Fidelity Podcast: Eric Dowley, Health Savings Accounts

MIKE SHAMRELL:

Welcome, everyone. Thanks for joining. This is the Fidelity Podcast Series. I'm your host, Mike Shamrell. Today we are joined by Eric Dowley, who is a Senior Vice President of Product Management at Fidelity for our health savings accounts. And we're going to be talking about health savings accounts, specifically focusing on what they are and why you may be hearing about them a lot in the next few weeks, and what you should look for if you're trying to decide whether or not a health savings account is for you. Just to let all of our listeners know, we may refer to things -- health savings accounts often get shortened into an acronym, HSA, so if you hear Eric and I reference HSAs, we are talking about health savings accounts. So, Eric, thank you very much for joining us.

ERIC DOWLEY: Thanks for having me, Mike.

SHAMRELL: We appreciate you joining us today. And so I thought we could start at the beginning. People may be getting emails from their HR departments shortly because many companies are asking employees to take a look at their benefits program, and asking employees to select the benefits that they want for the coming year. And part of that package, part of that information may include some references to HSAs. So what we thought we could do is just give everyone a sense of what an HSA is, in very basic, everyday terms, and then kind of go on and talk about the role that they play and whether or not they might be appropriate for someone. So if you could start us off with just telling us, what's an HSA?

DOWLEY: So the HSA is an account that is paired with an HSA-eligible health plan. And some people will refer to that as a high-deductible health plan. But it's an account where you can set aside money on a pre-tax basis to use for medical expenses. And one of the great things about it is that you can use that money in the year in which you incur those expenses, after you set up the account, or you can carry that money forward to pay for future medical expenses, either, you know, next year, five years, or potentially into retirement. And that ability to grow the account on -- and if you follow it all the way through, on a tax-free basis, is one of the great advantages of the HSA.

SHAMRELL: What's the main difference between other types of coverage that people may have if they're asking, well, why should I switch off of what I have with my -- whatever your healthcare provider is, through your employer, and move to a health savings account? What are some of the main differences?

DOWLEY: Yeah. There's a couple differences. So an HSA-eligible health plan looks and operates a little bit differently from a traditional plan. Often, people will call it a high-deductible health plan. I think that's not the best way to talk about it, although it does mean that there is a higher deductible. So there's more that the individual is accountable for, before they get to the point where their coverage kicks in, typically. Now things like preventative care are covered. Physicals are covered. Child Well visits are covered[1]. So there are a little bit of differences, but what's nice about them is that you'll typically pay lower premiums for those type of plans than you would in a traditional plan, and that can be meaningful for people. The other nice thing about them, and why you should think about them, is the HSA actually gives you a lot of flexibility about how you want to spend your healthcare dollars. All right, so in a traditional plan, you might pay higher premiums, and then you're paying that, whether you use the services or not. What happens with a high-deductible plan, or an HSA-eligible health plan, and the HSA, is you can decide whether you want to spend that money or whether you want to save that money in the health savings account. And so it just gives you a lot of flexibility, depending on what your situation is, about how you want to spend those dollars.

SHAMRELL: Sure. What has been driving the growing attention towards HSAs? What are some of the factors that are present in today's workplace that are making these get more -- a little bit more attention, both from employers and employees?

DOWLEY: Yeah. And I think from an employer perspective, employers are looking to help people become more engaged in their healthcare and their healthcare choices. And these plans -- you know, they do cost employers less, certainly, but there's also an upside in that employers begin to see people beginning to engage more actively in the choices around their healthcare when they're offered these types of plans. So there is that shift from an employer perspective to get people more engaged through these types of plans. On the individual side, though, I think you see people becoming much more comfortable with these types of plans. There's a little bit of sort of a tide here, where people start, they see that it's actually pretty good, they tell their colleagues, more people join the next year, and they find that it can actually be a really good way to manage themselves a little bit better, the costs that they're going to incur, and then begin to save money.

SHAMRELL: Sure. OK. What are some misconceptions that you have encountered? What are some things that we can maybe clarify for our listeners when it comes to HSAs?

DOWLEY: Yeah. There's a couple components. And some are HSA-related, and some are actually health plan-related. And so the health plan piece -- there's a couple things. First of all, people tend to get confused by what the HSA-eligible health plan covers and doesn't cover. And so first of all, there is such a thing as an out-of-pocket maximum. So it's not like when you get into these plans, there's un-- you have unlimited liability. There is a cap at which, you know, you no longer have to pay[2]. So that's probably the first misconception. The other is about some of the things I already mentioned. Preventative care is covered. Things like that.

SHAMRELL: Good to know.

DOWLEY: So those are on the health plan side. On the account side, itself, there's a couple of big things. The first is, with some of these types of accounts, people think of the flexible spending account model. And that was the model that people are more familiar with over the past couple years, and that's the model where, when you put the money in, you have to use it or you lose it, and it doesn't carry over. And that's not the case with the HSA. And so that has been a deterrent that people have to start to understand, that this money -- actually, if you put it in, and you don't use it, that's actually really good, because it carries over and it grows from year to year. I think the other thing that people tend to not understand is exactly that piece, that when you don't use it, you can actually begin to save it. It can be a vehicle to fund either medical expenses next year, or it can be a vehicle for you to fund medical expenses in retirement. And that's up to you. And that goes back to that point about the flexibility for you to be able to start to control how those dollars get spent.

SHAMRELL: Are you finding more interest in HSAs among certain groups? For instance, are you finding more interest among married couples or among single people? Which groups are -- seem to be most interested in learning more about HSAs?

DOWLEY: Yeah. I think there's actually a lot of different reasons that a lot of different groups like HSAs and like the HSA-eligible health plans. You know, so if you are a younger healthcare consumer, you may like it because you don't -- you feel like you're healthy. You're not -- you don't need the sort of full services that you would pay for in a traditional plan, so you like the ability to pay less and save that money. As you get older, you may like it more for its applicability to help you save for retirement. And so, you know, whether you're married, in family coverage, or whether you're single, in individual coverage, there's things that are attractive about it for a lot of different folks. You know, I would say the folks that may be -- there are some folks for whom it's something they want to think about hard. And it's important to look at what's covered by their plan. And so sometimes folks with maybe chronic illnesses, they may really want to look hard at some of the drugs that are covered by the plan. But for most folks, they can find something attractive about it, no matter what demographic, or age group, or income group, or, you know, family situation they're in.

SHAMRELL: Right. So with what we like to call open enrollment season around the corner -- and as we mentioned, a lot of our listeners are going to be receiving information about their health benefits in the coming weeks -- what would be one of the main things that you would suggest people keep in mind as they open up their benefits enrollment package and start reviewing their plan?

DOWLEY: Well, the first thing, honestly, is actually to open the benefits package, right? (laughs) I mean, because a lot of people -- if they're not forced to make a decision, a lot of people don't, and they'll just default into whatever they've had for the past couple years. And that may be a good choice, but there may be some things that they're not considering by taking a passive role. And so when they do engage with those choices that they have, pay attention to the math. Look at what it's going to cost you out of your paycheck when you opt into a traditional plan, and look at what it's going to cost you with an HSA-eligible plan. And think about what's going to make sense for you, or your situation, or your family. As I mentioned, often the HSA-eligible health plan is going to be significantly less expensive on your paycheck. And that's what allows you the flexibility to potentially put that money in the HSA and grow it for later. So that's the first thing. Engage. Do the math. And then, you know, think about what the long-term benefits are going to be. One of the things that I think dissuade people or maybe discourage people is they think that they're not really going to be able to make any meaningful contribution to their health savings account. And so it becomes one of those things where they just think, well, I can't really move the needle. What's the point? And, you know, one of the things we've seen is that actually people do begin to accumulate meaningful balances, even if they start small. And so maybe they only carry over a few hundred dollars the first year. But that's still a few hundred dollars. And then that's maybe another few hundred dollars the next year. And so, you know, don't be discouraged by feeling like you might not be able to really max it out and take full advantage of it. I'm just starting -- just like the way you think about any, you know, longer-term savings goal, just starting is the right step. And so think about how it might fit into those goals that you have.

SHAMRELL: Great. Eric, this has been some really great guidance, especially as our listeners are going to be more focused on selecting their benefits package for the coming year. I want to thank you for taking the time to join us.

DOWLEY: Thanks for having me.

SHAMRELL: We've been joined by Eric Dowley, who is a Senior Vice President, here at Fidelity. He's been giving us an overview on health savings accounts. This has been the Fidelity Podcast Series, and I'm your host, Mike Shamrell. Thanks for listening.

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[1] These services are currently cost-free under many HSA-eligible plans, but subject to reforms to the Affordable Care Act.
[2] For in-network services.