

The Marriage of Health and Money – and How to Make It Last



To understand consumers' needs and concerns about health savings and spending – and the connection between health and financial needs – Optum Bank conducted extensive research to analyze the conversations consumers are having about these issues. This paper combines findings from that research with the best thinking of Optum's executive team and other industry thought leaders to determine how a Health Savings Account (HSA) provider can best serve the needs of consumers, employers, payers and providers.

End Consumer Confusion by Introducing Analytics, Technology and a Digital Experience

Americans are routinely shocked by their health care bills. Research conducted by NORC at the University of Chicago found that nearly three out of five (57 percent) have been surprised by a medical bill they thought would be paid by their insurance company.⁴

Consumers generally do not understand their health care roles and responsibilities. Many embrace healthy lifestyles and the latest exercise fads, but most are uncertain about how to pay for health care – and they have no idea what they or their insurance company are responsible for.

The situation is growing more worrisome as responsibility for health care payments increasingly shifts from insurers to consumers. One analysis estimates that out-of-pocket health care spending will reach \$371 billion in 2018 and \$434 billion by 2021.⁵ Meanwhile, what consumers set aside for health care seriously lags. The same analysis estimates that consumers will save about \$86.3 billion in 2018 health benefit accounts, just 23 percent of the projected out-of-pocket cost. By 2021, the analysis projects they will save less than 32 percent of their costs, or \$138.4 billion of the \$434 billion they will need (see Figure 1).

Three Real-Life Health Care Cost Surprises

A Texas heart attack victim got a \$109,000 hospital bill – after his insurance paid \$56,000 for treatment. He ended up settling for \$332.¹

\$56k

A physician severely hurt in an accident was rushed by air ambulance to a Level 1 trauma center. After his insurer paid nearly \$12,000 for the 108-mile flight, the medevac company billed the doctor another \$44,000.²

\$44k

A medical lab sent a college student a \$17,000 bill for tests that her insurer said should have cost about \$100.³

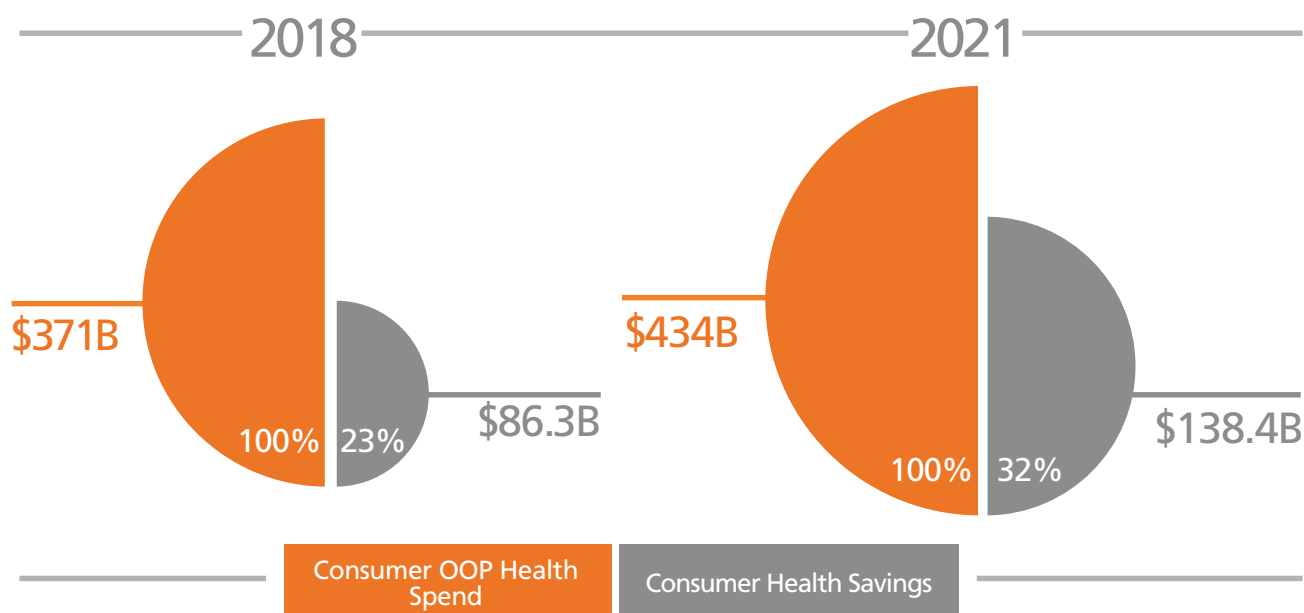
\$17k

A perfect storm looms as no health care stakeholder is ready for the emerging reality. Consumers, already confused by the array of health care insurance and savings choices they must make, do not anticipate their growing responsibility for health care costs. Providers fear the shift in responsibility will lead to more uncollected payments and write-offs and, possibly, some bankruptcies. Insurers are caught in the middle as patient payments rise from roughly 5 percent in 2000 to nearly 35 percent now.⁶ All this will squeeze the industry like never before.

Many health care and non-health care companies claim to be solving this problem and reducing the confusion, but there is no simple answer.

Health Savings Account (HSA) market leader Optum Bank believes the solution needs to be strategic. It must increase transparency for health care payments and affordability, help to reduce the total cost of care and simplify the process of selecting health insurance plans. This must occur while the industry streamlines the payment process and makes it easier for everyone in the health care cycle, eliminating pain points like uncollected medical debt for providers and insurers and payment confusion for consumers.

Figure 1: As health care payment responsibility shifts from insurers to payers, consumer out-of-pocket (OOP) health care spending will increase, but their health benefit account savings won't keep up.



Source: Aite Group. Health Benefit Accounts Market Forecast: HSAs Leading the Way. <https://aitegroup.com/report/health-benefit-accounts-market-forecast-hsas-leading-way>. Published June 21, 2018. Accessed Jan. 4, 2019.

Consumer Conversations Tell Us What's Important to People

Optum Bank conducted extensive research on the actual conversations consumers are having on social media about health care and health spending. This research identified several trends about consumer needs that are critical to understanding the current health care environment:

1. **Consumers crave health care financial security.** Ninety-nine percent of consumer social media conversations about health savings accounts focus on some aspect of security. More than one in five of those conversations revolve around the importance of retirement savings. About 9 percent concentrate on the value of employee benefits.

2. **Nearly 6 of 10 consumers struggle to pay medical bills.** Fifty-eight percent of consumer conversations revolve around the struggles of paying for health care. About 47 percent discuss the fact that health care nest eggs are inadequate. Another 11 percent focus on unanticipated medical expenses. This is reinforced by industry research that indicates six out of 10 customers get anxious when they think about their bills, and 57 percent worry about money and whether they will be able to pay their monthly bills.⁷

3. **Consumers don't understand HSAs.** Just 1 percent of consumer conversations involving health savings accounts acknowledge that HSAs offer a pathway to health care financial security. Though HSAs are specifically designed to enable long-term investment, consumer conversations on Twitter and forums often revolve around their short-term benefits, generally one to five years. And, when consumers discuss their struggles to save for retirement, they rarely make the connection to HSAs.

Our consumer conversation research also confirmed that consumers want some of the trends redefining other industries to become part of their health care financial security experience:

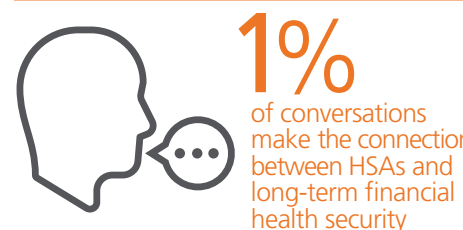
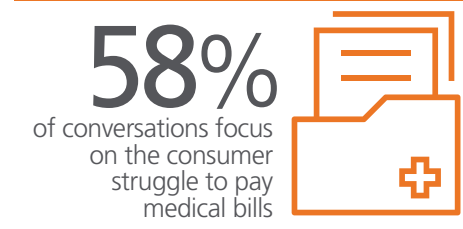
1. **Consumers expect simplicity and transparency.** Consumer conversations point to significant frustration with today's confusing, inconvenient and needlessly complicated health care network. Consumer pain points often relate to negative customer service experiences with HSA providers, confusion about unexpected fees and long transfer wait times. People want top-notch customer service, transparent and accurate fee information and an excellent customer experience. Our findings are reaffirmed by industry research that showed two of the top frustrations of a payment experience are fees and hard-to-understand bills.⁷

2. **Digital engagement trumps physical locations. Day-to-day use of – and satisfaction with – these technologies has raised consumer expectations.** Consider the impact on banking. The most satisfied banking customers have significant digital interactions with their banks. Mobile banking apps are among the most widely used apps in America, and 90 percent of mobile banking customers prefer using apps over visiting a physical branch.⁸ Seventy percent of Americans use a mobile device to manage their bank accounts at least once per month and 46 percent do so more than three times per month.⁹ Research also shows that personal finance apps help consumers track spending and savings, stick to a budget and make better investment decisions.⁵

3. **The payment experience is important, and each generation demands different options.** Millennials are far more likely to use mobile wallets and payment apps like Google and Apple Pay, while Gen Xers tend to make greater use of credit cards. Conversely, baby boomers tend to prefer debit cards, checks and cash.¹⁰ The importance of consumer-friendly technology is, in part, driven by generational needs when it comes to managing health care payments and the growth of HSA plans; in fact, HSAs have seen more favorable adoption by millennials and Gen Xers, who make up nearly half of the population enrolled in HSA plans.⁵

4. **A better customer experience outweighs privacy.** The banking industry shows consumers engage most with organizations that offer a personalized customer experience. While privacy concerns are often a barrier for mobile and digital adoption in consumer health care, research finds that customers are overwhelmingly willing to share personal information as long as it leads to a better experience.^{11, 12, 13} Clearly, the widespread use of artificial intelligence and analytics has raised the bar for customer relationships, particularly those relying on significant online experiences.

The confirmation of these four factors reinforces what we already know: The public enjoys customer experience defined by online retailers because they often take the friction out of retail purchases.



As part of that experience, many retailers make purchase and browsing recommendations based on each customer's history, eliminate pain from the payment process and can be accessed 24/7.

Consumers want a retail-like experience when they make health care decisions.

Optum Bank's Point of View: Understand and Personalize to Get Engagement



This personalized online retail experience model has a lot to offer, but health care decisions are far more complex than buying a book or choosing a new pair of shoes.

Health care consumers are not homogenous; their needs vary dramatically. Most struggle with how to best engage in the health care system affordably and begin a path toward saving for future health care expenses. The vast majority have no idea how much to save – or even how to calculate what a reasonable savings rate might be. In short, what health care consumers tend to have in common is a need for guidance.

“At the heart of every health care decision is a confused consumer who needs help in accessing and paying for these services now and in the future,” said Deb Culhane, CEO, Optum Financial Services and President of Optum Bank. “Long-term health care security is an important part of long-term financial security. But it’s important to remember that people making health insurance decisions are consumers of health care first and, secondarily, consumers of financial services.”

Following this vision, a health care consumer’s finances should connect and integrate with their health care needs and daily life. But, contrary to what some HSA providers believe, that integration isn’t as simple as opening an HSA. Consumers need help to understand all the options available and the impact of the choices they make.

Optum Bank, part of Optum, one of the largest health care companies in the U.S., can do this better because it can analyze vast amounts of health data for consumers who are at different points in their health care journeys. This is not easy, but it is critical, because consumers are influenced by complex factors. Optum Bank’s complex integration of analytics and machine learning with technology can span across different data sources to guide consumers on personalized journeys based on each individual’s life stage, health state, lifestyle, spending decisions, risk personality and more.

There is a science to understanding the complexities of how people save, pay for, evaluate and choose health care. To really engage these consumers, Optum Bank believes it is critical to recognize their diverse health and life stage factors when communicating with them.

“Your dialogue with a pre-retiree must be very different than with someone who is new to the workforce because they have very different financial considerations and health care concerns,” said Culhane. “In both cases, the mission is to provide a mechanism that will help a health care consumer master their journey to financial and health care security.”

This requires sophisticated use of advanced data analytics and artificial intelligence to engage with clients in a very personalized way.

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- Deb Culhane
CEO, Optum Financial Services
and President of Optum Bank



Our Vision: Help Employers Encourage Better Employee Use of Benefits by Deploying a Digital Experience, Advanced Analytics and State-of-the-Art Technology

Borrowing a page from online retailers, the integration of technology and analytics in a user-friendly digital experience can serve as a gateway to a superior customer experience. Typically, the health care industry lags in technology and innovation, but Optum Bank is working on the right combination of three components – digital experience, advanced analytics and technology – to create a uniquely customer-centric HSA experience that will help employers make it easier for their employees to become financially secure and make good health care decisions. Each component plays an important role:

- **Digital experience.** What we've learned from banking is that consumers like the ability to interact with their bank any time of day, from any location, using their preferred device – laptop, tablet or smartphone. What seems to appeal to consumers is the ability to manage their accounts easily, whether that means checking account information, managing electronic fund transfers or making deposits. The availability of a good digital customer experience increases customer convenience and engagement, and boosts customer loyalty.

One aspect of that digital experience is automated reminders. One industry survey found that 93 percent of consumers find payment-due notifications to be helpful and 58 percent found them to be “very” or “extremely” helpful. Historically, the health care industry has lagged most others in sending payment notification reminders via email or text.⁷ Another part of the digital experience is the integration of payment apps into the system. Consumers are increasingly using these apps, which enable them to make payments in ways that are familiar and comfortable.

- **Advanced analytics and artificial intelligence.** Sophisticated engagement models like the Optum Bank Health Finance Journey™ are a leap ahead of simple demographic and behavior models. The customer experience has come a long way from the days when online retailers recommended purchases solely “based on your previous purchases.” Purchase history has become just one element in a complex algorithm to better recognize customer needs.
- **Technology.** Online banking platforms have made great strides in the last 20 years, and many HSA providers are just beginning to catch up. But the expectations are set: Consumers want their HSAs to provide the same kind of experience they get from day-to-day banks where they have their checking, mortgage and savings accounts. That means consumers must have access and be able to manage their HSAs, including bill payments and check deposits, just as they do with their credit card and checking accounts.

The Health Finance Journey™ Model with the 5 Stages of Health Saving and Spending with Microsegmentation

In 2014, Optum Bank research showed there were 5 Stages of Health Saving and Spending: Decide, Open, Use, Manage and Optimize.

Within each stage, people face a variety of goals, mindsets and activities. Some consumers may take months to move through the stages. Others may take years. But each stage is an important step toward health and financial well-being.

In 2018, Optum Bank went a step further and used machine learning to identify 20 microsegments across the 5 Stages that provided additional insights about enrollees' health care decisions and finances. Using predictive modeling, these microsegments identified who might be ready to move to the next stage, become a smarter consumer of health care and more financially secure.

This deep knowledge helps Optum Bank to deliver very targeted messaging to maximize the individual account holders' next-stage experience with their HSAs, such as increasing their contributions, making new one-time contributions and taking a second step to invest. It's like marketing to a segment of one.

Bottom Line: The Health Finance Journey™ and microsegmentation help to connect health and finance in ways no one else can through artificial intelligence and analytics, demonstrating deep employee engagement that leads to better health behaviors.

Goal: Eliminate Pain Points for All Stakeholders

As the administrative burden of health care increasingly shifts to employees, other health care stakeholders are exposed to growing risk.

“The growth in consumer-driven health plans that are paired with HSAs means two things: Consumers will become more responsible for managing their own health care and the burden of paying for care will shift significantly to consumers,” said Matt Renfro, Chief Product and Innovation Officer, Optum Financial Services. “This transference in responsibility has several health care stakeholders concerned, most of all medical providers who fear more unpaid invoices and financial write-offs.”

“The goal of Optum Bank is to help everyone in the health care chain by making sure consumers understand their responsibilities and eliminating the friction that slows payments to medical providers,” he said. “Consumer-driven health care promises to transform the industry, and we see our role as facilitators looking out for the interests of all stakeholders.”

Smart use of technology, advanced analytics and a good digital experience can help consumers and the other health care stakeholders, providers, health insurance providers and employers by making sure consumers understand their responsibilities for managing their own health care and medical payments. In part, this will be accomplished by guiding consumers to invest appropriately in their health care financial security – something that will contribute to the stability of the entire health care system. The short-term benefit for consumers is that appropriate HSA investment will ensure they will be able to cover rising out-of-pocket health care costs. Long-term, the investment will provide consumers the kind of financial well-being they crave.

Health care providers are excited about systemic changes that will incentivize healthier behaviors, but they seriously fear that shifting the payment burden to consumers already confused by the health care system will lead to more unpaid invoices and write-offs because consumers do not understand their responsibilities. Providers will be protected if consumers clearly understand what they owe and when they should pay it.

Insurance providers like the fact that the combination of high deductible health plans (HDHPs) and HSAs encourages consumers to be active participants in the health care marketplace and take more responsibility over their own health. But the system will only work if consumers really engage and become educated about how these accounts can help to provide long-term financial health care security.

Employers want the financial advantage of lower premiums associated with HDHPs and HSAs, but they need reassurance that these benefits will offer employees more consumer-driven health care that encourages healthy life choices and allows them to keep and invest unused health care money. This confidence will come if employees begin to rely on their HSAs as readily as they do their banking apps or debit cards.








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Bottom line: Eliminating the confusion and complexity of health care for consumers serves the needs of all other stakeholders, as well.



Five Things an Employer Should Look for in an HSA Provider

Before you add an HSA provider to your health insurance plan, make sure they offer five important things:

-  **1 Customer experience.** An easy and convenient experience that leverages the latest digital and mobile technologies, such as robust mobile apps that permit users to deposit checks and invest, and that offer tools like mobile payment apps.
-  **2 Tight integration.** A seamless, integrated banking platform that makes it easy to toggle between your health plan and health accounts.
-  **3 Deep customer knowledge.** An HSA provider that really understands your employees and what stage they are in and uses sophisticated analytics that deliver the relevant messaging and education they need when they need it to drive better health behaviors.
-  **4 Health care experience and an understanding of its challenges.** An HSA provider that can integrate health care and financial tools will educate consumers about health care and enable them to make smarter health care decisions. This is critical because, as our research shows, consumers who worry about their health care costs want long-term financial security. That will be an outgrowth of more informed consumers.
-  **5 Track record of success.** A partner with experience that you can trust to have operational excellence, transactional expertise and the ability to offer health accounts tailored to your population.

Conclusion

American consumers are confused about their roles in health care. They are too often surprised by medical bills they expected health insurance to pay. And, they are not setting aside sufficient funds to pay for out-of-pocket health care costs.

The confusion will get worse as employers rely more on HDHPs and HSAs, which shift responsibility for payments to consumers. Unless consumers understand their roles in the changing health care cycle, the shift will threaten the financial stability of medical providers.

Our analysis of public conversations about health savings accounts shows that consumers are worried and confused. They are extremely concerned about their ability to pay for health care and frequently are surprised by unexpected bills. Despite their concerns, consumers still do not realize that HSAs offer real help to achieve the health care financial security they crave. Optum Bank believes the answer to the looming industry-wide problem is to make HSAs as easy to use as checking accounts and debit cards. Consumers have come to expect 24/7 access to their accounts – along with the ability to make deposits, withdrawals and administrative changes with a few keystrokes.

The challenge is that health care is far more nuanced than online banking needs to be. A customer-centric experience will require the deployment of sophisticated technology, advanced analytics, artificial intelligence and a good digital experience so that consumers will be able to engage effectively in the management of their health care decisions. But consumer experience must also merge health and finance to encourage sufficient investment planning to secure long-term health and financial security. A deep understanding of health care is important because long-term financial security is not possible if a consumer does not properly anticipate and save for their out-of-pocket health costs.

Optum Bank is excited about the future of health care banking because it will be a cornerstone for both long-term financial planning and life-long health. Done correctly, it will transform the health care journey and dramatically increase consumers' security in retirement.



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Deb Culhane is CEO of Optum Financial Services (OFS) and President of Optum Bank. In this role, she oversees Optum Financial Services products and provides leadership for Optum Bank. She ensures that all OFS products deliver financial services expertise to every point in the health care system through consumer health accounts, health care payments and stop loss insurance products. Deb brings more than 30 years of industry experience in institutional and consumer financial services both domestically and internationally.

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Paul Leary is the Chief Strategy Officer for Optum Financial Services (OFS). In this role, his primary responsibilities include growth of the financial accounts business. Paul came to Optum with over 25 years of experience in both financial and banking arenas, where he held executive roles and focused on relationship management and client-facing operations. Paul holds a Bachelor's of Science in Business Administration from Emmanuel College.

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Barb Page is the Vice President of Marketing for Optum Financial Services (OFS). In this role, Barb is responsible for the marketing strategy and execution for OFS and Optum Bank. She brings over 30 years of financial services experience (banking and investments) and health care expertise to the marketing arena for Optum. Barb has a Master's degree in Business Communications and a Master of Science in Health Care Leadership.

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