

# Plan Sponsor Case Study

## Health Savings Account Engagement

### The 'power of two': How FCA is helping its employees prepare for the future

#### Company profile

FCA US LLC (FCA) is a North American automaker headquartered in Auburn Hills, Michigan, and a member of the Fiat Chrysler Automobiles N.V. family of companies. FCA produces vehicles under the Chrysler, Dodge, Jeep, Ram and Fiat brands, as well as the street and racing technology (SRT) performance vehicle designation. The company also distributes the Alfa Romeo brand vehicles and Mopar products.

#### Goal

Studies such as the Bank of America Merrill Lynch 2017 *Workplace Benefits Report* reveal that readiness for retirement and rising health care costs are a key source of worry for today's employees.<sup>1</sup> That's why employers like FCA are increasingly taking an interest in providing strategic financial education to support their employees' informational and planning needs.

FCA knows that its employees must balance their day-to-day finances while also saving for the future, and health care costs in particular must be addressed within a practical financial strategy. The Employee Benefits Research Institute (EBRI) suggests that a married couple will need nearly \$265,000 to cover out-of-pocket expenses during retirement (and up to \$143,000 for single people).<sup>2</sup> When you factor in the new realities of longevity and the Medicare gap—Medicare may only cover about 62% of medical expenses<sup>2</sup>—it's clear that worries about having adequate savings are genuine.



*People are hungry for help with these issues, and they are looking to their employers for assistance. FCA takes this challenge to heart and feels it has a responsibility to support its employees' educational needs.*

#### Time for new thinking

At FCA, the human resources team takes a progressive approach to benefits and understands the value of thoughtful benefits communication. In an environment where employees are seeking more help, FCA believes that old thinking must be discarded. Research suggests a change in approach is overdue: 54% of workers feel that retirement-related health care costs and insurance information are overwhelming, and 49% say they're confusing, according to a Merrill Lynch/Age Wave report.<sup>3</sup>

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## Goal (continued)



For FCA, it was time for a new framework—the “power of two.” The 401(k) and health savings account (HSA) are two of the most powerful, tax-efficient opportunities available to help employees prepare for their retirement and manage health care expenses. FCA decided to make this theme the centerpiece of its 2018 annual benefits enrollment campaign, with two main goals:

- Encourage interest in educational activities held during annual benefits enrollment
- Raise participation in FCA’s HSA-based plan while reminding employees of the benefits of the 401(k)

FCA worked with Bank of America Merrill Lynch (BofAML) to develop an education program to help employees pursue these goals.

## Solution

Although HSA-based plans have surged in popularity among employers, they are still a relatively new phenomenon, and an educational hurdle persists. Many employees still don’t understand them; they don’t realize that they overinsure themselves and can overpay for premiums in traditional medical plan options.<sup>4</sup> They tend to stick with these types of plans out of habit and lack understanding of the true costs they are actually experiencing.

### Building HSA awareness for FCA employees

That has been the case even for FCA, which has offered a high-deductible health plan (HDHP) with an HSA for several years. (Nearly two-thirds of its eligible employees participate in the traditional PPO option.) Yet based on FCA’s review of its cost and claims-related data, the HDHP plan was the lowest cost option on the plan menu for more than 81% of FCA employees and their families.<sup>5</sup> What’s more, the HSA, with its potential tax benefits, could be an effective way to save more for health care and invest in their future.

FCA’s educational outreach program, designed by BofAML, included:



- **Introduction to HSA for Life workshops.** Throughout the annual enrollment period, in-person and web-based HSA workshops were conducted for FCA employees by Merrill Lynch Financial Wellness Specialists. These sessions covered:
  - HSA basics and tax advantages
  - Saving and investing features
  - Account management, tools and resources
- **Benefits fairs.** Benefits fairs are popular in many companies. FCA took the traditional benefits fair held at FCA corporate headquarters to the next level: twin 401(k) and HSA booths were staffed by the Merrill Lynch Financial Wellness Specialists and positioned right next to each other. This setup was optimal to help employees easily connect the two tax-advantaged accounts for planning purposes and allowed them to easily ask in-depth questions about both.
- **One-on-one sessions.** Employees could also sign up for a personalized one-on-one educational session conducted by a Financial Wellness Specialist and have their 401(k) and HSA questions addressed, including, most importantly, how these two accounts may work together. At FCA corporate headquarters, two days of one-on-ones were provided weekly from mid-October 2017 through year-end.
- **“Power of two” campaign materials.** The “power of two” message, connecting the 401(k) and HSA as two great tax-advantaged benefits, was used in all messaging and touch points. Materials used similar branding as the 401(k) materials, such as the enrollment guide, to help employees see the connection between the two.



## Solution (continued)

- **HSA flyers.** A series of one-page flyers highlighting the advantages and how-tos of HSAs helped get the message across simply and effectively. These flyers were handy for use at the onsite workshops, benefits fairs, one-on-ones and break rooms, and were used in group and individual meetings held by FCA supervisors.

## Result

Employers today know that the reality of getting employees to pay attention to and prioritize saving for health care expenses is a long-term change management exercise. It's an ongoing journey, one where connections are made one employee at a time. FCA keeps an open mind, watches the numbers and continually reviews its efforts to see what messages resonate most with their employees.

**FCA's "power of two" education effort resonated with employees**

*“ With the education you provided during my private consultation, I now have a better understanding about the types of investments that are available in my HSA account and how I can use it for longer-term investing like my 401(k) account. ”*

— FCA Participant

### New thinking pays off in HSA enrollment

That's what makes the company's success at this point in the journey so gratifying. It also demonstrates that its approach and messaging framework is on track. Consider the numbers:

- FCA benefits fairs and workshops were well-attended, and employees gave high marks to these events. They said how much they appreciated the personal opportunity to discuss their own situations.<sup>6</sup> More than 600 employees attended one event at FCA's corporate headquarters; 260 employees attended the HSA on-site workshops later that week.<sup>6</sup>
- Enrollment in the HDHP with HSA increased to 43%, up from 36% a year earlier. Contributing to this growth was 1,014 new employee accounts, further validating the campaign's effectiveness at engaging employees.<sup>7</sup>

Plan	2017		2018	
PPO	7,716	64%	7,090	57%
HDHP with HSA	4,334	36%	5,348	43%

Source: FCA Human Resources, February 2018.

- What's more, the number of participants who took advantage of the investment option (versus kept in cash) rose nearly 28% from September 2017 to December 2017.<sup>8</sup>

 **1,014** new participants enrolled in the HSA-based plan annual enrollment<sup>9</sup>

## Result (continued)

During the benefits fairs, many participants were particularly interested to learn the differences between an HSA and other health accounts (such as a flexible spending account) that follow a “use it or lose it” process. They were also excited to learn that once their HSA balance reaches \$1,000, they could invest the money.<sup>10</sup>

FCA will build on this success in the future, continuing to promote the “power of two” and remind employees that with an HSA, they could enjoy tax benefits and save for health care costs now and in retirement. Plans for the future include a three-step messaging emphasis, including:

1. Get started
2. Consider saving your HSA to help cover future medical expenses
3. Take advantage of the investment feature

In the end, the education program struck a chord with employees. For its efforts, FCA also received a 2018 Signature Award from the Plan Sponsor Council of America in the HSA Communications category.<sup>11</sup>

<sup>1</sup> 2017 *Workplace Benefits Report*, Bank of America Merrill Lynch, May 2017.

<sup>2</sup> Paul Fronstin, Ph.D., and Jack VanDerhei, Ph.D., “Savings Medicare Beneficiaries Need for Health Expenses: Some Couples Could Need as Much as \$350,000,” Employee Benefit Research Institute, Jan. 31, 2017.

<sup>3</sup> *Health and Retirement: Planning for the Great Unknown*, a Merrill Lynch Retirement Study conducted in partnership with Age Wave, 2014.

<sup>4</sup> 2016 Alegeus Healthcare *Moments of Truth* Research Report, and 2017 Alegeus Healthcare *State of Denial* Research Report.

<sup>5</sup> FCA benefit data, 2016.

<sup>6</sup> FCA workshop attendance statistics and survey data, September to December 2017.

<sup>7</sup> FCA Human Resources, February 2018.

<sup>8</sup> WEX Health, September to December 2017.

<sup>9</sup> See note 7, above.

<sup>10</sup> Investing in the plan involves risk including the possible loss of the principal amount invested.

<sup>11</sup> The Plan Sponsor Council of America 2018 Signature Award in the HSA Communications category recognized campaigns from plan sponsors who offer access to an HSA, encourage HSA saving for post-employment needs, and HSA investments. There is a fee to apply. Merrill Lynch paid the application fee.

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