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'Repeal And Replace' May Not Affect HSA Marketplace

Product Poised To Grow Regardless Of President

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The newly-minted president's pledge to repeal and replace the Affordable Care Act has also sparked murmurings about the role that health savings accounts, or HSAs, could play in supplementing the ACA's replacement. With consumer demand for HSAs expected to continue its upward trajectory, could that prompt more banks to think about getting into the HSA business?

With or without the Trump administration, the health care landscape has already been moving towards greater health care consumerism. The Massachusetts Center for Health Information and Analysis said in its 2016 annual report that one in five Massachusetts consumers were enrolled in a high-deductible health plan last year and that membership had increased by 14 percent to almost one million members.

And an Aite Group report on health benefit accounts projected in 2015 that health benefit accounts, which include HSAs and flexible spending accounts, would increase to 77.9 million accounts by 2018. HSAs were anticipated to comprise about 30.5 million of that total.

Michael Trilli, a senior health care analyst at Aite Group and the author of that report, said that while the current administration may give HSAs a little boost, he expects the larger shift towards high-deductible plans



to continue apace, irrespective of the presidency.

"When I look at HSAs and what drives that growth, we're going to see more consumers in high-deductible health plans because that is the era we're in," Trilli said. "As long as we have that environment we're going to continue to see an uptick in HSAs."

But for all the market forces that may be driving consumers toward health savings accounts, banks have been relatively slow to catch on. Sure, a handful of national and su-

per-regional banks do offer the product, but chances are pretty good that if you walk into your local community bank, they're not going to have HSAs on tap.

That puzzles Roy Ramthun, the president and founder of HSA Consulting Services. Ramthun's experience with the HSA goes back to its inception, when he worked at the U.S. Treasury Department and led the department's implementation of health savings accounts after they were signed into law in 2003. If anybody has earned the moniker "Mr.

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HSA,” it’s Ramthun.

“We did everything we could to make it as simple as possible,” he said. “Yes, the account itself is typically boarded on a checking account platform and has either debit cards or online bill pay or checks or any combination of the above. Those are core services that banks offer.”

This should (ostensibly) be a layup if you already have the infrastructure in place, which prompts Ramthun to remark, “My question is, why isn’t there more interest?”

Not As Easy As It Looks

Bankers say it’s not quite that simple. Kevin Robertson, senior vice president and director of sales for HSA Bank, a division of Waterbury, Connecticut-based Webster Bank, said that for one thing, you need a certain economy of scale in order to make much money offering HSAs.

HSA Bank, for example, has a 24/7 call center devoted specifically to helping customers with their HSAs. That’s a pretty significant investment in staff and training.

For another, there’s a big discrepancy in market share even among the top 20 HSA providers. The top 10 captured a little more than 70 percent of the total U.S. market and the top 20 claimed 80 percent of that market, according to Devenir’s HSA Research Report released in mid-2016.

Robertson, who also serves on the American Bankers Association’s HSA Council, said that more banks were, indeed, interested in the HSA business following the election, but the barriers to entry are still quite high.

For those banks already in the HSA business, these are exciting times. During a recent conference call to discuss quarterly earnings, Webster’s leadership anticipated explosive growth in its HSA Bank and highlighted 295,000 new accounts already in the first quarter.

Berkshire Bank has a far smaller slice of the HSA pie, with about 1,500 HSA relationships across its footprint, but Heather Lashway, senior vice president of retail distribution strategy, said the bank views that account as a key element in its suite

of products. Berkshire began offering the HSA in 2007 through its business customers.

More than new entrants to the market, Robertson anticipates increased consolidation in the HSA world, particularly given that some very large banks, like Wells Fargo and J.P. Morgan have sold off their own HSA portfolios.

More broadly, the increased reliance on HSAs as a key leg of the health care stool raises another issue. While Trilli thinks the HSA is a great product for consumers, you still need to have the extra cash to set aside for one in the first place. The Republican-led Congress may address that in whatever plan they come up with to replace the Affordable Care Act.

“The struggle with HSAs is always, how do you get more down market on the consumer side, to those who may not have the extra dollars or those who may not have the incentive to contribute?” he said. ■

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