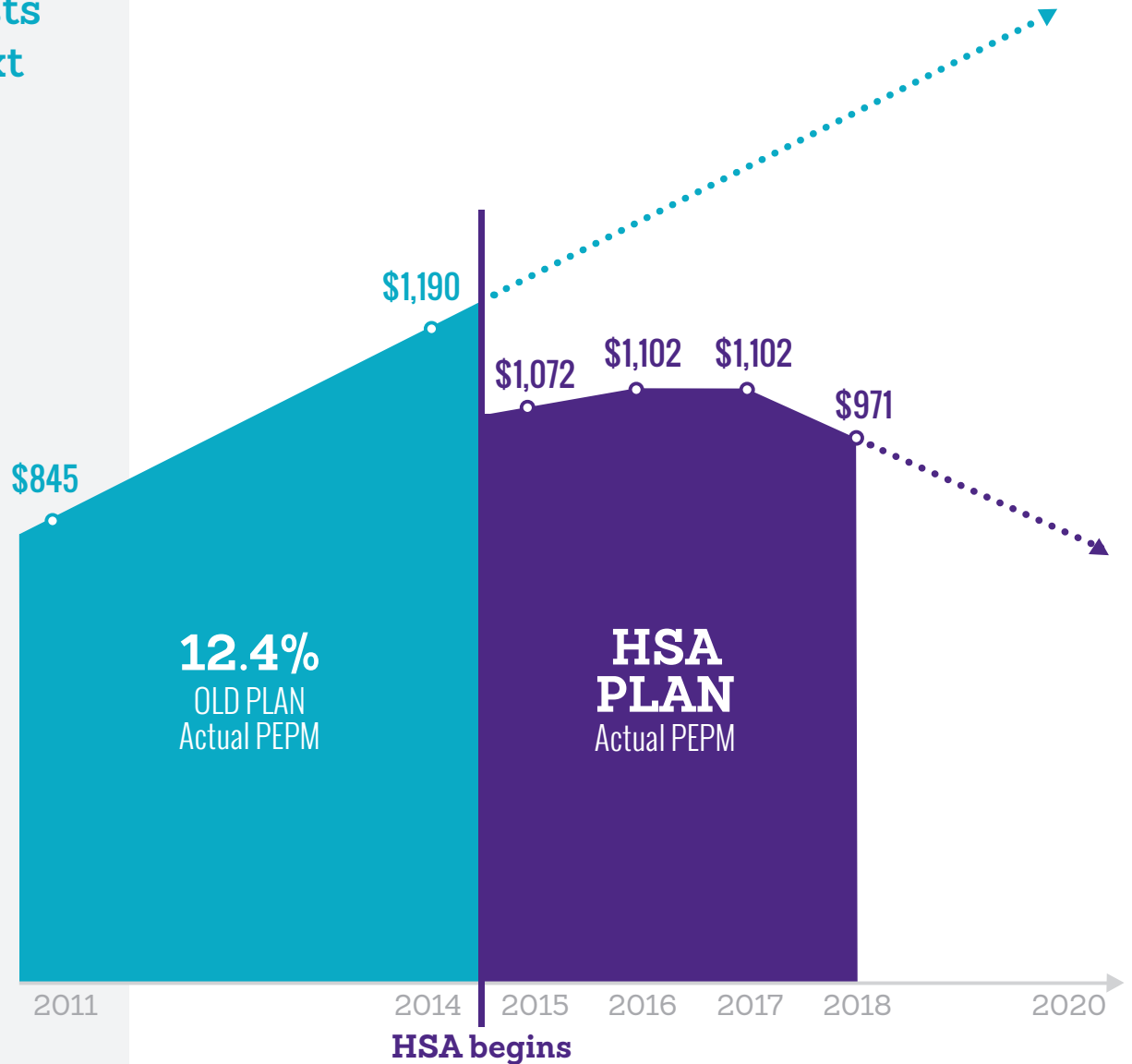
To push back on rising healthcare costs, the school board, HR and school administration united together and sought to move to HSA-qualified health plans. However, prior to finalizing a decision, the union asked an independent arbitrator to conduct due diligence and perform fact-finding research. After thorough review, the published report concluded with this prescient insight:

“I am not persuaded that when it comes to the negotiations of health insurance in today’s environment that the conduct of a party in the past may be reason to excuse that party from making bold and deliberate changes in their strategy for gaining health insurance coverage and health care in the future. The fierce “cat and mouse game” that is played by health insurance providers, health care providers and consumers of both health insurance and health care is “fast and furious.” No party can rest on its laurels. Should a party cease its vigilance and fail to continuously and diligently consider alternatives to meet the demands of today’s healthcare coverage challenges and anticipate tomorrow’s, that party will surely come out a loser in this never ceasing, critically important game.”

– Pennsylvania Labor Relations Board
CASE #88-14-5-E
Fact Finding Report and Recommendation
March, 2014

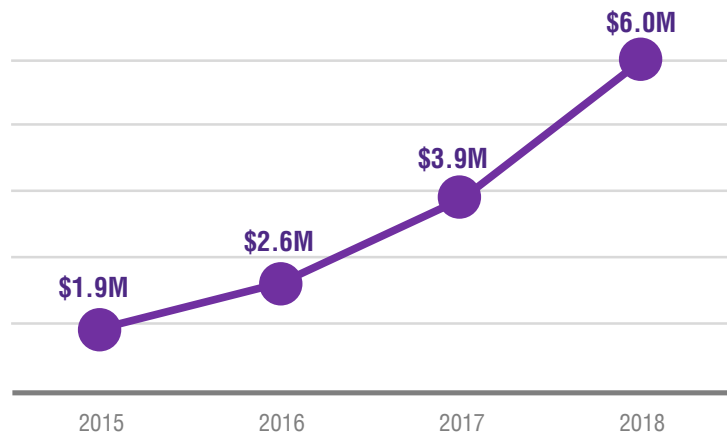
District healthcare costs dropped dramatically with HSA implementation. Costs remained level for the next three years and dropped again in year four.

**PROJECTED
-vs- ACTUAL**
PER EMPLOYEE PER MONTH

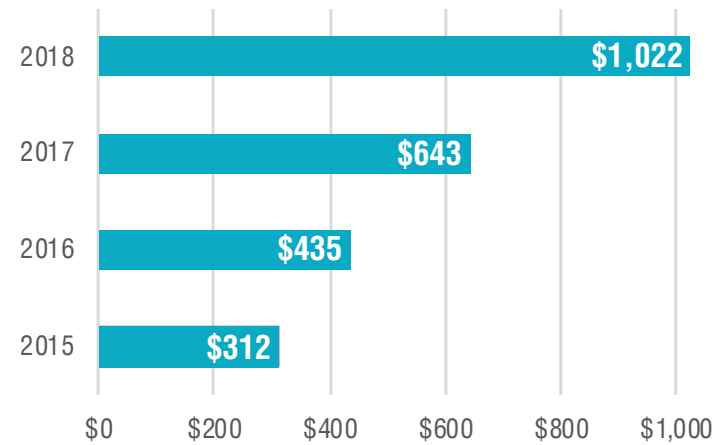


The two districts saw significant claims savings as well, totaling \$14.4 million (est.) over four years, compared to their old plan.

36% avg.
annual savings
\$600 PEPM avg.
annual savings



Total claims savings (est.) compared to pre-HSA plan



PEPM claims savings compared to pre-HSA plan

Employees got the care they needed.

Importantly, there is no evidence that the HSA plan increased risk for higher healthcare costs due to avoidance of necessary medical care. Both districts annually review the reason for high claims. Neither district experienced any departure from historical norms.

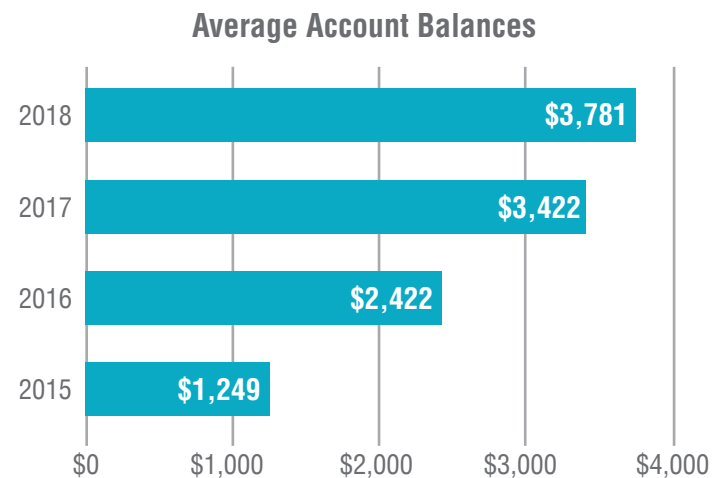
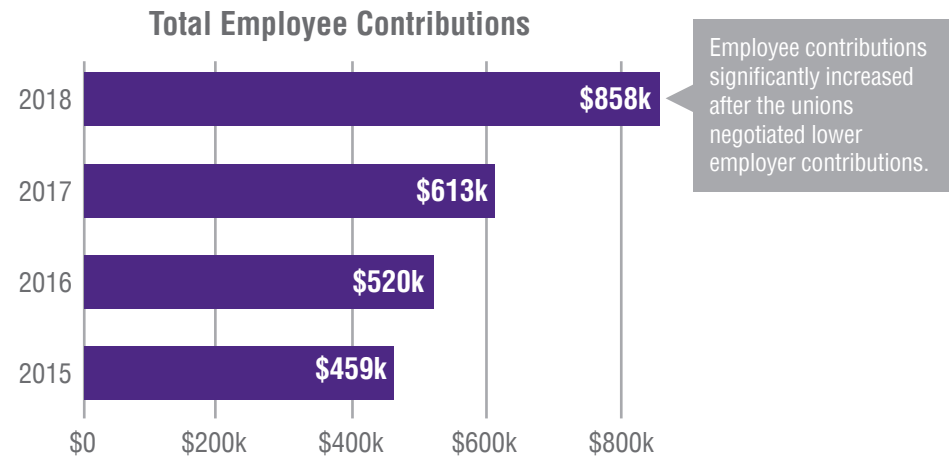


SOARING SATISFACTION

Both districts recently renegotiated their CBA. In both instances new CBAs were adopted by employee unions in favor of lower employer HSA contributions. Employees negotiated to allow individual HSA contributions to be made based on personal goals and needs instead of level funding by the employer. This approach helped employees gain leverage to negotiate other benefit goals, but also indicates that employees are comfortable to manage their own healthcare.

In fact, both districts report extremely high satisfaction after four years. Employees say they are much more engaged in their health care decisions and related costs. Each district felt the HSA dramatically increased employee awareness around their benefits.

At the same time, employees made good use of their HSAs, increasing contributions and account balances every year.



A WIN-WIN PROPOSITION

Moving to an HSA-qualified health plan enabled employees to take control of their healthcare and the district to take control of exploding healthcare costs. Now, employees are on a path to long-term financial security—and the districts are too.

ABOUT THE AUTHORS



Britt D. Trumbower A.C.B.C.

Britt is a 21-year veteran of the health insurance industry. He has assisted thousands of clients in the individual, small group and large group self-funded market saving tens of millions of dollars in health care costs while maintaining the highest level of benefits for employees.

Britt is nationally recognized through the National Association of Alternative Benefit Consultants as an expert in consumer driven health plans like HSAs, HRAs and FSAs. Active Advanced Chartered Benefit Consultants (A.C.B.C.'s) represent fewer than 1% of all health agents in the country. Britt has assisted districts in collective bargaining negotiations by providing critical information to independent fact finding, town hall presentations, union leadership informational meetings, employee education and HSA/HRA plan designs that meet CBA guidelines.



Dr. William J. West, MD

Senior vice president of business development, HealthEquity

Dr. West is a board certified OB/GYN and graduate of Jefferson Medical College. He founded First MSA (later First HSA) in 1999 as one of the first companies of its kind. First HSA was acquired by HealthEquity in 2011.

Dr. West has been actively involved in the consumer directed health care (CDH) industry. He is a member of the HSA Coalition, the AHIP HSA Council, the American Bankers Association HSA Council and many other committees and councils.

He has participated in town hall meetings with former President George W. Bush and continues to work with members of Congress and other regulatory agencies on CDH products, rules and regulations. Dr. West is senior vice president of business development for HealthEquity.