



BenefitWallet™
2013 Member Survey Report

November 2013

Table of contents

| | Page |
|---|------|
| Introduction | 3 |
| About this report | 4 |
| Executive summary | 5 |
| Data analysis | 6 |
| Demographics | 11 |
| Medical plan participation | 12 |
| Health care coverage | 13 |
| Factors impacting selection of an HSA | 14 |
| HSA usage and behavior | 17 |
| Importance of HSA product features | 19 |
| Affordable Care Act (ACA) | 20 |
| Supplemental account information | 22 |
| About Buck Consultants | 24 |

This survey was conducted under our prior name, The ACS|BNY Mellon HSA Solution ("The HSA Solution"). Our brand name has since changed to BenefitWallet™, A Xerox Solution.

Introduction

The BenefitWallet 2013 Member Survey Report marks our third biennial survey report on Health Savings Account (HSA) members. In 2008, we realized there had been very little data published to profile demographics, behaviors, and opinions of individuals who own HSAs. We sought to fill the gap by sponsoring our first survey of HSA members published in 2009, with a subsequent publication in 2011. The 2013 survey continues our tradition of a biennial publication with updated sections to reflect contemporary issues.

BenefitWallet™, A Xerox Solution, was one of the first HSA products in the market under our legacy brand, The ACS|BNY Mellon HSA Solution (“The HSA Solution”). Since 2004, we have grown to be one of the nation’s leading administrators of HSAs with over 1,000,000 accounts, 27,000 employers, and \$1.4 billion in assets. In 2013, we introduced our new brand and product platform, BenefitWallet, which combines HSAs, FSAs, HRAs, and other tax-advantaged accounts on a single platform with many design features described in this survey.

The HSA market has grown at an annual rate of 15% to cover 15.5 million people as of January 2013¹. Many of these individuals have opened HSAs with the various custodians that administer these types of accounts.

This survey is a valuable resource for HR professionals, benefit managers, benefit consultants, product managers, and any other professionals focused on designing and implementing consumer-directed health strategies.



Contact information

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¹ America’s Health Insurance Plans Center for Policy and Research (AHIP) (2013). January 2013 Census shows 15.5 million people covered by Health Savings Account/High-Deductible Health Plans (HSA/HDHPs).

About this report

The BenefitWallet 2013 Member Survey was conducted online by Buck Consultants, A Xerox Company, a leading HR and benefits consulting firm. Over 23,000 members participated in the survey. This is the largest survey of its kind in existence.

Buck Consultants also conducted our surveys in 2009 and 2011 with similar methodology. Where possible, we kept the content and format of questions consistent over time, which enables longitudinal analysis of changes in responses over three surveys, spanning a five year period.

The 2013 survey was divided into several categories that allowed for the analysis of respondent demographics, participation with their health plan, selection and use of the HSA, behavior related to medical service usage, and importance of product features. For 2013, we added a category on the Affordable Care Act (ACA).

As with past surveys, participation in the 2013 survey was voluntary. Random sampling was not used to identify participants or respondents. Therefore, results need to be interpreted as such. We acknowledge that results may be influenced by who responded and only represent the opinions of the respondents.

As with most surveys, not all respondents answered every question, therefore, the percent of total calculation for each question is based on the total number of respondents who answered that question. Due to rounding procedures, totals may not always equal 100%. No data is reported if there are fewer than four data points.



Executive summary

Providing affordable health care to as many Americans as possible is one of the great challenges of our generation, impacting corporate profitability, worker take home pay, and American competitiveness in a global economy.

As we enter the post-reform era of health care, we will continue to witness pressures which transcend the politics of health care reform and stretch resources. Principal among these are:

- Aging population as life expectancy increases and baby boomers approach retirement
- Uncertain future for government benefits, such as Social Security and Medicare
- Unfunded future health liabilities, which continue to grow while wages stagnate
- Declining prevalence of pension plans in lieu of defined contribution retirement plans

It is the individual employee, and his or her family, who has the most at risk if these pressures are not alleviated. And, a growing number of employers view it as their social responsibility to provide employees with the opportunity to guard against these pressures.

HSAs empower individuals to save and invest to fund future health costs, pay current expenses with tax-free money, and become less reliant on government benefits over time. It is no wonder HSAs are growing in popularity. Our survey seeks to describe who HSA members are, what they hope to achieve with HSA ownership, and what they value.

Key findings

Based on the results of the survey, HSA members:

- Are predominantly college-educated, long-tenured employees with families
- Voluntarily select HSAs even when other health plans are offered by their employer
- Receive employer contributions into the HSA more often than not
- Select HSAs because of the low cost of insurance and tax advantages
- Build wealth as their account balances grow over time

HSA members are making wiser health care decisions. They are more engaged in health management activities and make choices which lower utilization. Remarkably, this is true in every category measured over multiple years.

HSA members have greater awareness of their own health care decisions and the impact on personal wealth. Since members are responsible for a greater portion of health costs, they expect to be empowered with tools to make informed, rational decisions regarding health care. To this end, they trust technology and expect an enriched HSA experience enabled by web and mobile features with easy access to information.

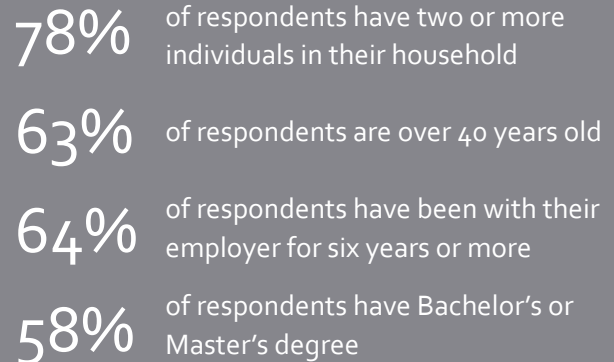
The BenefitWallet 2013 Member Survey Report provides unique insight into the values and behaviors of HSA members. In subsequent sections we share our data analysis and survey results.

Data analysis

Demographics

It can be observed from our survey that HSA members are educated workers with families who have longer than average tenure with their employers and earn more than the median US income. Furthermore, we offer the following observations:

- 78% of respondents indicate they have two or more individuals within their households. As we will mention later, families are increasingly being covered by HSAs.
- 63% of respondents indicate they are over 40 years old. Between 2011 and 2013, the age group of "51 and over" increased the most (15%), while the age group of "30 and under" decreased the most (9%). The distribution of age and aging trend are approximately the same as the general US population². Yet, we observe the proportion of respondents in the "30 and under" category is less than our book of business.
- 64% of respondents indicate employment tenure with their current employer of six years or more. Comparatively, 42% of US workers have employment tenure of five years or more³.
- 58% of respondents indicate they have attained a Bachelor's or Master's degree, a significantly higher rate of educational attainment than the general US population. Respondents indicate a significantly lower rate for a high school diploma and approximately the same for all other education levels as compared to US averages⁴.



Medical plan participation and coverage

The vast majority of HSA members obtain medical coverage through their employer (90%), with the balance obtaining coverage through individual policies, another family member's insurance, Medicare, or other sources. Of those obtaining medical coverage through their employer, most HSA members are offered other medical coverage (72%) yet choose an HSA due to multiple factors, primarily lower costs and tax advantages.



² US Department of Commerce, 2010 Census, Age and Sex Composition: 2010 (2011)

³ US Department of Commerce, Bureau of Labor Statistics (2011)

⁴ Relevant comparative data includes: High school graduate 31%, Associate degree (occupational and academic) 9%, Bachelor's 19%, Master's 8%, Professional 2%, Doctorate 1% (US Department of Commerce, [2011])

Data analysis

Single and family tiers share the top rank of coverage levels selected (38% each). A notable trend between 2011 and 2013 is a remarkable migration of coverage from the single plus child to family in two years. Family coverage increased from 6% in 2011 to 38% in 2013. Single plus child coverage decreased from 39% in 2011 to 7% in 2013, while other coverage tiers remained virtually the same.

Employer contributions

Respondents indicate that more employers are contributing to HSAs (75%) than not (25%). The design decisions of employers regarding contributing to their employees' HSAs shape both the participation and satisfaction levels among employees.

Among the employers that contribute to employee accounts, responses reflect a normal distribution with the highest prevalence within the range from \$501 to \$1,000 (24%). These results are consistent with past surveys.

Though not included in our general results, we observe significant differences in employer contribution levels among various industries, with health care ranking the highest in employer contributions.

Factors impacting selection of an HSA

There are multiple factors impacting the selection of an HSA, which respondents indicate are important. Principal among them are:

- Low costs of HSA insurance plans
- Saving money in tax-free accounts
- Paying medical expenses with tax-free money

75% of respondents indicate their employers contribute to HSAs

Members indicate that cost compared to other options is the single most important factor (36%), with the ability to have an HSA a close second (30%). Curiously, when asked to rank various factors, respondents reversed the order and indicated the ability to save money tax-free was most important (46% extremely important) and the overall cost of the medical plan compared to other health plan offerings was third in order of importance (37% extremely important). Despite this minor inconsistency in rank, the main point is clear: members are mostly motivated to open HSAs by low cost insurance and tax advantages. It is the combination of the two factors that is essential.

Consistent with our 2011 survey, 2013 respondents indicate that paying medical expenses with tax-free money is important. This is true for short-term expenses, long-term expenses, and retiree medical costs. One can conclude that HSAs are not only used as savings vehicles, but also as spending accounts over an individual's lifetime. When respondents indicate preferences for product features, which is described in a later section, the dichotomy between saving and spending becomes even clearer.

A notable trend is the increase in "comfort with the financial institution" as an important factor in selecting an HSA, from 64% in 2011 to 85% in 2013 (an increase of 21%). One might intuit the recent recession as the most probable explanation for this trend, as it has affected a general consumer preference for stable financial institutions.

Data analysis

HSA usage and behavior

Members are setting aside money in HSAs to cover potential costs. They are evaluating health costs more closely, using the Internet to research medical costs and choosing lower cost medical services. In short, members are making more informed and rational health care decisions, which they attribute to owning HSAs.

Respondents indicate a significantly higher level of activity and engagement in each of 11 health management activities, such as planning for expenses, discussing cost of care, and chronic disease management. Our results indicate members have greater awareness of their own health care decisions and the impact on personal health and wealth. We can therefore conclude that HSAs are changing member awareness of the financial impact of health choices and increasing personal accountability. Remarkably, these results are consistent over multiple years.



Importance of HSA product features

HSA members have connected the dots between health decisions and personal finances. It is no surprise that decision support tools are among the HSA product features deemed most important. We asked respondents to rank various product features in order of importance. The responses can be grouped into five categories which form an essential hierarchy of product design features.

1. **Web-based claim management.** The most important product features indicated by respondents form this category. Members expect to view, manage, and pay medical claims on the HSA member portal and perceive these functions the most important product features of HSAs.
2. **Transparency tools.** Second only to web-based claim management, respondents indicate the importance of tools that compare health care costs, as well as information and ratings about health care providers. Members desire more transparency in health care so they can be active participants in health care purchasing decisions.
3. **Consumer purchasing.** An interesting development indicated by survey responses is the growing importance to access consumer products and services through the HSA website. Members desire access to discounted health care services, tools for comparing health plans, the ability to purchase health insurance through the HSA website when they no longer have coverage, and the ability to purchase other health products and services through the HSA website. This development parallels a contemporary movement toward a consumer-centric model for benefit delivery and away from an employer-centric one.

Data analysis

4. Mobile access to valuable health information.

Members believe it is important to access their HSA information and account services through a mobile device. Additionally, they want access to information about medical issues and diagnoses. While mobile access lags behind other product features, it is rapidly growing in importance and had the largest increase of all product features within the two year period. No doubt, the proliferation of smart phones and other devices is driving demand for mobile access to HSAs and health information.

5. **Financial services.** Final among product features in order of importance are related to financial services. It is important to note that respondents still, on balance, indicate financial services are important with the possible exception of ATM access. Members value financial services such as integration of HSAs into personal financial management tools, as well as health care and retirement savings calculators; yet not as much as other product features. The relative value is of the essence. Interestingly, ATM access for withdrawals ranked the least important of all product features with 39% of respondents indicating it was not at all important.



Three inferences can be garnered from these results:

- The first is obvious. Members perceive HSAs as both health management tools and financial management tools.
- The second is holistic. As employees are asked to bear a greater share of the cost of health care services, they expect HSAs to provide the transparency required to enable more informed and rational decisions.
- The third is a sign of our times. Members trust technology and expect an enriched HSA experience enabled by web and mobile with easy access to information.

Data analysis

Affordable Care Act (ACA)

A new survey category for 2013 is the impact of ACA. Overall, responses indicate members are generally aware of ACA (71% know about it). Related to the impact of ACA, we observe the following:

A plurality of respondents has not yet formed opinions on exchanges. In fact, 42% of respondents indicate they remain undecided as to whether they will obtain health insurance on exchanges. Furthermore, 35% of respondents are unlikely to obtain health insurance on exchanges, while only 23% are likely to do so. Interestingly, the highest frequencies of responses occur at either extreme (very likely and very unlikely). This indicates that among those respondents who have formed opinions on exchanges, their opinions are quite strong.

Respondents believe ACA will cause medical costs to increase. In fact, 46% of respondents believe ACA will have a negative impact on the cost of medical insurance (meaning cost will increase), 14% a positive impact (meaning cost will decrease), 12% no impact, and 28% do not know.



71%

of respondents are aware of the Affordable Care Act (ACA)

42%

of respondents are undecided on whether they will obtain health insurance on exchanges

46%

of respondents believe ACA will have a negative impact on the cost of medical insurance

46%

of respondents believe ACA will have a negative impact on their personal out-of-pocket medical costs

Respondents believe ACA will cause their personal out-of-pocket medical costs to increase. In fact, 46% of respondents believe ACA will have a negative impact on their personal out-of-pocket medical costs (meaning costs will increase), 13% a positive impact (meaning costs will decrease), 13% no impact, and 29% do not know.

Future surveys will continue to measure member sentiment on ACA.

Demographics

Income level

| | % |
|-----------------------|------|
| \$250,000 or more | 17% |
| \$150,000 – \$249,999 | 4% |
| \$100,000 – \$149,999 | 11% |
| \$75,000 – \$99,999 | 21% |
| \$50,000 – \$74,999 | 17% |
| \$25,000 – \$49,999 | 16% |
| Less than \$25,000 | 13% |
| Prefer not to say | 2% |
| | 100% |

Respondents by gender

| | % |
|---------|------|
| Male | 56% |
| Female | 42% |
| Unknown | 3% |
| | 100% |

Region

| | % |
|-----------|------|
| Midwest | 29% |
| Northeast | 16% |
| South | 40% |
| West | 15% |
| | 100% |

Members by age

| | % |
|---------------------------|-------|
| Younger than 25 years old | 2.2% |
| 25 – 30 | 10.3% |
| 31 – 40 | 24.5% |
| 41 – 50 | 26.0% |
| 51 – 60 | 25.0% |
| Older than 60 years old | 12.1% |
| | 100% |

Length of employment with current employer

| | % |
|--------------------|------|
| 1 year or less | 11% |
| 2 years | 9% |
| 3 years | 7% |
| 4 – 5 years | 10% |
| 6 – 10 years | 21% |
| 11 – 20 years | 24% |
| More than 20 years | 19% |
| | 100% |

Highest education level

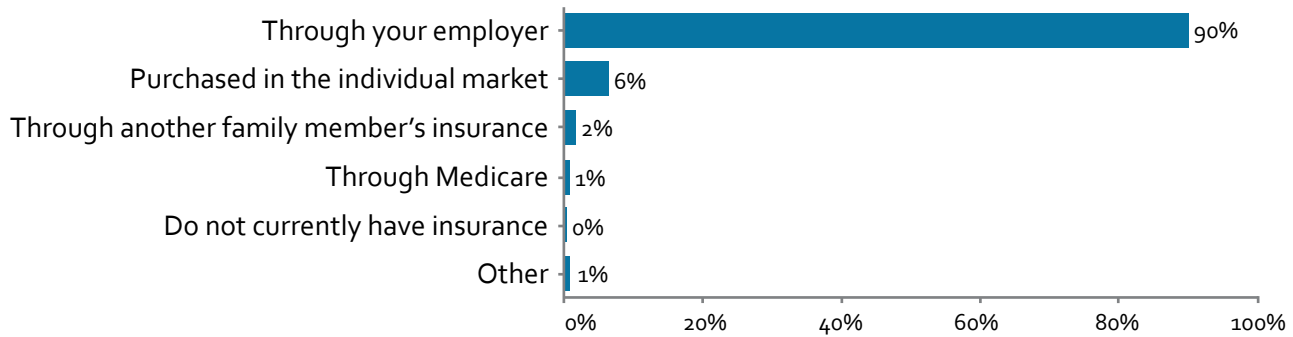
| | % |
|---|------|
| High school | 13% |
| Trade certification | 5% |
| Associate degree | 12% |
| Bachelor's degree | 37% |
| Master's degree | 21% |
| J.D. | 1% |
| M.D. | 1% |
| Ph.D. | 2% |
| Medical, law, or other doctorate or terminal degree | 1% |
| Prefer not to say | 5% |
| | 100% |

Number of individuals in household

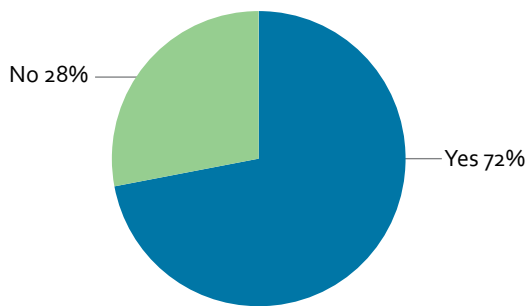
| | % |
|-------------|------|
| 1 | 22% |
| 2 | 34% |
| 3 | 16% |
| 4 | 18% |
| More than 4 | 10% |
| | 100% |

Medical plan participation

How health insurance coverage is obtained

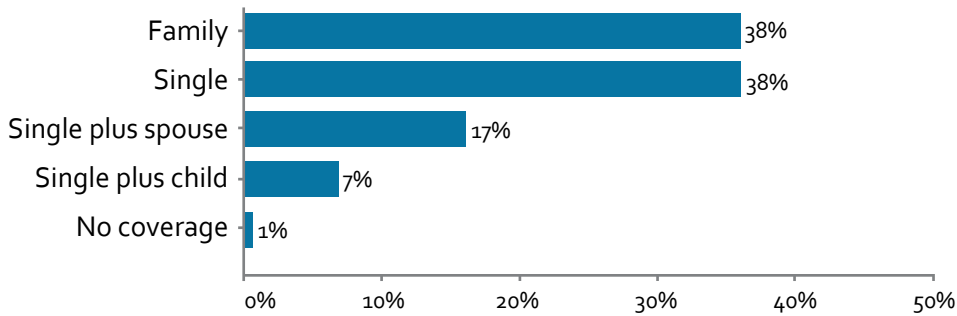


Employer offers other plans besides the HSA plan



Health care coverage

Current level of health coverage



Year HSA coverage began

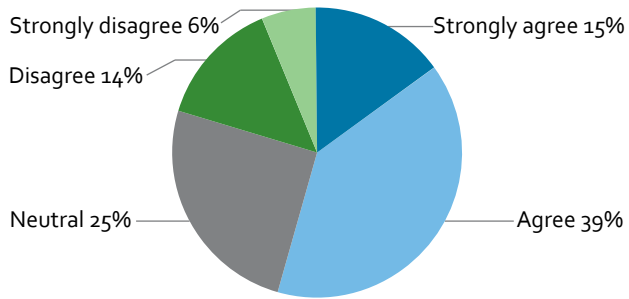
| | % |
|------|--------|
| 2013 | 17.11% |
| 2012 | 19.88% |
| 2011 | 15.90% |
| 2010 | 14.00% |
| 2009 | 10.66% |
| 2008 | 12.28% |
| 2007 | 6.87% |
| 2006 | 2.42% |
| 2005 | 0.86% |
| 2004 | 0.02% |
| | 100% |

Employer's annual contribution to employee HSA

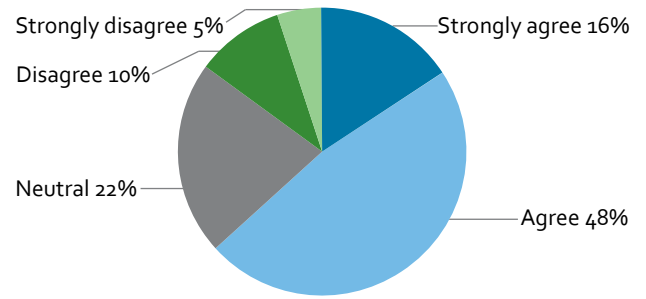
| | % |
|-------------------|------|
| \$2,501 or more | 6% |
| \$2,001 – \$2,500 | 5% |
| \$1,501 – \$2,000 | 6% |
| \$1,001 – \$1,500 | 15% |
| \$501 – \$1,000 | 24% |
| \$101 – \$500 | 16% |
| \$1 – \$100 | 3% |
| \$0 | 25% |
| | 100% |

Factors impacting selection of an HSA

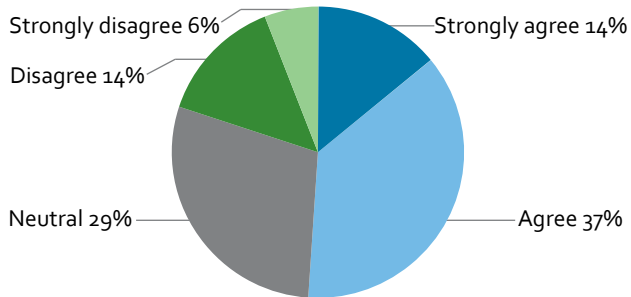
Health plan is affordable



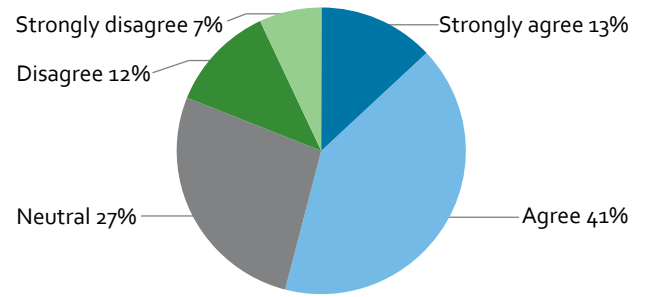
Health plan meets my family's needs



Health plan is good value for the benefits provided

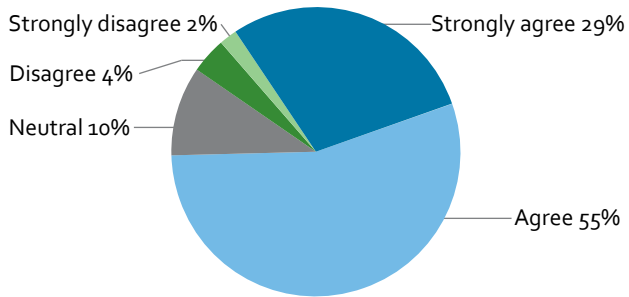


Prescription drug coverage meets family's needs

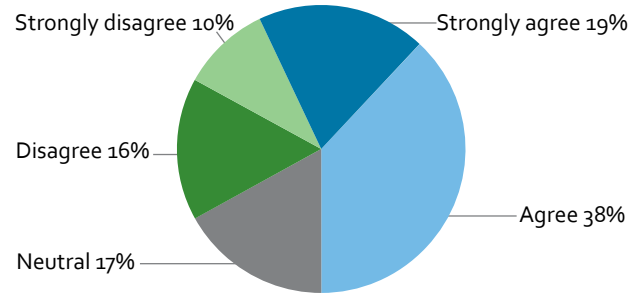


Factors impacting selection of an HSA

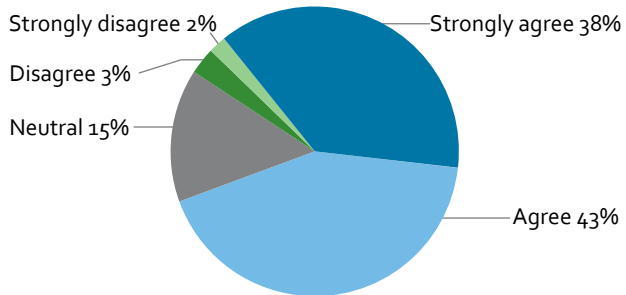
Family uses health care services when needed



Medical plan deductible does not cause member to skip necessary care

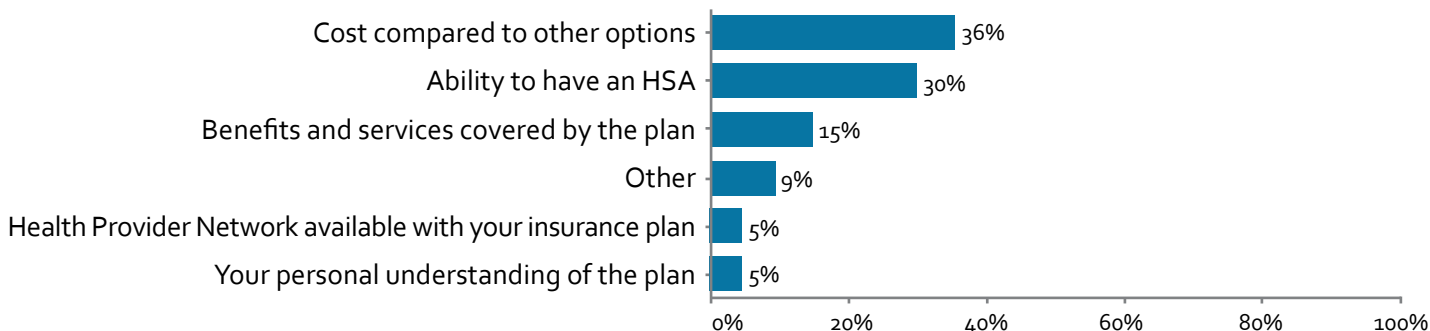


HSA is valuable to me

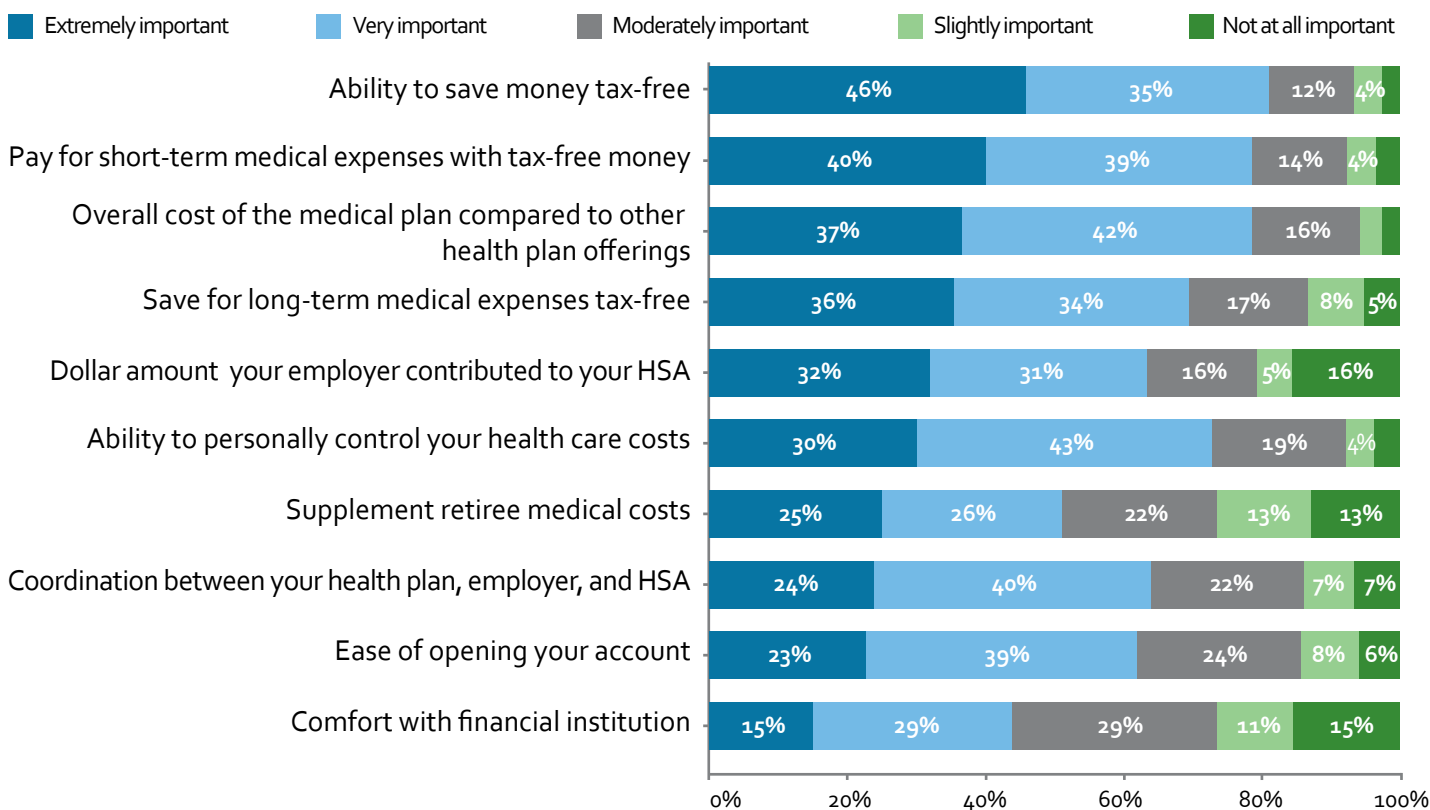


Factors impacting selection of an HSA

Single most important factor in selecting this plan

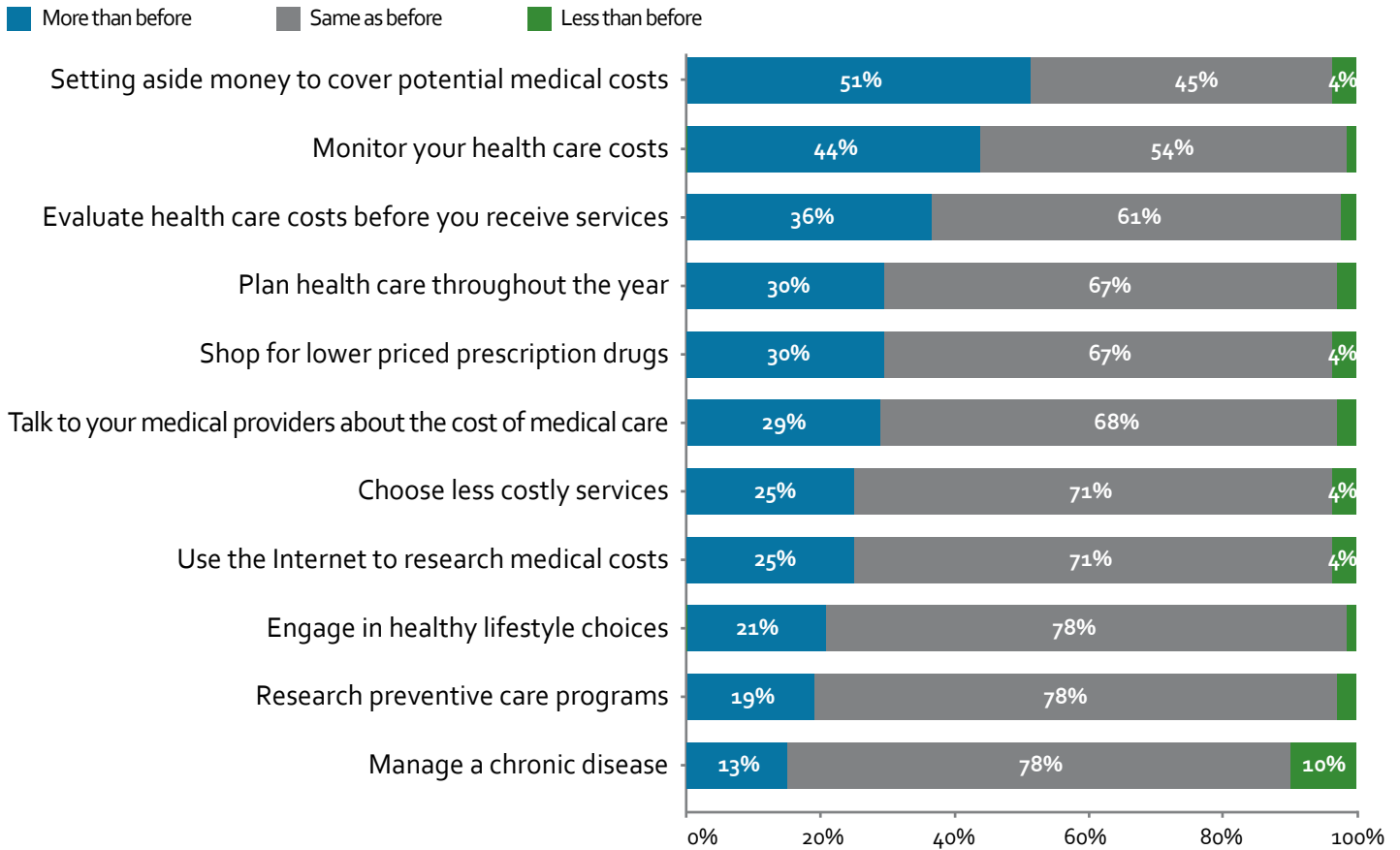


Importance of factors that impact selection of an HSA

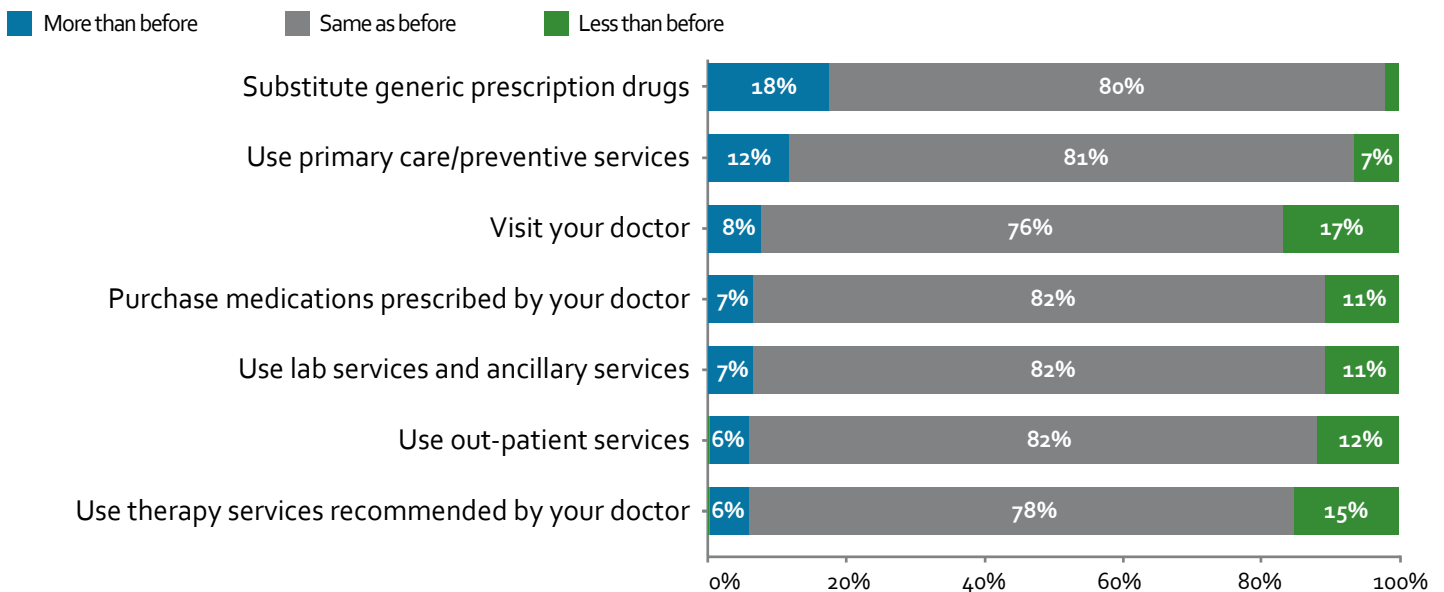


HSA usage and behavior

Health management activities after HSA selection

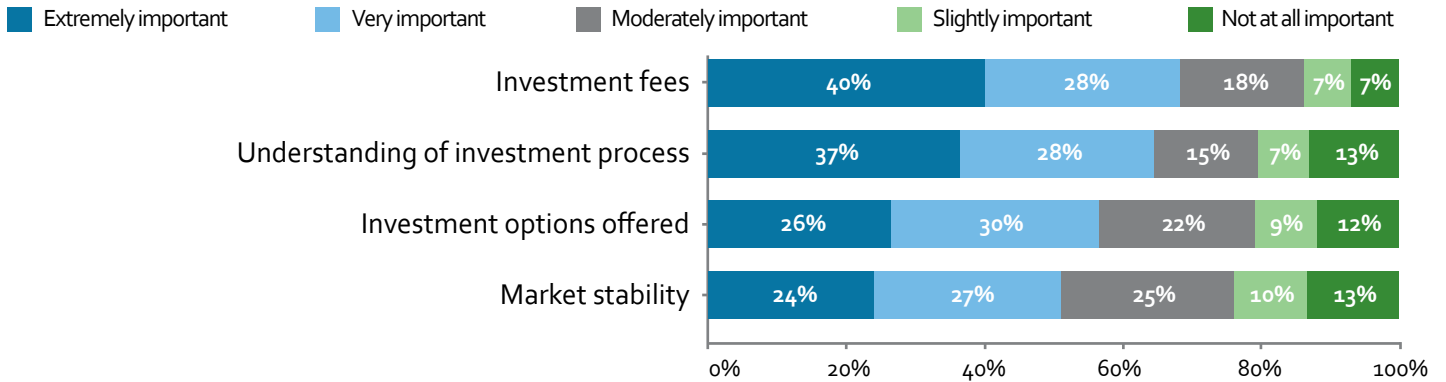


Usage of medical services since opening HSA account

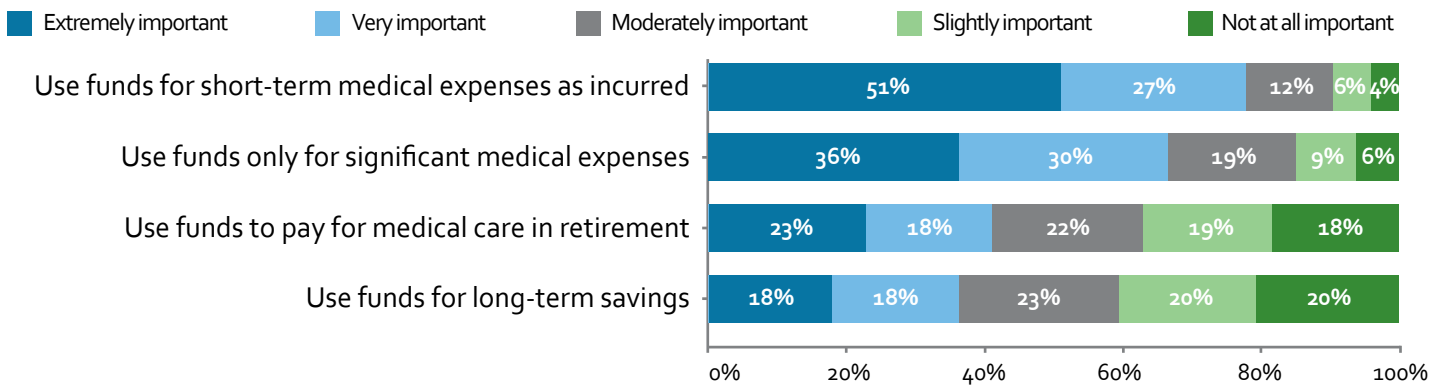


HSA usage and behavior

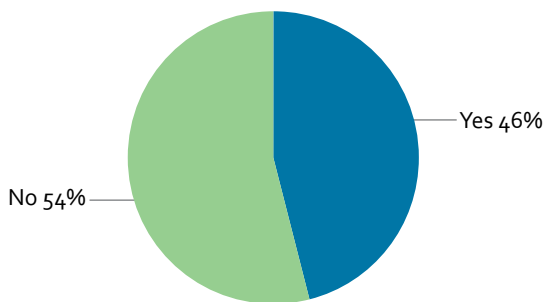
Factors influencing member's desire to invest



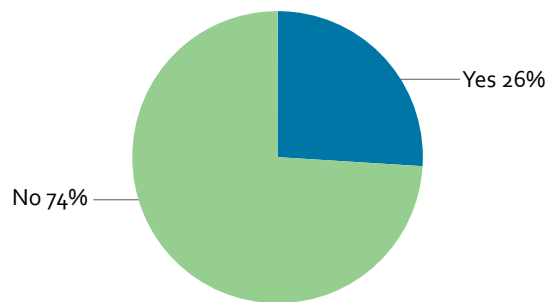
Personal goals for HSA account



Awareness of investment options and process

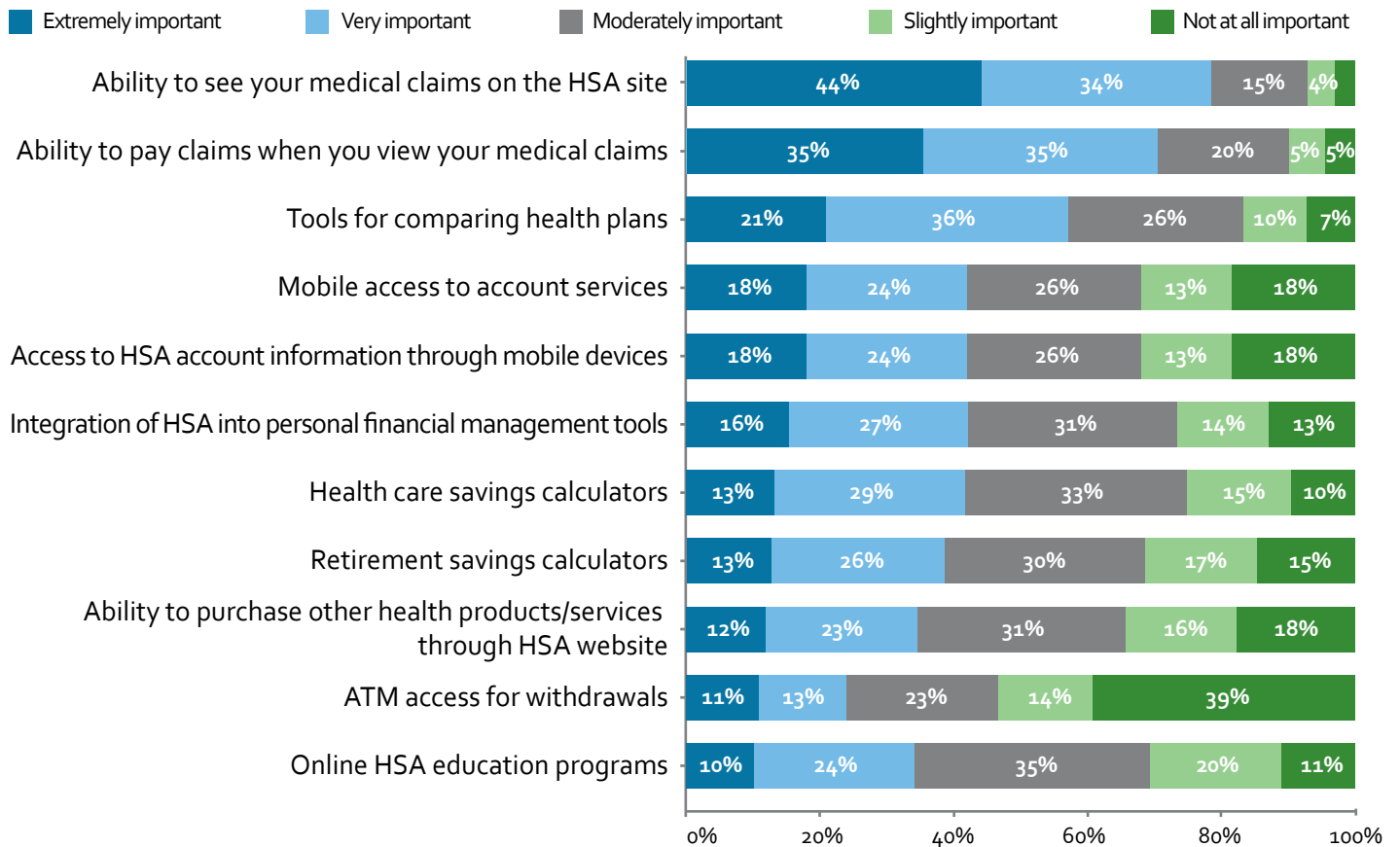


Plan to invest HSA funds over next two years



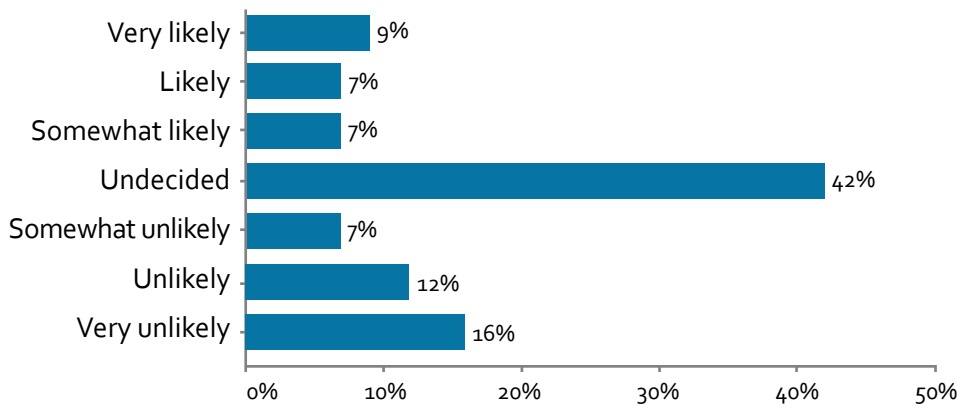
Importance of HSA product features

Importance of HSA product features

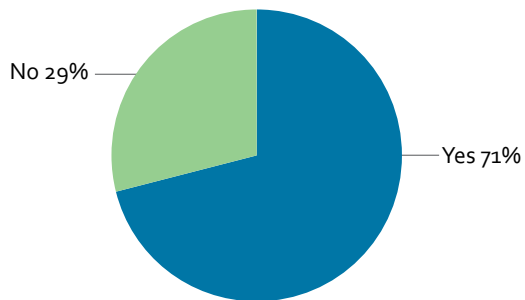


Affordable Care Act (ACA)

Likelihood health insurance will be obtained through exchange by 2017

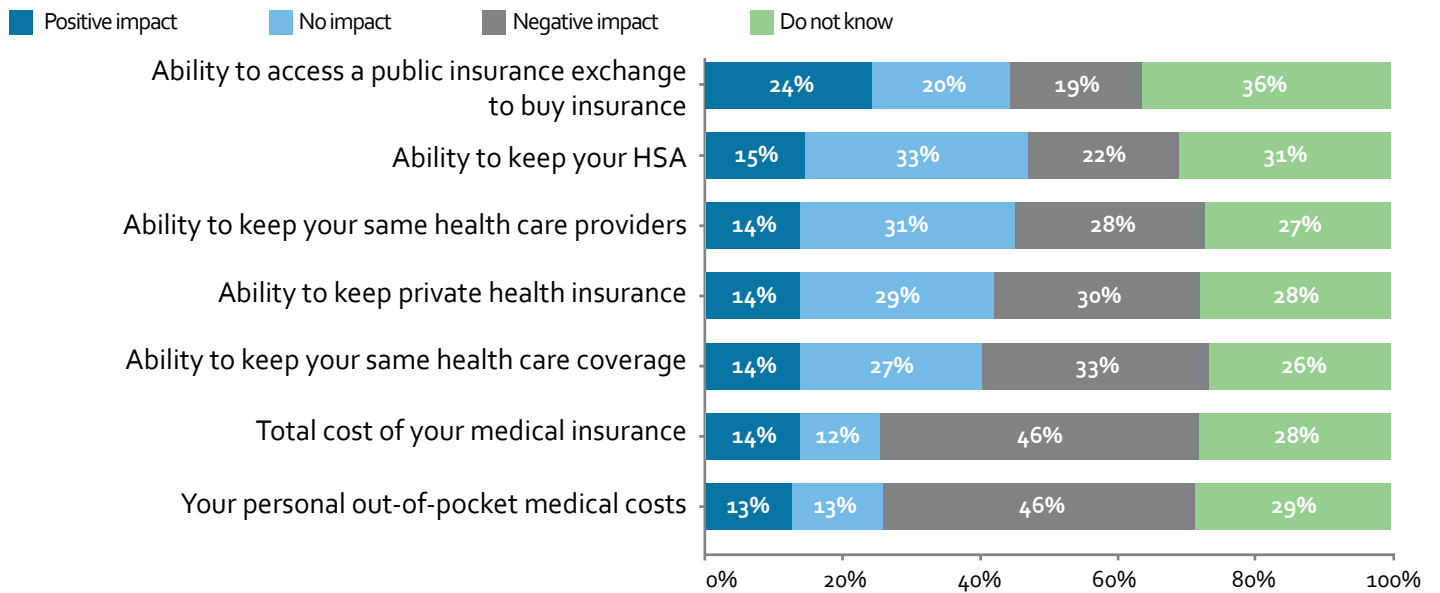


Knows about the Affordable Care Act (ACA)



Affordable Care Act (ACA)

Belief of impact of Affordable Care Act (ACA)



Supplemental account information

Size of employer

| | % |
|----------------|------|
| Self-employed | 4% |
| Not employed | 3% |
| 2 – 50 | 14% |
| 51 – 100 | 6% |
| 101 – 1,000 | 18% |
| 1,001 – 5,000 | 18% |
| 5,001 – 10,000 | 11% |
| 10,001 or more | 27% |
| | 100% |

Current job position

| | % |
|-------------------------|------|
| Hourly employee | 23% |
| Professional salaried | 44% |
| Professional management | 16% |
| Leadership/executive | 6% |
| Retired | 4% |
| Unemployed | 1% |
| Self-employed | 4% |
| Prefer not to say | 2% |
| | 100% |

Target amount before investing

| | % |
|-------------------|------|
| \$0 | 1% |
| \$1 – \$500 | 5% |
| \$501 – \$1,000 | 9% |
| \$1,001 – \$2,000 | 15% |
| \$2,001 – \$3,000 | 13% |
| \$3,001 – \$5,000 | 29% |
| More than \$5,000 | 29% |
| | 100% |

Account balance

| | % |
|-------------------|-------|
| \$0 | 3.8% |
| \$1 – \$500 | 37.5% |
| \$501 – \$1,000 | 11.2% |
| \$1,001 – \$2,000 | 16.5% |
| \$2,001 – \$3,000 | 8.0% |
| \$3,001 – \$5,000 | 7.9% |
| More than \$5,000 | 15.1% |
| | 100% |

Supplemental account information

Total number of transactions

| | 2011 | 2013 |
|----------------------|-------|-------|
| ATM* | 2.4% | 4.0% |
| Check | 20.2% | 15.9% |
| Debit card (not ATM) | 77.4% | 80.2% |
| | 100% | 100% |

Average amount per transaction

| | 2011 | 2013 |
|----------------------|-------|-------|
| ATM* | \$103 | \$105 |
| Check | \$210 | \$228 |
| Debit card (not ATM) | \$ 95 | \$ 97 |

Total amount of transactions

| | 2011 | 2013 |
|----------------------|-------|-------|
| ATM* | 2.1% | 3.5% |
| Check | 35.9% | 30.7% |
| Debit card (not ATM) | 62.0% | 65.8% |
| | 100% | 100% |

Average number of transactions per account

| | 2011 | 2013 |
|----------------------|------|------|
| ATM* | 0.2 | 3.4 |
| Check | 1.3 | 0.8 |
| Debit card (not ATM) | 5.0 | 0.2 |

* Introduced ATMs to all in December 2012

About Buck Consultants

Introduction

Organizations succeed when their people succeed. At Buck, we love to find answers to tough challenges that impact your people. We work in the areas of employee benefits strategy, human resource operations, programs, performance, and talent strategy. Learn more and talk with us at www.buckconsultants.com.

Buck worldwide

With nearly 150 locations in more than 70 countries, Buck is your strategic partner and will assist you with your HR initiatives and benefit programs worldwide. Below is a list of places where Buck has offices (black) and affiliates (grey).



Buck Surveys

We conduct a range of HR and compensation surveys that provide quality data you can rely on to make decisions critical to your success.

| | |
|----------------------|---|
| Atlanta | 200 Galleria Parkway, Suite 1900, Atlanta, GA 30339 |
| San Francisco | 353 Sacramento Street, Suite 800, San Francisco, CA 94111 |
| Monterrey | Carretera Miguel Alemán # 1000, Parque Industrial Monterrey, Apodaca, Nuevo León C.P. 66600, México |
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