

$\frac{20}{200}$

**H**

$\frac{200 \text{ FT.}}{61 \text{ M}}$

1

$\frac{20}{100}$

**S A**

$\frac{100 \text{ FT.}}{30.5 \text{ M}}$

2

$\frac{20}{70}$

**F I N A**

$\frac{70 \text{ FT.}}{21.3 \text{ M}}$

3

$\frac{20}{50}$

**N C I A L**

$\frac{50 \text{ FT.}}{15.2 \text{ M}}$

4

$\frac{20}{40}$

**F I T N E S S**

$\frac{40 \text{ FT.}}{12.2 \text{ M}}$

5

$\frac{20}{30}$



$\frac{30 \text{ FT.}}{9.14 \text{ M}}$

6

$\frac{20}{25}$

**A G G R E S S I V E L Y M A R K E T  
Y O U R H E A L T H S A V I N G S  
A C C O U N T S N O W T O B L O C K O U T  
T H E C O M P E T I T I O N**

$\frac{25 \text{ FT.}}{7.62 \text{ M}}$

7

$\frac{20}{20}$



$\frac{20 \text{ FT.}}{6.10 \text{ M}}$

8

$\frac{20}{15}$

**B Y G I N N Y P H I L L I P S**

$\frac{15 \text{ FT.}}{4.57 \text{ M}}$

9

$\frac{20}{13}$

Two years ago the City of Paola, Kan., switched the health insurance of its more than 100 employees to Health Savings Accounts (HSAs) amid an outcry of complaints from employees. But now

$\frac{13 \text{ FT.}}{3.96 \text{ M}}$

10

$\frac{20}{10}$

those same employees have seen two years of rate decreases and have kept on average \$1,500 at the end of each year—the money left over from what they didn't spend.

$\frac{10 \text{ FT.}}{3.05 \text{ M}}$

11

“The city did it over the considerable protests from employees,” says Scott Borden, the HSA consultant with OFM Benefits Consulting. “And now there’d be a bigger protest if you tried to take them away.”

Teambank, a Paola bank with \$650 million in assets and 14 branches, started offering HSAs in

The tax-free savings accounts, which must be combined with a high-deductible health plan, offer the chance for lower premiums—sometimes 30 to 50 percent lower than traditional plans. That can be particularly attractive to small businesses. And there’s an element of control that can appeal to consumers much

**“People don’t know what HSAs are. Once you educate them on how it works, they can see why it makes sense. People like to have control over their own health insurance.”**

**– Sam Weatherby, Teambank**

August 2005 after Borden walked in and asked if they’d be interested in the accounts. Soon after, the city came knocking. Since launching the program the bank has opened more than 150 HSAs.

more than sending a check to an insurance company each month.

So the question no longer seems to be *if* clients want HSAs, but where they’ll get them. The bulk of HSAs will come through mass enrollment of employees at particular corporations. “If a bank is trying to go after individuals one at a time, that’s fine, but it’s not very fruitful,” says Dean Schumann, managing director at technology consultancy RSM McGladrey Inc. “They need to go after accounts in a wholesale manner.”

For that reason, once a community bank starts an HSA program, the next crucial step is devising a proper marketing plan, says Roy Ramthun, a former healthcare advisor to President Bush and a senior vice president with HSA Clearing Corp. That’s because banks aren’t widely known for offering the accounts. Those that do offer them need to develop a marketing plan directed at small businesses and their workforces.

**A**  
**T I M E L Y**  
**O P P O R T U N I T Y**

The growth of Health Savings Accounts is outstripping the acceptance rate of other new financial products. HSAs were introduced in 2004, and just two years later more than 3 million of the accounts had been created. Some industry experts project the special accounts will number more than 7 million by 2008.

“If you contrast the growth of HSAs to IRAs in the beginning, we’ve outstripped that growth by three times,” notes Jim Gandolpho, senior director and vice president of PFPC, a member of the PNC Financial Services Group Inc., which specializes in financial processing.

Enacted in December, the Tax Relief and Healthcare Act of 2006 did three key things to make HSAs more appealing:

- **Raised contribution limits dramatically (no longer tying the limit to the deductible of a health plan);**
- **Allowed people to fund their HSAs with transfers from their IRAs;**
- **Let people fully fund their HSAs no matter what time of year they sign on.**

Most consultants project dramatic opportunities for financial institutions that are early market HSA providers. Chances are consumers won’t have much interest in changing banks once an account is set up.

“Banks need to be calling their local business customers and letting them know they are willing to be the recipient of their deposits,” Ramthun says. “That’s a way to get 100 new accounts at a time.”

Reciprocal referral arrangements with insurance agents and brokers can help expand the prospect pool for banks looking to promote their HSA services. With an insurance agent as a distribution channel, the bank increases sales with a new flow of consumers.

“Banks need to be **calling their local business customers** and letting them know they are **willing to be the recipient of their deposits.**”

— Roy Ramthun, HSA Clearing Corp.

“It’s not like IRAs where everyone can walk in off the street and get one,” Borden says. “Really, you have to partner with someone who can deal with the insurance part competently.”

Because most HSA prospects won’t set foot in your bank’s lobby, using customer newsletters or cash-management areas of Web sites are good ways to promote and explain the accounts. Banks will need to educate their commercial clients and maybe present a business case, suggests Sherry Lawton, a health banking sales executive at Fiserv Inc. of Brookfield, Wis. She says keep in mind the different audiences your bank might contact to explain the product. A human resource manager might understand the issues involved more than a CFO.

Teambank also conducted an invitation-only seminar to explain the ins and outs of the accounts to its business clients. “People don’t know what HSAs are,” says Sam Weatherby, vice president of training and development at Teambank. “Once you educate them on how it works, they can see why it makes sense. People like to have control over their own health insurance.”

## **B E L L S** **W H I S T L E S**

Choosing to offer Health Savings Accounts (HSAs) is only the first step of a process: The accounts can come with an assortment of accessories to dress them up. Debit cards and checking accounts are only the beginning.

Clients could attach a line of credit to their accounts. They can explore investment options. Partners in the insurance industry might be willing to allow for immediate payout from HSA accounts, meaning money can be moved directly from the account to the provider.

Experts suggest implementing whatever add-ons make you competitive in your market. “It’s a multi-product sell—it’s a new channel to accumulate consumer relationships,” says John Reynolds, president of Metavante Corp.’s healthcare payment solutions division.

Harleysville National Bank in Harleysville, Pa., decided on an interest-checking account for HSA customers with a debit card attached. Certificates of deposit are also available if the customer wants to invest his or her money longer term. “For us it was really about researching the competition and making sure we had products that would be competitive,” says Cathy Heckler, senior vice president and deposit product manager at the bank.

For starters, though, in terms of what consumers will appreciate and what saves effort, debit cards have proven to be effective and popular. “A debit card is a source of liquidity for the individual consumer,” says Jim Gandolfo, senior director and vice president of PFPC. “Checking accounts are expensive to monitor, but a debit card is the easiest way they can access their accounts.”

Once a sale is made at a particular company, the next important step is working actively with HSA clients to get their employees to open and use the accounts. The more focused and creative your bank and the employer can be in communicating the service to employees, the more successful the account enrollments will be.

Of course, education materials for employees written in laymen's English are invaluable. Make sure the message communicated to a company's employees remains relevant to them. Even if your bank doesn't work with a broker or a third-party provider, front-line staff also needs to understand the basic insurance concepts and terminology relevant to the accounts, including the value of HSAs and how they operate.

Scott Borden, who works with Teambank, travels to a bank's branches to explain how the accounts work. Knowing the basics of a qualified plan, such as the requirement of a high-deductible health plan, are important for bank employees, he says.

John Reynolds, president of Metavante Corp.'s Healthcare Payment Solutions division, says the success of HSAs will follow the same pattern as IRAs. Communicating their benefits and how they worked took time, he explains. "Then the more they streamlined it and enabled people to understand it," he says, "the more success they had."

With insurance companies pushing their own HSA offerings, the market of providers offering the accounts will likely only get tighter over time. Done skillfully, education early on can make a big difference in where consumers initially turn.

"The stakes are increasing out there, and people are going to have to decide 'do I go with my insurance or do I go with my bank?'" warns Ramthun. **ib**

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