HUMAN CAPITAL MANAGEMENT

5 Reasons Why HSAs are an Employer's Dream Offering

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REASON

#1

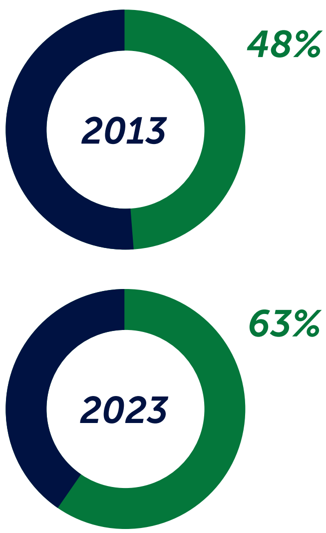
They're Cutting-edge & Popular with Millennials

Following healthcare reform, many employers have adopted consumer directed health plans (CDHPs) to manage premium costs and encourage smarter healthcare spending. In a 2023 Mercer survey, 63% of companies surveyed offered high-deductible health plans (HDHPs), up from 48% in 2013.

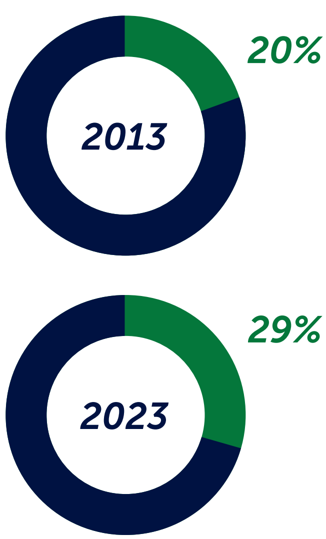
The Affordable Care Act (ACA) has also driven more young adults toward higher deductible plans, with HSA-qualified plan enrollment rising from 20% of covered workers in 2013 to 29% in 2023, according to the Kaiser Family Foundation.

53% ***of millennials are worried about running out of money in retirement.***

U.S. Based Companies Offering HDHPs



HSA-Qualified Plan Enrollment



REASON

#2

They’re Affordable & Portable

2026 High Deductible Plan Member Savings Amounts

$4,400

Individual HSA plan max contribution

($4,300 for 2025)

$8,750

Family HSA plan max contribution

($8,550 for 2025)

$1,000

Age 55+ additional catch-up contribution

Health savings accounts (HSAs) are available to individuals under age 65 with high-deductible employer or individual health insurance coverage, including ACA plans. The plan must have a deductible of at least $1,500 for individuals or $3,000 for families. HDHPs generally have lower premiums than preferred provider organization (PPO) plans, making them more attractive.

HSAs are portable, staying with employees even if they change jobs. Funds can be saved, used, or invested with no expiration and can be passed to beneficiaries.

A common misconception is a business must be a certain size to offer HSAs. As a low-cost alternative to help keep premiums under control, they are popular among ***individuals***, ***small businesses***, and ***large employers***.

REASON

#3

They Increase Consumer Engagement & Control

HSAs empower employees to manage their money as they choose, whether spending on qualified medical expenses or saving for retirement. By offering an HSA, employers can guide employees toward smart decisions for their health and financial well-being.

Goal

Improve Employee Health & Financial Well-being

Knowing the Differences Between an FSA and HSA

Many employees know how flexible spending accounts (FSAs) work, so it's important to clarify how FSAs differ from HSAs. FSAs have a "use it or lose it" rule, while HSAs offer retirement savings options and may include employer contributions. Educating employees on the similarities and differences between an FSA and an HSA will help boost their understanding of, and engagement with, these accounts.

REASON

#4

They’re an IRA in Disguise

Tax Free

Earnings

Interest

Investment Returns

Employees can contribute to their HSA and earn interest just as they would an IRA. The triple tax advantages of HSAs lead the pack for why HSAs are a great bet for investment dollars since contributions are pre-tax or tax-deductible and all ***earnings***, ***interest***, and ***investment returns*** are tax-free. This makes HSAs a strong choice for investment, encouraging employees to make financially strategic and health-conscious decisions during enrollment.

Additionally, employees can roll over funds from an existing IRA into an HSA once in their lifetime, enhancing the HSA’s role as part of their broader retirement portfolio alongside a 401(k).

HSAs offer more flexibility and benefits over an IRA and fewer rules than “traditional” retirement vehicles.

	HSA	*IRA*
Money grows tax-deferred	✓	✓
Contributions are tax-deductible[1]	✓	✓
Penalty tax applies to withdrawals that don’t follow IRS rules	✓ *10% tax to age 59*	✓ *20% tax to age 65*
Use tax-free money at any age to pay for qualified medical expenses	✓	
Use funds to pay for long-term care insurance, COBRA premiums, and health insurance premiums while receiving unemployment[2]	✓	
Use funds to pay for health insurance premiums[3]	✓	
No required minimum distributions or means testing	✓	

[1] If eligible

[2] Before age 65

[3] After age 65 and does not include MediGap

REASON

#5

They Drive Stickiness & Employee Retention

Goal

Boost Employee Retention

It takes more time and resources to attract a new employee than it does to retain a current one, so focusing on your existing staff is crucial. Offering HSAs for employees tends to increase their "stickiness" and decrease the chance they will leave the company. The goal here is ***employee retention***.

A major benefit of an HSA is the money belongs to the employee — they keep the account even if they change jobs, and unused funds roll over year after year, growing tax-deferred.

HSAs are a Great Tool for Financial Wellness

Unlock the secrets to simple and flexible health savings.

To find out more, connect with a member of our team.

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