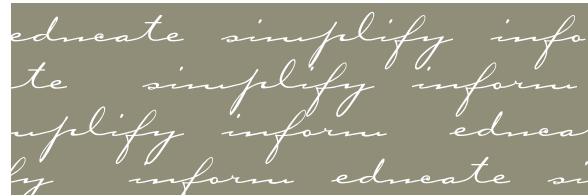


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Bylined Article

Time for Creative Thinking

By Sharon Alt, Alt Benefits Consultants

One weekend a year, just before school starts, Texas has a “sales tax holiday.” During this weekend, retailers do not charge sales tax on things like shoes, clothing and school supplies. I remember the first time I heard about the holiday — I thought it was an Internet hoax of the “Bill Gates is giving away his fortune to people who forward this e-mail to all of their friends” variety — it sounded too good to be true, like something the government would never even consider. But sure enough, it was true and for several years now the sales tax holiday has been a huge success. Stores run sales the same weekend and shoppers head to the malls in droves, excited about saving the 8 percent they previously would have given to Uncle Sam. I wouldn’t be caught dead in a store during the sales tax holiday — the crowds are ridiculous. It reminds me of the running of the bulls — or worse yet, the running of the brides when wedding dresses go on clearance.

Clearly, we are a nation of spenders, not of savers. Employees could save two to three times as much tax as they do during the sales tax holiday, month after month, by contributing to a health savings account. Yet without a corresponding contribution from the employer, the rate of savings in these tax-advantaged accounts remains remarkably low. Why? Is the tax savings not incentive enough?

Do people plan poorly for all expenses, or does it have more to do with what they are planning for? Clearly clothes and new shoes are more exciting than health insurance and retirement, but how successful would the sales tax holiday be if people could only spend money that they had set aside over the course of the year? My suspicion is that participation would suffer.

Whatever the reason for our poor savings rates, we need to figure out how to boost participation. With that in mind, I have a few suggestions:

- **Multiple options:** When possible, give employees the option of participating in either a high-deductible health plan or a traditional PPO. While we would certainly prefer they choose the consumer-directed option, forcing them into this sort of plan isn’t the way to get them to behave like consumers. Treat them like grown-ups and let them choose the plan that best meets their needs.
- **Matching contributions:** When companies offer an HSA-compatible plan for the first time, they often want to prime the pump by putting seed money into their employees’ health savings accounts. By making this contribution contingent on the employee also contributing to the account, perhaps by offering a dollar-for-dollar match up to a certain amount, the company should witness greater employee participation. Workers will view the health savings account as a partnership between themselves and their employer, and they will be more engaged.
- **Training wheels:** Not every employee is ready for an HSA. Some, particularly longtime co-pay addicts, may need an orientation period. What better way to do that than to offer a high-deductible health plan alongside a health reimbursement arrangement rather than a health savings account? By installing an HRA the first year an HDHP is in place, the employer can give employees the opportunity to learn how to manage their accounts while playing with the house’s money, and with the newly permitted one-time rollover from an HRA to an HSA, the employer could let employees keep a portion of their unused HRA funds at the end of the year.
- **Cafeteria plan:** Instead of defining the benefits the employees will receive, tell them how much money the company will contribute and let them decide which benefits to purchase. With additional options, some employees would trade up-front co-pays for ancillary benefits. Employees would be happier with their high-deductible plans; the employer would have more stable premiums; and the broker would enjoy higher commissions and increased retention. A win-win-win.