



**To contribute or not to contribute,
that is the question.**

Getting employees to take advantage of healthcare FSAs

Employees are increasingly **stressed about their finances**¹—including healthcare costs—but they don't always take advantage of programs and benefits that can save them money.

1 8th Annual Employee Financial Wellness Survey, PwC, 2019.



One example is that old standby, the tried-and-true healthcare flexible spending account (FSA).

Healthcare FSAs have been around since 1978, but they've undergone some changes in the past few years, most notably the introduction of an annual limit effective in 2013.

You can only pair a limited purpose FSA with a high-deductible health plan (HDHP), so as HDHPs have gained in popularity, fewer employees have been eligible for a traditional FSA.

For employees choosing traditional healthcare coverage, the FSA is still a great way to save on out-of-pocket healthcare costs.

FSAs are also good for employers. The more employees contribute to these accounts, the more the employer avoids in payroll taxes. Plus, helping employees save on out-of-pocket healthcare costs sends a message that you care about their financial well-being.



2020 Healthcare FSA limit: **\$2,750**, whether for full FSA or limited purpose FSA paired with an HSA.



The trend toward offering only HDHPs has slowed and some employers are even adding back other types of plans² to meet employees' varying needs.

That means that a healthcare FSA may be a valuable cost-saving option for a growing number of employees, especially given rising out-of-pocket costs and people's real concerns about finances.



Average deductible for a traditional plan in 2019:
\$1,200 to **\$1,857** depending on plan type.



² Employers are scaling back their dependence on high-deductible health plans. Michelle Andrews, StarTribune, Oct. 31, 2019.



FSAs have several upsides.

First, there's the tax savings on healthcare costs. Second, there's the availability of funds. An employee's full annual contribution is available on day one, which means they may be less likely to delay needed care.

The downside? According to [SHRM](#)³, 68% of employers offer a healthcare FSA, but relatively few employees take advantage, and even fewer maximize their contributions.

Because unused FSA dollars may be forfeited, employees could be playing it safe and underfunding their accounts. That's understandable from a contribution perspective. However, there's certainly room for significant improvement in participation rates.



Eligible employees contributing to a healthcare FSA:

15%

Businessolver data.



Average annual contribution in 2019:

\$1,294

Businessolver data.

³ Healthcare and Health Services: SHRM Employee Benefits 2019.



A renewed focus on healthcare FSAs seems appropriate.

Employers have a great opportunity to help employees understand the value of contributing to an account while also ensuring those who participate have a positive experience.



To ensure employees get the most from their healthcare FSA, focus on helping them answer these three important questions:

- 1 How much should I contribute?
- 2 What can I use my FSA for?
- 3 Am I going to lose my dollars?



1

How much should I contribute?

Employees are **risk-averse**⁴, and they don't want to lose hard-earned dollars. That makes sense. What doesn't make sense is to lose out on a potentially sizeable discount on the out-of-pocket healthcare costs they will incur, regardless of whether they fund an FSA.

To help employees overcome this fear so they can comfortably participate in a healthcare FSA, offer a contribution calculator as part of the Annual Enrollment experience.

And, if your plan offers a runout, carryover provision or grace period, make sure you publicize this so employees understand how they can fully use their contribution amount.



Many employers have added **features**⁵ to their plans to maximize employees' use of their contribution.

- ▶ Runout: **49%**
- ▶ Carryover: **43%**
- ▶ Grace period: **30%**

⁴ MyChoiceSM Recommendation Engine Benefits Insights Report. Businessolver, 2019.

⁵ Healthcare and Health Services: SHRM Employee Benefits 2019.



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What can I use the money for?

Employees may feel more confident if they understand that healthcare FSA dollars aren't just for doctor's visits and fees. It's important to let people know that eligible expenses include items like dental care, vision care and prescription expenses. Plus, there are literally thousands of items that are FSA-eligible (think sunscreen and first-aid kits) that employees might not be aware of.

During Annual Enrollment, a resource like the [FSA Store](#) can help people decide to participate in a healthcare FSA when they see the variety of items that can be paid for with FSA dollars.

Throughout the year, reminding account holders of costs that are eligible for FSA funds can help them spend down their balance, especially during the last few months of the year.



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Am I going to lose my dollars?

Employees might not be focused on their FSA funds during the year, so proactively reminding them to use this money can help them spend down their accounts. This means they won't lose anything and makes them more likely to continue contributing year after year.

Using data from your account administrator, you can send targeted communications (text message, email or mailer) to employees who still have money in their accounts. What you communicate and when depends on your plan design.



Let's assume your plan year ends on December 31.



If employees need to incur eligible expenses before the end of the plan year

In November, send a message that indicates how much money they still have and the deadline to use it—whether that's the end of the plan year or a runout period. You can also include some suggestions about items they can buy to spend down their dollars.



If you have a carryover provision period

In December, send a message to remind employees what amount they can carry forward to the next plan year. Also indicate how much money they currently have in their account. You can also include suggestions about ways to spend down their balance, but this is less important when there's a carryover.



If there's a grace period

With this plan provision, you want to send employees two messages—one before the end of the plan year and another before the end of the grace period. Release message one in early December telling employees they have a balance and reminding them they have until the end of the grace period to incur eligible expenses and get reimbursed. Tell them how much money is still in their account. Send a second message to those who have a balance on February 1 reminding them that the grace period is ending soon. Again, including their current balance helps employees strategize on how they'll spend their remaining dollars.



Realizing the untapped potential

Healthcare FSAs offer employees an important opportunity to save on out-of-pocket medical costs, but relatively few take advantage of these tried-and-true accounts.

With so many employees craving more financial stability and peace of mind, the time is ripe for employers to help their workforce better understand and use a healthcare FSA.

Businessolver offers the next generation of healthcare FSA administration through MyChoiceSM Accounts. [Find out more in our solution sheet.](#)



[Read the Solution Sheet](#)





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