



# Evaluating Solutions to Leverage a Booming HSA Market

As the Health Savings Account (HSA) market continues to surge, the time is right for TPAs and other companies to jump in and build additional revenue. However, one significant area of concern for TPAs is competing with banks. In order to become a formidable alternative to traditional banks, TPAs need a simple and affordable administrative solution that provides their clients robust features, while also enabling them to boost their bottom line.

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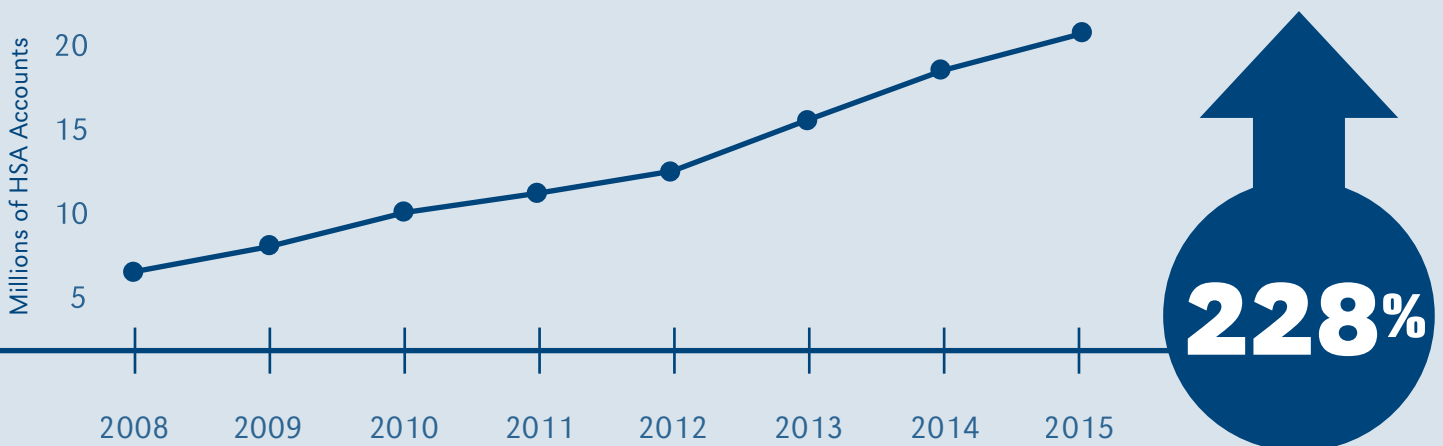
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## Background

Following Congressional approval, starting in 2004, individuals with a qualified high deductible health plan (HDHP) became eligible to make pre-taxable contributions to a Health Savings Account (HSA). HDHPs were designed to help employers reduce costs for their group health plans while HSAs empowered people to take better control of their personal healthcare, save money on healthcare expenses, and reduce their tax liability. Since 2008<sup>1</sup>, the number of HDHPs has grown dramatically, increasing from just over 6 million to 19.7 million in 2015, a 228% increase. Each year, as the number of HDHPs grows, so does the market for HSAs.



In 2017, thirteen years after the implementation of HSAs, there is a renewed interest in the tax-advantaged accounts from both the American public and leaders in Washington, D.C. The potential for new HSA growth is staggering, creating more opportunities for administrators and insurance companies to take on new business and add revenue. However, one concern for these companies is the amount of administrative work and incremental costs involved.

## Who offers HSAs?

There are strict restrictions on which types of organizations can offer HSAs; in fact, only a bank or qualified custodian can offer the popular tax-advantaged accounts. Therefore, if an organization offers HDHPs with HSA, they must work with a bank or procure the services of a custodial banker. In addition, some full-service HSA administration software vendors have negotiated partnerships with banks in order to offer custodial banking services.

## The HSA Conundrum

With the steep rise in HSA opportunity, businesses like administrators and insurance companies are beginning to evaluate whether or not they should offer the benefit.



**Third party administrator (TPA)** – The challenge for TPAs is identifying revenue opportunities within the HSA market. Employers are a natural fit for TPAs and the target market for those selling HSA management services. However, when a traditional bank can easily provide the account and administrative services, TPAs need a simple, low cost solution that requires little work with a wide variety of benefits for their account holders.



**Insurance Companies** – Insurance companies need a partner with a solution that is more beneficial than just a savings account, especially if they tie the sale of their health plans to the account. If their partner does not provide the services account owners expect, then losing the account means losing the health plan. Providing an HSA through a simple administrative solution that boosts income and has robust features is the answer.

## Is the Bank a True Solution?

When a bank offers an HSA, it's not as straightforward as it seems. Banks that offer administrative services have two options: adopt an administrative platform or outsource administrative duties. TPAs and insurance companies can refer their clients to banks and not take on any work, but ultimately the bank keeps all the revenue.

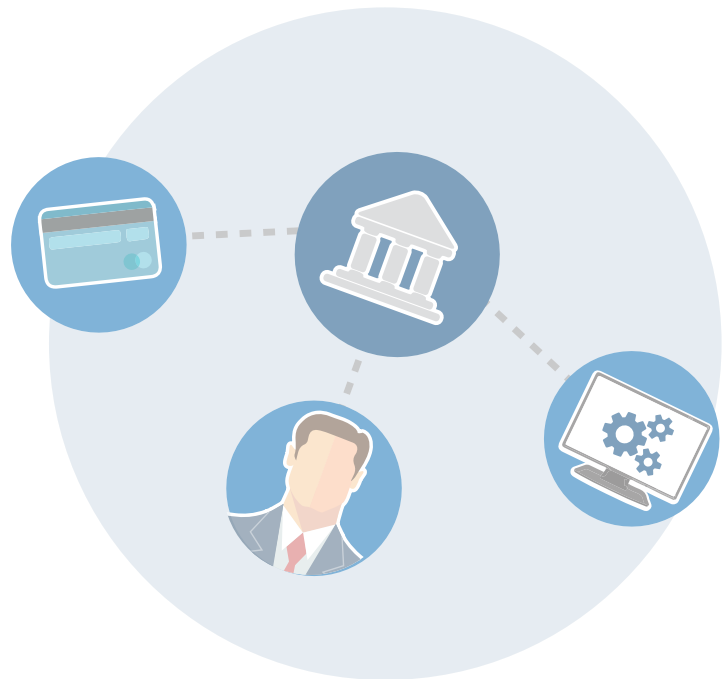
Banks pose some interesting challenges for account holders. For banks that adopt an administrative platform, the issue for account holders is the type of service they'll receive. Does a bank, whose primary business is accounts and investments, know the ins-and-outs of the healthcare industry such as benefits administration, plan eligibility, etc.?

Then there are the banks that outsource administrative services.

They'll hold the HSA account and offer certain benefits like debit cards and some investment services, but they're hands off otherwise. Their administrative partner will perform that work. However, it adds another layer of complexity to what should be a fairly simple process. In addition, where the account holder will log into the bank's web portal to access account information, the bank will have to integrate with or redirect the account holder to the administrator's portal.

When it comes to debit cards, many banks rely on a separate vendor to issue cards and process payments. If the account holder has an issue with the card, that's an additional entity in the process to work with to resolve those problems.

To take advantages of all the benefits within one HSA, account holders are beholden to a tangled web of various separate entities, all of which are specialized and have different company protocols and processes.



## Full-Service Software Vendor with Custodial Services

Partnering with a full-service software vendor that offers custodial banking services provides TPAs, insurance companies, and other potential clients a distinct set of advantages that a bank alone cannot provide. A full-service HSA solution vendor can offer various options, depending on the needs of the client.



**Custodial Omnibus:** This partnership is all-inclusive on the vendor's end. The vendor licenses the platform, holds funds, issues and processes cards, issues the account, conducts filing, delivers statements, and provides investment services. This relationship is best for a TPA without a custodial partnership and needs a single, comprehensive solution for themselves and their clients.



**Bank-Adopted Omnibus:** The solutions provider does most of the work – including providing the platform, card and account services, and investments – except for holding the account. This arrangement works best for anyone who is already partnered with a current custodial banker and only needs an administrative solution.

With either option, full-service vendors can offer a wide variety of benefits and features:



**Increased Revenue** – Year after year, HSAs continue to gain in popularity. In the first half of 2016, 37 percent of new accounts are due to health plan partnerships and are the main driver of HSA growth<sup>2</sup>. For any institution looking to boost its revenue stream, offering HSAs through a full-service software vendor can boost the bottom line.



**Turnkey Solution** – For an administrator who is worried about getting stretched too thin, an “out of the box” HSA solution can deliver a low-effort, high-return revenue stream. With options to allow account holders to self-manage their accounts, by certifying purchases, utilizing investment services, and accessing records and receipts vaults, the administrator's workload is minimal. Plus, single sign-on allows everything to be done within one portal.



**Better Customer Loyalty** – Part of maintaining a successful firm is excellent client relationships. The level of service a TPA provides and the depth of knowledge about plans, eligibility, and laws is invaluable. By offering HSA administration along with a wealth management tool, a TPA can build deeper client satisfaction and loyalty.



**Dedicated Customer Support** – One of the primary duties for a software vendor is to ensure that its products are working correctly. While a bank has its fingers in many pots, the vendor can provide dedicated customer support and a better overall user experience.



**Enhanced Security** – A full-service software vendor that is an end-to-end card processor provides every card related service, from card issuance and payment processing to customer service and technical support. Critical banking information stays in-house, increasing security for card holders.



**Investment Services** – Investing is one of the account holder's greatest tools for growing their funds. A full-service vendor will offer investment options, educational materials, and have a licensed investment advisor on staff.



**Customized Marketing Materials** – A full-service software vendor may create customized materials to help TPAs promote the product to their clients, including email, sales sheets, and other facts and figures to encourage account enrollment and participation.

Other potential benefits of partnering with a turnkey solutions vendor includes tax form preparation, fulfillment services, and accounting services.

Due to the wide range of benefits and features that full-service vendors offer, partnering with one can promote closer, more personal relationships for both the client and the account holder. Should a TPA forego offering HSAs and leave them to the bank, not only will it miss out on additional revenue, but also the chance to build higher client satisfaction.

## Questions to Consider When Evaluating HSA Vender Options:

1. How many companies or other entities are involved in the process?
2. Is the provider an end-to-end card processor?
3. Does the solution offer my clients the ability to view, store, and retrieve receipts at any time?
4. What type of fees are involved for me and my clients?
5. What is the enrollment process?
6. How easy is it to transfer HSA providers?
7. How low is the solution provider's investment threshold?
8. Can the provider integrate with my bank?
9. Does the HSA Solution permit account holders to self-certify purchases?

For the foreseeable future, HSA opportunities will continue to surge as HDHP enrollments rise, creating a ripe market for firms looking to grow their business. With a multitude of HSA provider options to choose from, TPAs, insurance companies, and other interested parties must carefully evaluate the benefits of each provider for themselves and their clients. A single, full-service partner with an easy-to-use, low cost system is essential to generate revenue and help deliver greater client satisfaction and loyalty.

## Five Major Things

an Employer Wants from their HSA Provider:

1. **Robust plan features and options**
2. **Unified customer experience**
3. **Superior customer support**
4. **Flexibility for account holders**
5. **Educational materials for employees**

## About the Author

Glen Hoffman has been designing, developing, and implementing benefit account solutions for nearly three decades. A pioneer in the Health Savings Account industry and vice president of DataPath, Inc., he helped the State of Arkansas become the first state government in the nation to implement HSAs for its employees. Glen holds bachelor's degrees in Computer Science and Mathematics from the University of Central Arkansas. He is also an Investment Advisor Representative licensed by the Arkansas Securities Department. DataPath, Inc. strives to improve healthcare with innovative technology solutions and has been creating flexible financial and administrative solutions since 1984. Learn more at [www.dpath.com](http://www.dpath.com) or call **(800) 633-3841**.

<sup>1</sup> AHIP, *2015 Census of Health Savings Account – High Deductible Health Plans*

<sup>2</sup> Devenir, <http://www.devenir.com/health-savings-account-assets-see-another-period-20-percent-growth-exceeding-34-billion/>



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