



How would a 3-5% increase in adoption and usage from your existing consumer-directed accounts impact your top line?

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and **Elaine Harkins**

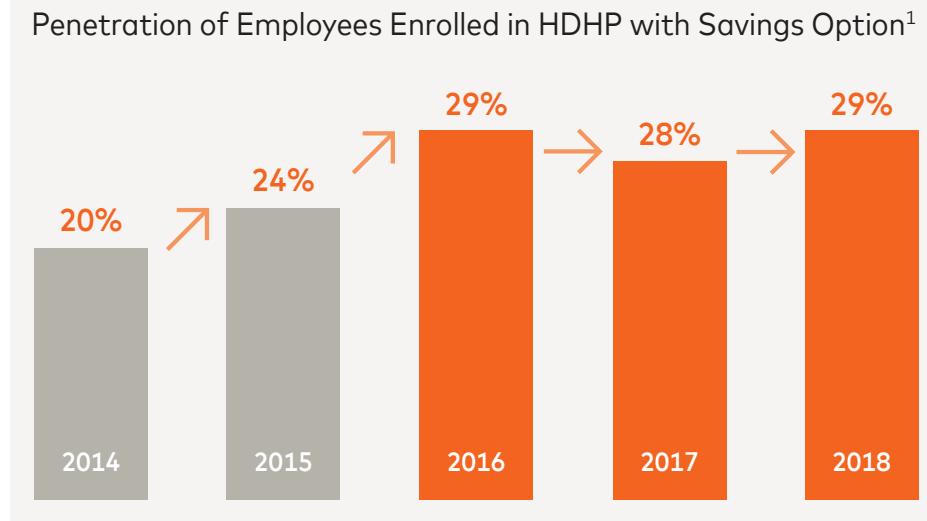
# Employer Insights on TPAs and consumer-directed healthcare

Here are 6 ways employers say third-party administrators (TPAs) can add value to their relationship and increase engagement.



## Growing CDH programs beyond early adopters

It's a critical time for employers offering consumer-directed healthcare (CDH) programs like Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs), and Health Reimbursement Accounts (HRAs). With early adopters already on board, employers are seeing penetration in their CDH programs level off,<sup>1</sup> despite government regulations making it advantageous for employees to adopt CDH accounts.<sup>2</sup>



**"If we could increase the program adoption within our existing employer customers by just 5%, that would have a material impact on revenue."**

**Pam Reynolds**  
Chief Development Officer, TASC

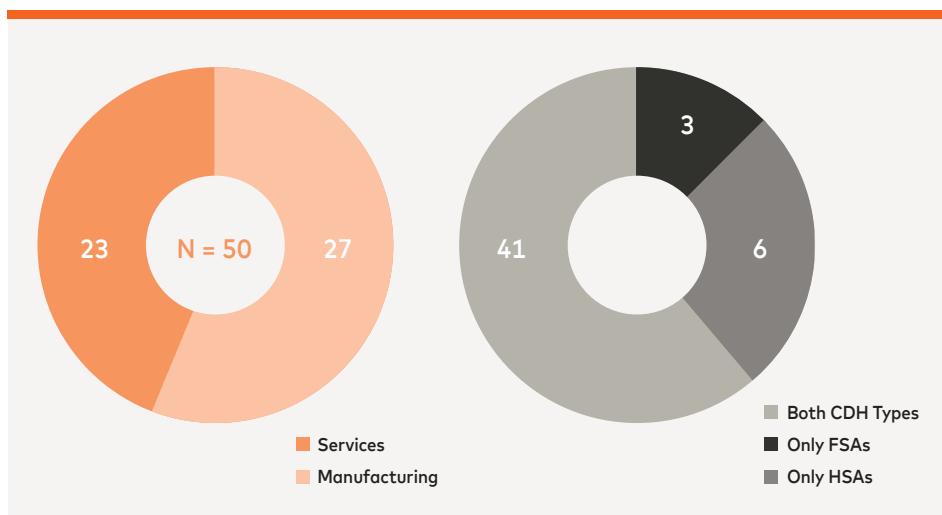
**What steps can employers take to stimulate fresh interest in these accounts, take advantage of the regulatory tailwinds, and motivate higher employee adoption?**

When Mastercard dug into the research in the consumer healthcare space, we heard a lot from employees and brokers, but identified employers as a rarely heard voice. That's why we conducted in-depth interviews with benefits leaders at 50 companies to answer this and other questions. **The good news is these executives believe third-party administrators (TPAs) are best positioned of all their advisory partners, including brokers and consultants, to help them take CDH accounts penetration to the next level.** And in so doing, TPAs stand to deepen their relationships with employers while reaping the financial benefits of increasing account usage and engagement.



## Employers to TPAs: We trust you

Mastercard research focused on 50 companies in the services and manufacturing segments whose healthcare benefits include CDH accounts. We spoke with benefits managers, HR directors, and other executives to understand how they viewed their current plans, their activation and adoption goals, their thoughts on increasing employee engagement, and what services they would like TPAs to provide.



While their insights coalesced into the six recommendations that follow, one overriding sentiment stood out: **Employers highly value and trust their TPAs, and feel they are the ideal strategic partner to drive improved performance from their CDH programs.** Their trust is rooted in three differentiators that employers believe TPAs bring to the table:

**More data**—Better access to CDH program data and specifics than brokers or consultants, enabling proactive program management

**Less distance**—Closer physical proximity to employers to facilitate frequent contact and a hands-on relationship

**Deeper knowledge**—Greater CDH accounts expertise to enable high-quality education and benchmarking

Given this position, how do employers think TPAs can help? Their six key recommendations from the research follow. **These strategic insights can help guide TPAs in expanding their relationships with employers and increasing the usage and engagement of CDH plans.** In fact, if TPAs could increase CDH accounts adoption on their existing book of business by just three to five percent, the impact on revenue and profitability could be significant.



# 60%

of employers want a more proactive relationship with their TPAs.<sup>3</sup>

## #1 Employers prefer high-touch working relationships with their TPAs

Relationship management is a burning issue for employers. In the study, 60 percent said they would prefer a more proactive partnership with their TPAs. A tighter relationship, they say, would enable TPAs to more effectively gauge their needs and adapt support accordingly. While broadly happy with their relationships, interviewees pointed to three potential areas of improvement:

**Passive assistance**—Support is provided on demand rather than proactively

**Infrequent touchpoints**—Communication is sporadic with no regular cadence

**Lack of dedicated staff**—Some employers can only access support via a toll-free number

## Opportunity

Consider a tiered service model to cover the cost of providing more hands-on, proactive account management and support for high-value customers.

In the research, employers who were highly satisfied with their current TPA relationships had one thing in common: strong account managers. This underscores the importance of a high-touch model of account service. They also indicated a willingness to pay for the extra attention. Strategies to consider:

- Proactive account managers to provide strategic, high-level support for high-value employers, complemented by lower-cost support staff and resources to help other employers with day-to-day operational issues
- Regular status calls on a monthly basis to identify adoption and usage challenges, advance educational efforts, and build a more strategic relationship
- Cover the incremental cost and develop a new revenue stream by introducing tiered support model

## Getting started

Pilot a program targeting one or two of your less engaged employers. Pending a positive outcome, begin segmenting your resources into proactive versus reactive support teams and exploring fee-based service models for customers interested in proactive or dedicated support.



# <30%

The majority of employers with <30% CDH accounts adoption only track basic metrics, such as the enrollment rate.<sup>4</sup>

## Employers' top CDH program goals



Maintain or increase adoption year-over-year



Maximize number of people electing CDH accounts



Maximize deposits



Encourage employees to optimize contributions

## #2 Employers want forward-thinking, data-driven advice from TPAs

Using data insights to help employers achieve their program goals is a sweet spot for TPAs, according to the research. While many employers have internal program data, few leverage it fully. Employers know that TPAs have access to their data and the data of others, making TPAs best positioned to determine benchmarks and uncover helpful insights.

Also, employers want help fine-tuning their KPIs. This issue is of particular concern to CDH programs struggling to reach 30 percent adoption. Most only track basic metrics and need TPA assistance to add more sophisticated KPIs, such as:

- Percent of employees contributing
- Amount of employee contributions
- Percent of maxed-out contributions
- Percent that invest balances

## Opportunity

Cultivate a consultative relationship with employers—develop “roadmaps” to success with advanced KPIs and help employers transform data into actionable insights.

Employers say that establishing and tracking advanced KPIs using internal and TPA-owned data could help them dial in program goals, monitor performance over time, and gain senior leadership buy-in. Strategies to consider:

- Providing segmentation analysis of employee data to help companies develop more tailored communications and educational programs
- Sharing benchmarking data that compares the employer's CDH accounts performance with that of similar companies and offer tactical advice that incorporates proven best practices

## Getting started

Pilot a consulting engagement as a new revenue stream. Identify opportunities among your low-engagement employers and cultivate an end-to-end consultancy engagement with three-year strategic plans, KPIs, and quarterly check-ins.



# 50%

of employees find it difficult to understand CDH plans—and they often "wait and see" as a result.<sup>5</sup>

## Common CDH Accounts Knowledge Gaps

**All CDH Accounts** What counts as a qualified expense? How do HSAs and FSAs differ? What are the tax advantages?

**HSAs** Is my high deductible plan worth it in terms of overall savings?

**FSAs** How do I manage the different due dates and forecast expenses to budget properly?

## #3 Employee confusion and uncertainty is slowing CDH accounts adoption

As part of an attractive benefits plan, CDH accounts can be a powerful differentiator to help employers recruit and retain skilled workers in a tight labor market. But if most employees aren't taking advantage of their CDH options, that benefit has limited value.

In a survey of more than 2,000 U.S. workers with employer health insurance, 50 percent said it was challenging to understand the differences among different CDH plans. And over 75 percent admitted spending less than one hour to evaluate their options during open enrollment periods, with many just defaulting to their current plans.<sup>5</sup> The result? Far too many employees miss out on the overall benefits of CDH plans because they don't understand them.

Employers say this knowledge gap is the biggest roadblock to raising adoption rates for CDH accounts. Employees are hesitant to enroll, taking a "wait and see" attitude to gauge the satisfaction of early-adopter co-workers. As a result, adoption rates have leveled off.

## Opportunity

Conduct more frequent communication sessions to increase employee understanding of CDH accounts benefits.

Employers believe TPAs have the educational expertise and resources to fill the knowledge gap. They suggest TPAs conduct educational sessions more frequently throughout the year, rather than just during open enrollment periods. Strategies to consider:

- Conduct regular in-person communication and education sessions for maximum effectiveness in increasing adoption rates. Employers say webinars are only moderately effective in educating employees in multiple locations, while email campaigns have virtually no impact
- Tailor the communication to program maturity so employees get relevant messaging. New programs might focus on basic information, such as tax advantages and the differences between plan types. Moderately mature programs (21-40% adoption) might highlight the advantages of maxing out CDH accounts contributions, while mature programs (41%+ adoption) would focus on high-level topics like the triple tax advantage and financial wellness

## Getting started

Consider piloting in-person communications that focus on education, a highly effective tactic to encourage adoption. Consider leveraging their own employee super users to conduct peer-to-peer training and education and providing sample marketing materials to spur communication throughout the year.



## #4 Employers want TPA help in customizing marketing communications

One-size-fits-all messaging may have worked with early adopters, but employers recognize that a fresh approach to CDH accounts communications is needed to grow further. Given their diverse workforces, employers want TPAs to help them tailor relevant value propositions and messaging across various employee cohorts—whether differentiated by age, salary structure and income, location, household status, or other variables. For example, the flexibility and portability of HSA plans appeal to many younger professionals, while older ones are more likely to respond to the savings and investment advantages. Shift workers and salaried employees typically face different tax implications. Workers with families may be more sensitive to the budgetary impact of high-deductible health plans than single employees.

### Opportunity

Customize marketing and educational materials and delivery channels to relevant employee segments to boost engagement and change the narrative.

TPAs are well-positioned to help employers improve literacy around consumer health insurance and clear up common misconceptions by simplifying communications. A strong first step is to strip out industry jargon from educational materials. Instead of a "high-deductible health plan," call it a "consumer-directed health plan," or an "HSA-eligible plan." Rather than calling an HSA "portable," be direct—tell people, "when you change jobs, it goes with you."<sup>4</sup>

It's clear that employees engage with benefit educational materials in different ways—and the medium is just as important as the message. A 30-year-old manager might respond best to messaging focused on the company contribution and delivered via an interactive chatbot. A printed pamphlet comparing an HSA to a medical 401(k) could be highly persuasive to a 45+ year-old. High-income individuals would appreciate an in-person presentation on tax advantages. And don't forget that the decision-maker on a benefit plan may not be the employee; direct mail can be highly effective if their spouse or partner is the one choosing benefits. Employers see TPAs as valuable resources in helping them find the most relevant ways to craft and deliver customized messaging.

### Getting started

Begin adjusting current educational materials to target key cohorts that currently lag in CDH accounts adoption and align delivery methods—digital vs. print vs. in-person—to their preferences whenever possible. Start with major swaths for a few key customers to determine the ROI.



## Interactive Tools Engage and Entertain

"ALEX has been a great tool. It asks employees questions. People use it, and it's fun."

—Manufacturer

"It would be nice to have appealing videos that are interactive."

—Manufacturer

"A lot of people make informed choices with these tools."

—Services Provider

**"We are focused on using innovative technologies to take the guesswork out of consumer healthcare funding decisions—during enrollment and beyond—driving greater adoption of consumer-directed accounts, as well as greater consumer engagement and satisfaction."**

**Brian Colburn**  
SVP, Corporate Development & Strategy, Alegeus

## #5 TPAs can play an influential role as technology strategists and enablers

We live in a digital world, accustomed to the ease of using our smartphones, tablets, and other digital devices for work, shopping, banking, entertainment, and more. It's not surprising that companies report growing demand from employees for user-friendly digital tools to help them select, understand, and navigate their benefits plans. Employers feel that TPAs can provide differentiated value by assisting them with this technological enablement.

### Opportunity

Help employers evaluate and onboard interactive tools to increase employee understanding and engagement with their CDH plans .

Employers with successful, mature programs are leveraging a wide range of digital tools, including artificial intelligence (AI) applications to personalize benefits recommendations and adaptive questionnaires, chatbots, and interactive videos to deliver targeted, engaging content. These tools have several advantages:

- Can be used any time from any device
- Increase the entertainment factor in informational content
- Reduce the need for tedious administrative forms
- Generate data that can be used to customize education and adapt program goals

### Getting started

Identify and vet potential partners among third-party technology platforms that provide interactive tools. Consider piloting a technology enablement consultancy program for high-value employers.



# 25%

of employees want financial wellness benefits that include access to counselors.<sup>6</sup>

**Level of employer interest in receiving TPA support to communicate "financial wellness" value prop**



**3.8 / 5.0**

## #6 Employers want to add financial wellness offerings

In 2018, consumers left \$85 billion in tax savings on the table by not joining health savings plans that would have let them to use pre-tax dollars for their eligible out-of-pocket medical expenses. This, in turn, caused employers to miss out on \$22 billion in savings.<sup>7</sup>

Consumers are stressed out by rising healthcare costs—more stressed than they are by health worries themselves. More than 25 percent of workers report their anxiety over healthcare costs growing over the past year, and a similar percentage report forgoing healthcare services due to out-of-pocket expenses.<sup>8</sup>

The problem is made worse by a lack of knowledge of basic financial concepts that could help them stretch their dollars. Insurance decisions are especially thorny: only 50 percent of respondents in a recent survey could correctly answer simple true/false questions about premiums and deductibles.<sup>9</sup>

Many employers see financial wellness programs in the workplace as a way to drive greater financial literacy, thereby lowering employee financial stress and moving the needle on CDH accounts adoption. Demand is also coming from employees themselves, with one in four asking for financial wellness benefits that include access to counselors.<sup>6</sup>

Simultaneously, it is well-documented that 401(k) industry stakeholders such as Fidelity are now aware of the increasing HSA assets and are making moves to capitalize on the CDH industry growth.

Employers felt TPAs were well-placed to assist them in improving nascent financial wellness programs.

## Opportunity

Help employers develop new financial wellness programs by partnering with 401(k) providers.

Of the 50 companies interviewed, most were in the early stages of developing financial wellness initiatives. Nearly 80 percent saw a clear role for TPAs in this effort, especially in developing value propositions and messaging. Strategies to consider:

- Identify likely partners to co-create financial wellness programs and work with employers to develop financial wellness value propositions that align with their CDH educational efforts
- Assist employers in structuring inclusive financial wellness programs, with tailored support for employees

## Getting started

Establish partnerships with other benefit partners that currently support financial wellness programs, such as 401(k) providers and consultants.



## **Bottom line: Employers want deeper relationships with TPAs**

Some TPAs may hesitate to reach out directly to employers on the issues covered in this white paper, for fear of disintermediating their own relationships with brokers or consultants. Employers say: Don't worry; you have our permission. In interview after interview, the message from employers was clear: TPAs have the potential to be ideal strategic partners in helping their companies increase CDH accounts usage and engagement. And anything that strengthens an employer's benefits package reflects well on all parties involved—broker, consultant, and TPA alike.

The six insights in this white paper—covering everything from data analysis and strategic planning to technology enablement and financial wellness support—can function as a pathway to greater success for TPAs. And you don't have to implement all of them to see the benefit to your top line—identify the insights that can have the greatest impact for you. Even initiatives in a few areas could be instrumental in driving a three to five percent gain in usage and engagement from your existing CDH accounts portfolio, resulting in higher revenue for you and greater satisfaction and loyalty from your clients.

## **Six insights**

1. Employers prefer high-touch working relationships with their TPAs
2. Employers want forward-thinking, data-driven tracking and advice from TPAs
3. Employers value TPA assistance in mitigating employee confusion and uncertainty
4. Employers want TPA help in customizing marketing communications to their key employee cohorts
5. TPAs can play an influential role as technology strategists and enablers
6. Employers believe TPAs can assist with developing financial wellness offerings

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Mastercard Healthcare Solutions helps to reduce costs, capture more revenue, deliver a better patient experience, and protect health data so TPAs, payers, and providers can focus on what matters most: helping people enjoy healthy lives.

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