

A man and a woman are looking at a laptop screen. The man is on the left, leaning over the woman on the right. They both have serious expressions. The image is overlaid with a blue gradient that contains text.

Modern Certainties: Taxes, Change...and Rising Healthcare Costs

Why employers need a better way to
support employees' financial wellness,
when they need it.



The cost of having and using healthcare continues to rise, and so has employees' financial stress.

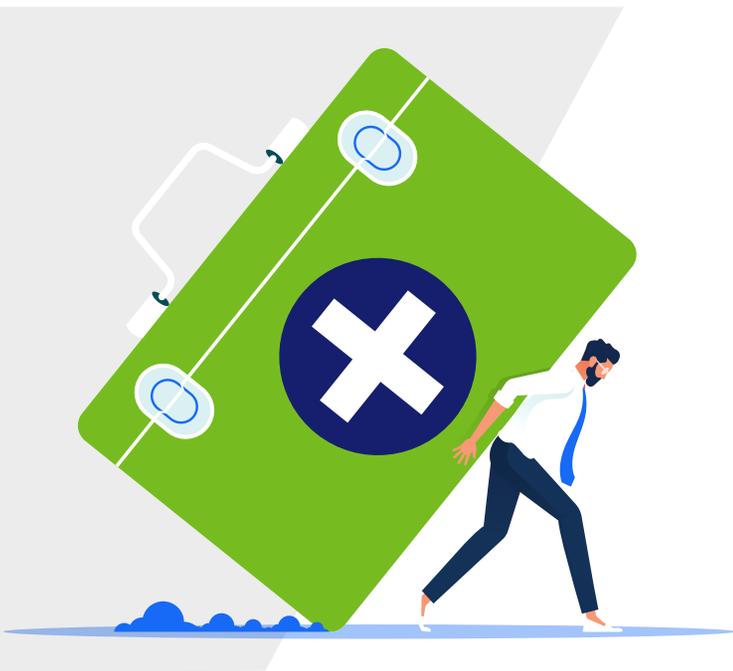
Employees are paying more for healthcare coverage than they were 10 or even five years ago, and out-of-pocket costs have also increased. Most employees **are** allocating money to address these costs as best they can; however, they are not maximizing their opportunities to fund out-of-pocket costs so aren't getting the best results. They are using the wrong types of accounts, not saving enough and in some cases even forfeiting money at the end of the year. This all contributes to many employees being unprepared despite saving.

At the same time, employees are feeling financial stress—some of it specifically around healthcare costs—and it's undermining their emotional well-being. It also contributes to the anxiety that is undercutting productivity and fueling record turnover.

Employers need to understand the connection between how employees are preparing for out-of-pocket healthcare costs, their anxiety around these costs and their decreasing engagement.

The right tools and education can maximize employees' financial well-being and empower them to take better control of their money and their lives.

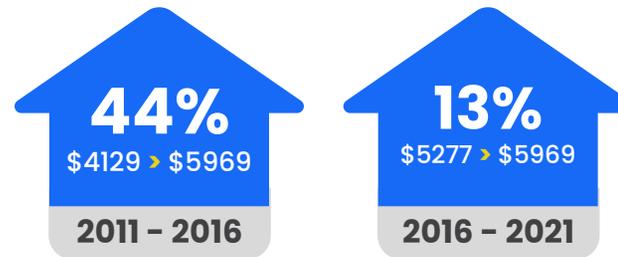
Let's take a look at how escalating healthcare costs are tied to employees' anxiety about their financial wellness.



Both contributions and out-of-pocket costs for healthcare have been inching up relentlessly, and employees are feeling the effect on their personal bottom line.

Employees' share of the cost of their employer-sponsored healthcare has increased significantly over time.

Average employee contribution for family coverage*



Deductibles have also risen, in some cases significantly. While 15% of workers are not subject to a deductible, 85% are on the hook for the full cost of healthcare until they reach the threshold.*

Average general annual deductible*



Employees are stressed over the cost of healthcare, and with good reason. With the rising costs, many aren't in a position to foot the bill for care.

*Kaiser Family Foundation



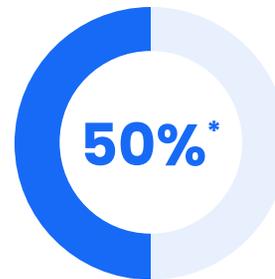
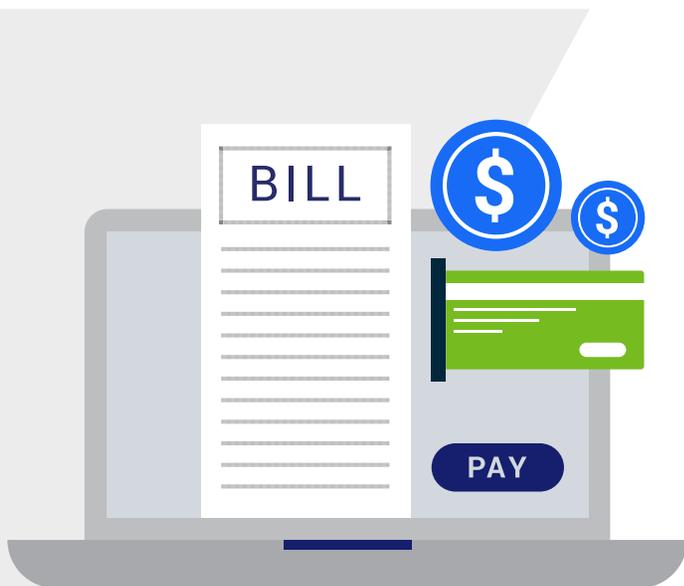
Employees are trying to prepare financially for their out-of-pocket costs.

As deductibles have increased, employees are covering a larger up-front, out-of-pocket investment in their healthcare before cost-sharing begins.

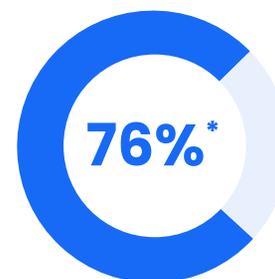
Employees are faced with an average individual deductible of over \$1600. However, some have an even higher threshold. Just under 30% of employees are subject to an individual deductible of \$2,000 or more.

People are actively saving to be ready for those almost inevitable costs.

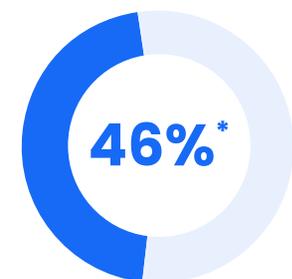
But even as most are putting money away, a large portion of the workforce is anxious, and many are falling short of having a reasonable cushion.



Employees reporting high anxiety about uncovered healthcare costs



Employees saving for healthcare expenses



Employees who are unable to pay for \$1,000 of uncovered costs

*Aflac



Employees aren't saving enough, and they aren't using the right tools.

The anxiety they feel may be warranted. While a majority of employees are taking action to be prepared, overall people aren't maximizing their savings or their options.

Among those employees saving for healthcare, most are not leveraging tax-advantaged accounts through their employer. Instead, they are choosing to save for healthcare in accounts that don't offer the convenience of payroll deductions or the opportunity to save on taxes.



Even those using employer-sponsored accounts aren't maximizing their saving. In the case of FSAs, almost half of employees actually forfeit their hard-earned money at the end of the plan year.



*Transamerica
**EBRI

HSAs offer unrealized potential for employees saving for healthcare costs.



Not surprisingly, employees in HSA-eligible plans face higher deductibles than their colleagues in other types of plans. After all, these healthcare options are designed to offer lower contribution rates in exchange for higher up-front, out-of-pocket exposure.



High-deductible plans also bring unique access to HSAs. With their triple tax advantage and potential to fund both current and longer-term healthcare costs, HSAs are a powerful tool for employees to underwrite their own financial well-being.

But the reality is most employees aren't always using their HSAs optimally.



Unfunded HSAs



Average individual HSA contribution vs. average deductible



HSA that hold investments

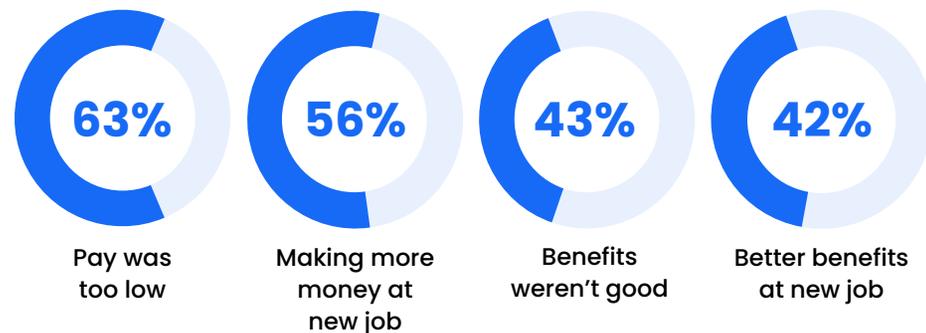
*Kaiser Family Foundation
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When employees are stressed about their finances and healthcare costs, employers feel the impact.

Financial stress continues to create issues at work. Not only does the time employees spend worrying about money erode their engagement and productivity, it's also driving historic resignation rates.

Employees switching jobs are looking for opportunities to increase their financial well-being, including more money and better benefits.

Among those who left a job in 2021*



Employees' financial well-being is a situation employers can't afford not to address. The challenge is finding a strategic way to enhance benefits without incurring a significant additional financial burden. While paying people more or making benefit costs less may seem like a possible approach, it's a stop-gap solution at best. And it's not sustainable.

Employers need to better empower employees to manage their short- and longer-term financial well-being.

*Pew Research Center



Addressing modern certainties for the multi-generational workforce.

If we've learned anything the past few years, it's about the inevitability of change. When change is in the cards, preparedness should be a priority.

The same is true for healthcare costs, and even taxes. And these are all intertwined.

Employees are clearly stressed about their healthcare costs and they are taking actions to be prepared. The majority are saving, but in many cases they aren't using the right accounts or they aren't maximizing a tax-advantaged option.

There is clearly room for improvement.

- 1. Employees need better understanding of their options to fund their out-of-pocket healthcare costs.** To a certain extent accountholders are using their HSAs like an FSA, spending down their balance on relatively small amounts they might have funded out-of-pocket. At the same time the fact that a workforce stressed about healthcare costs is routinely forfeiting FSA dollars also needs to be addressed. Better education and more targeted communication should be a priority.
- 2. More accessibility can help employees be better prepared.** When employees are confused about who owns their account or they believe their money will be lost if not spent, increased visibility is vital. While some employees may be using personal accounts for their healthcare saving because their employer doesn't offer an FSA or HSA, it may be more a function of expediency. When using your own funds you have instant access, you don't have to submit claims and you can leverage whatever payment method you want. Healthcare accounts should follow suit. When an FSA or HSA behaves more like a personal account, employees might just enhance their usage.



3. **A change in approach may enfranchise more employees to save in HSAs.** There is no denying that the triple tax advantage of HSAs is powerful. For those with the ability to fund current costs out-of-pocket and use their HSA to save and invest, the upside potential is significant. In fact, growth in accounts with investments has skyrocketed over the past few years. But the fact remains that deductibles are high and even if they can fund some of their out-of-pocket costs most employees may need to spend HSA dollars each year.

That's okay.

What's not okay is the way HSAs are currently marketed to the workforce. Characterizing HSAs as retirement accounts may be confusing to employees who are already saving for retirement in a 401(k) or other employer-sponsored plan. Instead of messaging to the less than 10% who are maximizing their HSA, it makes sense to better educate the majority of employees who need support for real financial stress.



A modern consumer-directed benefits platform can empower employees to take control of their healthcare finances in new ways, when they need to.

Using antiquated solutions undermines the value of your benefits program, so give employees the technology they need—and expect—to address the stress and anxiety they feel around funding healthcare.

Taxes, change and rising healthcare costs may be here to stay, but there are ways to make the latter less of an issue.

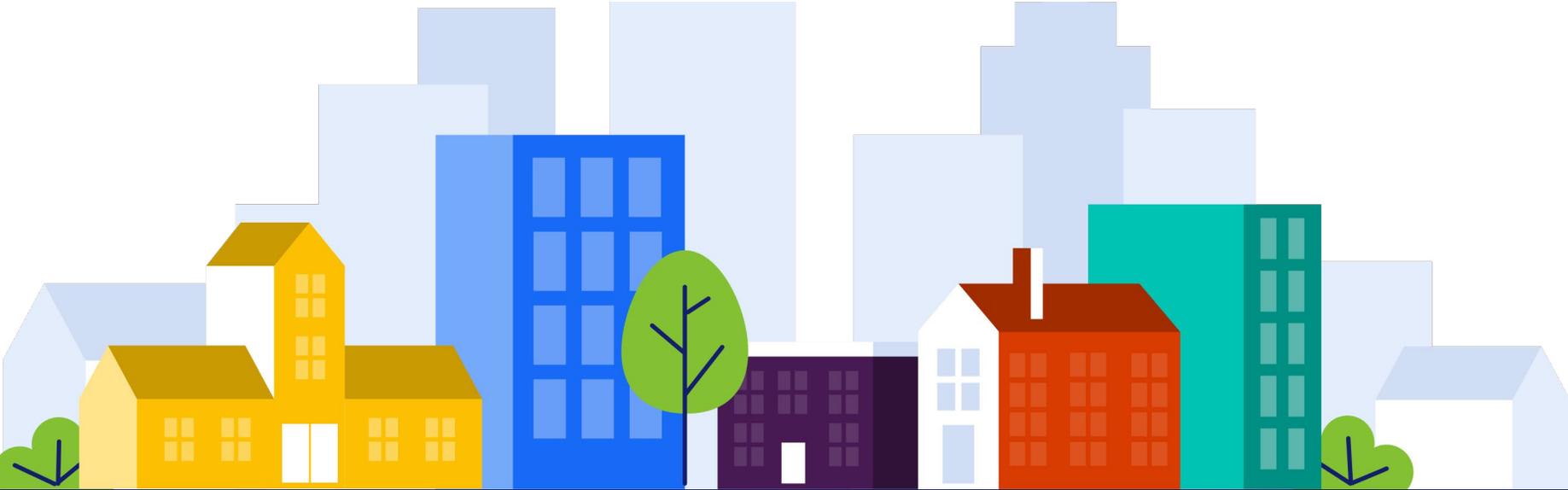
The right consumer-directed benefits solution can mean the difference between an employee feeling powerless and feeling prepared.



Find out how you can help employees rise above their stress and get to a place of financial control. **Visit our [website](#) or [request a demo](#)** to see how Elevate's modern benefits platform is revolutionizing how employers are helping increase the financial well-being of their workforce.

Address the modern certainties that cause employee stress with Elevate: advanced, easy-to-use and designed-around-you technology.





Modern, consumer-directed benefits delivery—for everyone.

