



Be a Second-Time Buyer the First Time!

BY SCOTT HARWARD, PRESIDENT, PILOTHSA

Choose an HSA solution like a pro—learn to ask questions like experienced, early adopter employers who signed on early.

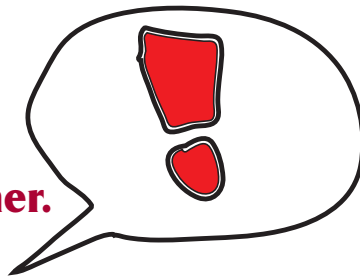
So you want to offer a health savings account (HSA) solution to your employees. Excellent! You have done your homework and are prepared to make the decisions that will build your program. You have selected your requisite high-deductible health plan (HDHP) and are now considering how to build your HSA solution. But what questions do you ask? What is important to ask? Who do you ask? You have never done this before. You are a first-time HSA benefit buyer!

Ok, so we all have to buy something for the first time. Do you remember buying your first car? The sales rep leaves you in a room for what seems like hours to fetch the sales manager, a mystical figure approximating the stature of the shadowy figure from the TV show “Deal or No Deal,” who calls Howie Mandell from the booth to tell you what the deal is. They make you wait. All you really want is the cute blue car on the lot. You are fearful someone might buy it while you wait.

You are dependent on the seller for guidance.

How about your second car purchase? Maybe you demanded to see the manager on your first visit and told him what deal you would make. Perhaps you researched and even found a car on the web. You knew that another cute blue car was available if the one on the lot was sold. And by the way, cost of ownership now makes more sense to you. Your criteria have changed. You are defining the game with your questions. You are a second-time buyer!

Experience is a noble teacher.



The buyer/seller ritual takes place daily throughout our private and professional lives. One notable distinction can be discerned by the experienced salesperson in these situations—am I dealing with a first or second-time buyer? First-time buyers typically approach the purchase with a different set of questions and buying criteria than the second-time buyer. Experience is a noble teacher.

In the business market, the idea of first-time and second-time buyers also exists. I have participated personally in the rise and maturation of several markets where I observed this phenomenon; you can rest assured that most sales reps know that you are a first-time buyer and will respond to you accordingly. There is nothing devious about this reaction, the seller simply tunes into the buyer's wavelength.

What are the Right Questions?

You might wonder, "Aren't most HSA solution buyers first-time buyers?" The answer is yes, but not all are. Marc Kutter, executive vice-president and co-founder of PilotHSA, is a pioneer in providing HSA solutions and has talked to numerous buyers. "I am beginning to see some organizations who were early adopters of HSA solutions, and they have had varying degrees of success. Now they tend to ask different questions and have different concerns than the first-time buyer."

Greg McMullen, president of AccelHR, an outsourcing benefits company selling to HR executives, observes: "It's

not that first-time buyers are necessarily asking the wrong questions. It's that they are not asking all of the right questions. They can't easily value the things they don't know about."

Typically, first-time HSA buyers are looking at these issues:

- Referrals from health insurance brokers reacting to the deceptive convenience of the insurance carriers' HSA solution
- Interest rates from the banks
- Banking services such as debit cards and checks

So what are the second-time buyers asking about, and what do they seek to discover when attempting to enhance an existing HSA offering? I believe there are four key areas of interest that the second-time buyer pursues:

- Education
- Managing the employer funding process
- Viewing the bank, the technology and the HSA support as a bundle
- Independence and portability

1. Education

"We can always tell a first-time buyer from a second-time buyer," says Cheryl Gunn, president of Paragon Benefits, a Georgia-based HSA administrator, "simply because the employer that has previously had an HSA asks different kinds of questions." She adds, "We believe the education provided for employers and employees is the biggest differentiator in service. We have been offering HSAs since 2005 and it's evident where the

previous service provider failed to help educate." Education includes, but is not limited to:

Educating employers about:

- How much, when and how to contribute to an HSA
- Where to shop for the best HDHP
- The best plan design components of the HDHP, such as preventive care provisions
- Determining how flexible spending accounts (FSA) and health reimbursement arrangements (HRA) can or can't be compatible with their HDHP and HSA
- Potential ERISA issues that an employer can face with an HSA

Educating employees about:

- How to choose if an HDHP/HSA is the best health insurance option for them
- Determining employee contribution limits (including catch-up provisions)
- Tracking their qualified/non-qualified expenses
- Their tax reporting obligations at the end of the year (completing IRS Form 8889)
- Tracking their deductible relative to their health insurance
- Investing their HSA dollars
- Funding their HSA account
- Being a health care consumer

2. Managing the Employer Funding Process

Most successful HSA solutions involve an employer who helps fund the employee's account. Because the employee owns the account, the employer faces some new realities. If you fully fund the account at the



How does the employer know that funds it sent were correctly deposited into the right account? Remember, after the funds are deposited, the employer has no right to the status of the account.

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— Cheryl Gunn, president of Paragon Benefits



beginning of the year, your employee owns the funds; if s/he leaves your employ, you have no recourse to recover the funds.

Many employers fund the accounts periodically, creating a new process to manage and control. How does the employer know that funds it sent were correctly deposited into the right account? Remember, after the funds are deposited, the employer has no right to the status of the account. Second-time buyers ask sellers how they will support them in the funding process. They want to know that there are technology tools available to support them and to provide feedback. They want to know that there is administrative support to the employer to answer their questions and to facilitate the link from the employer to the bank.

3. Viewing the Custodian, Technology and Support as a Bundle

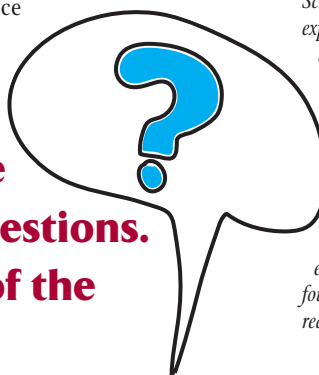
A common first-time buying error is to view the custodial bank who offers an HSA account as the total solution. Any bank can provide a direct-deposit account (DDA) and designate it as an HSA account. But only a few banks have created the infrastructure necessary to support HSA accounts, account owners and employers. The proper infrastructure includes the traditional DDA

services (an account, checkbook, debit card, statements, etc.), but also the right technology that provides employee and employer tools and resources to manage HSA accounts. It also requires a call center for fielding HSA questions. We find that banks typically do not have the knowledge necessary to answer your employees' questions. In most cases neither do you! A call center with trained, HSA-focused resources is a necessary part of this puzzle.

4. Independence and Portability

After deciding to offer an HSA and selecting an HDHP from a broker, the very next decision is which bank to use as a custodian. The most common first-time buyer behavior is to accept the default bank that the insurance carrier supports. This is understandable, and easy to do, but it is not without ramifications. Clearly the insurance carrier has a motive to retain as much business as possible and it can offset the loss of premiums by housing your employee's HSA funds in an account they arrange.

But consider this: What happens next year when you need to switch insurance carriers? Does that ever hap-



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pen? How valuable is it to have directed your employee's funds to a bank associated with

last year's insurance plan? You could transfer the HSA accounts to a new custodian, but wait, now these are your employee's accounts!

The second-time buyer has learned a valuable lesson. Select an HSA solution which provides independence from any carrier and is portable across financial custodians. You should select an HSA provider who can link to any carrier and participating bank. This will allow future flexibility in your annual insurance plan review and the ability to allow employees to select the most competitive bank, all while providing the same platform and administrative relationship.

There is No Substitute for Experience

Most savvy first-time buyers will do their research and mitigate the pitfalls associated with buying the first time. Remember, the first-time buyer's questions are not necessarily wrong, they are just often incomplete. Why not learn from some of the second-time buyers and incorporate their lessons into your quest for the right HSA solution? Experience may be the best teacher, but learning from those with experience is the next best thing. **CDHC**

Scott Harward has over 28 years experience building and leading teams that provide technology and service-based solutions. He has held leadership positions with technology-based firms such as Dun & Bradstreet and Firstlogic, providing solutions to many industries, including health care. This exposure convinced him to pursue CDHC through founding PilotHSA, a Georgia-based firm. He can be reached at 770-605-4818 and sharward@pilothsa.com.

