KS ADVISOR BLOG

3 Tips for Effective HSA Plan Provider Selection

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As the demand for Health Savings Accounts (HSAs) continues to grow, employers are increasingly adding these tax-advantaged personal savings accounts to their benefits packages. But just as they would when selecting and setting up a 401(k) offering, employers need to consider introducing a set of standards and processes for HSA provider selection and monitoring. Guidance from Department of Labor's Employee Benefits Security Administration (EBSA) is a great starting point, but some HSA features require special consideration.

Start with the EBSA's Tip Sheet

Generally, HSAs are not regulated by EBSA; however, many of EBSA's tips for selecting and monitoring service providers are transferrable to the HSA selection process.

Plan sponsors should start by considering the services needed to operate the HSA. They should also review whether the HSA vendor can provide bundled benefit offerings as this may provide cost savings for the organization. Utilizing one platform for the HSA and 401(k) offerings may streamline your benefits lineup and help employees understand how these accounts complement each other.

In some ways, plan sponsors should approach this like a hiring process. Understanding the terms of the contract signed with an HSA provider is critical, as is having a written record of the process used to hire the HSA provider. And just like you would for 401(k) service providers, evaluating your HSA vendor on a regular basis can help ensure your organization gets the most out of the service.

Keep an Eye on Key Trends

Knowing what other employers are looking for in an HSA provider can help you understand what is available and which features matter most to your organization. The Plan Sponsor Council of America (PSCA)'s fourth annual HSA benchmarking report is a helpful resource that includes trend statistics on must-haves for today's HSA vendors.

According to the PSCA's report, nearly 90 percent of respondents used a consultant or benefits broker to help develop their HSA program. The best consultants will provide trend information, gain an understanding of your organization's demographics and help you decide which features might work best.

The PSCA report outlines the three most important features reported by plan sponsors:

- Having a debit card (36 percent),
- 24/7 customer service (23 percent), and
- Employee engagement/communication (15 percent).

Another area covered in the PSCA report was whether to offer investment options as part of your HSA program. The PSCA report showed that 61 percent of respondents offer investment options, and large employers are twice as likely to offer them vs. smaller employers. Ultimately, the decision to provide investment options should be based on your plan's universe of participants and their specific needs.

Insight: Avoid Triggering ERISA Compliance

Nearly 20 years ago, the Department of Labor (DOL) issued Field Assistance Bulletin 2004-01, which outlines the conditions that would keep HSAs out of the realm of employee welfare benefit plans covered by Employment Retirement Income Security Act (ERISA). Plan sponsors should ensure they understand these rules to avoid any potential issues with ERISA law.

Generally, HSAs fall outside ERISA rules if employers avoid the following:

- Requiring contributions (i.e., employee contributions must be completely voluntary)
- Limiting employees' ability to move funds to another HSA
- Imposing conditions on employees' use of the funds
- Making or influencing investment decisions
- Saying that the HSA is subject to ERISA standards
- Taking payment or compensation in connection with the HAS

Have questions or want to discuss more? Contact our team today.