

The 2025 benefits cost savings playbook

5 ways to do even more with less





Benefits costs are soaring—but you can bring them down to earth.

Rising healthcare costs have been a constant challenge for employee benefits teams. The situation this year feels especially daunting, though.

Commercial healthcare spending growth is projected to reach 8% in 2025 – the highest level in 13 years, according to research from PricewaterhouseCoopers. This follows a [7% increase](#) in average family premiums from 2023 to 2024, when the Kaiser Family Foundation reported a **record high of \$25,572 for employer-sponsored coverage**.

The sharp rise in costs is driven by several factors—particularly the **inflationary pressure that's been pushing prices higher since 2022**. Even though overall inflation has started to drop, Kaiser anticipates it could take a while for healthcare costs to reflect this, as insurance companies lock in [premium rates](#) in advance of the plan year.

The growing **demand for glucagon-like peptide-1 (GLP-1) drugs is playing a role, too**. Use of these drugs for both diabetes and weight management has been higher than many insurers expected, and roughly one in four organizations with more than 1,000 employees are covering these drugs to help their people lose weight. [Nearly half](#) believe this will have a “significant impact” on their prescription drug spending.

Healthcare providers have also **fielded increased demand for inpatient and outpatient care**, a holdover from the COVID-19 pandemic when many [deferred care](#).

All of this is going on against a backdrop of general economic unease. With **instability in the stock market and ongoing global financial pressure**, predicting costs and managing budgets has become more difficult than ever. For employee benefits teams, that means navigating a landscape that is both unpredictable and increasingly expensive.

And, of course, keeping your workforce happy and healthy isn't just a nice-to-have. It's a strategic imperative.

So, how can your benefits team respond to these growing cost challenges without sacrificing the quality of the programs you offer? The answer lies in thoughtful, innovative new strategies. In this playbook, we'll take you through how you can use benefits like **Health Savings Accounts (HSAs)**, along with careful plan design and targeted use of data and new technologies, to meet your team goals.

You're not powerless against economic trends. Let's explore five strategies that can help you take control.



Strategy 1

Go full replacement HSA.

Healthcare costs keep climbing – with no end in sight. It's no surprise that more organizations are offering HSA-qualified health plans.

HSA-qualified health plan premiums are markedly less expensive than other plans. In 2023, **premiums for HSA-qualified plans were roughly 9% lower than the premiums of traditional PPO options.**

Organizations find that cost savings are so significant they're electing to go full replacement and offer HSA-qualified health plans exclusively. The main catalyst is that traditional plans are starting to lose their appeal because deductibles are on the rise. In fact, **PPO, POS, and HMO plans have started to exceed the federally defined threshold for HSA-qualified health plans.**

There's a leveling happening across the industry, which makes it much easier for organizations to choose full replacement.

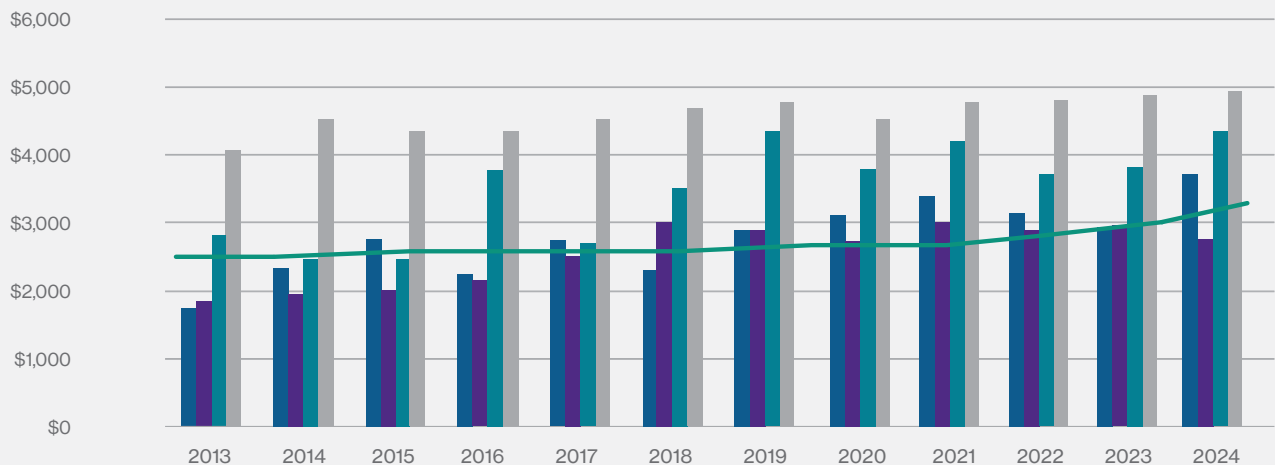
And because PPOs are still the most popular employer plan offering – with [48% of workers](#) covered by one in 2024 – there's plenty of opportunity for more companies to save.

Going full replacement HSA also gives organizations a chance to provide highly valued assets during a time of uncertainty. In a 2021 survey from HealthEquity, **77% of responders said having an HSA gave them peace of mind** during the previous year. Leading the way with an HSA offering not only saves the organization money – it can help promote individual savings that employees value and [potentially limit costs](#).



Deductible cost for family plan

■ HMO ■ PPO ■ POS ■ HDHP — HDHP min



Case in point

The HSA effect on two Pennsylvania school districts.

To test the effect of going full replacement HSA, HealthEquity tracked two Pennsylvania school districts after the transition to exclusively HSA-qualified health plans, after four years of non-HSA plans. In Year 5, the two districts fully transitioned to HSA-qualified health plans with a \$1,500 deductible for individuals and a \$3,000 deductible for family plans.

The result was a significant increase in savings. By year 8, the districts enjoyed a combined \$6 million in annual savings, or \$1,022 per employee per month for that year. The districts also saw significant claims savings as well, totaling an estimated \$14.4 million over four years, compared to their old plan.

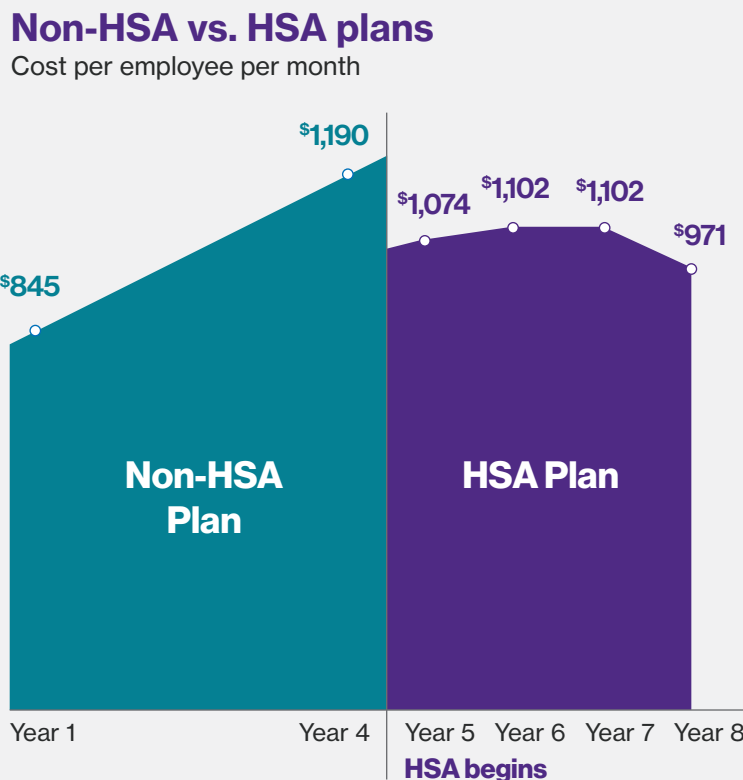
In addition, employees reported a high level of health plan satisfaction and much higher account balances (\$1.7 million in total). There was also no evidence that the HSA plan increased risk for higher healthcare costs due to avoidance of necessary medical care.

In fact, the results were so positive that both districts included renewals for HSA-qualified health plans in their new collective bargaining agreements.

Executing a full replacement HSA allowed employees to take control of their healthcare and the districts to take control of soaring healthcare costs. Now, employees are on a path to long-term financial security – and the districts are too.



Total cost savings: \$6M per year | \$1,022 per employee per month



All data referenced in this case study is based exclusively on anonymized HealthEquity client data.



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Strategy 2

Power up HSAs through data insights.

[Roughly half](#) of private industry workers have access to HSA-qualified plans, and if you're one of the organizations already offering one, you can realize even greater savings by understanding how your people are – or possibly aren't – using it.

To do that, you need access to meaningful plan data.

Gathering and benchmarking data helps you understand how your program is performing. It can even help you see how your organization compares with

peer companies and other top performers. With these insights, you can pinpoint key areas for improvement that ultimately lead to greater cost savings.

One aspect to look at is HSA contributions. According to Kaiser, **only 2% of employees enrolled in an HSA-qualified plan receive employer contributions that are greater than or equal to their deductible amount.** And [only 9%](#) receive contributions that would reduce their personal annual liability to under \$1,000 if applied to the deductible. Knowing where your contributions

stack up compared to your industry or area can help you determine the right contribution level to outstrip the competition and offer a valuable benefit while still saving money.

You can also look more broadly into your people's total HSA assets. More than **1 in 5 HSAs have account balances of \$0**, making it much less likely that account owners are getting anything out of the benefit. Still more are missing out on the gains that come from investing their HSA balances! **Only 9% of people with HSAs are investing their funds, an action that leads to balances that are 7.3 times larger than average.** That gives employees more money to spend on healthcare without costing your organization. If you can access data that gives you these insights, you can determine cost-effective ways to grow employee account balances (more on that in strategy 3).

Access to program-wide data can also give you insights into employee spending patterns – including potential areas of overspending.

Almost a quarter of healthcare spending could be considered wasteful, according to a study recently published in JAMA. And a great deal of that waste can be attributed to unnecessary or inefficient care, two areas where consumers have some control. By understanding where your employees are spending the most, your benefits team can take action to help curb wasteful spending and encourage more efficient and effective care.

Pinpoint savings potential.

If you analyze employee spending categories like prescription drug costs, specialized providers, or inpatient and outpatient procedures, you may find your people are spending a great deal on name-brand prescription drugs. You can use this insight to introduce new tools, such as coupons or resources on where to find cheaper alternatives.

Of course, accessing all this data could be difficult. Multiple administration systems and a fractured benefits ecosystem can make it hard to see a holistic picture of your program. That's why **it's crucial to find benefits administration solutions that can provide data insights** or allow you to view all your program offerings, end-to-end.

With these capabilities, you can do more than just make plan adjustments every year. You can act on insights throughout the plan year, leading to better engagement with employees while cultivating positive benefits behavior that lasts.

After all, truly maximizing cost savings potential means keeping people plugged in and inspired. That way, they'll be more likely to re-elect low-cost plan options next year.

¹Investments are subject to risk, including the possible loss of the principal invested and are not FDIC or NCUA insured, or guaranteed by HealthEquity, Inc. HealthEquity, Inc. does not provide investment advice. HealthEquity Advisors, LLC, a wholly owned subsidiary of HealthEquity, Inc. and an SEC-registered investment adviser, provides web-based investment advice to HSA holders that subscribe for its services (minimum thresholds and additional fees apply). Registration does not imply endorsement by any state or agency and does not imply a level of skill, education, or training. Investing may not be suitable for everyone and before making any investments, review the fund's prospectus.



Case in point

eCommerce company boosts HSA contributions using deep data insights.

An eCommerce company with 6,800 benefits-eligible employees believed in the power and affordability of HSAs. However, they faced the common challenge of getting their people to both enroll and contribute to their accounts. To understand more about the barriers they faced, they dove into the data.

Here's what they discovered: many employees were choosing plans with broader, more expensive coverage even though the HSA plan was a good fit. And even when employees enrolled, many weren't electing to make contributions so their savings were comparatively low.

Armed with these insights, the employer took action. To drive adoption and help their people build savings, the benefits team introduced plan changes, including:

- Providing a market-competitive seed contribution.
- Reducing HSA plan premiums by \$25 per paycheck.
- Auto-funding \$25 employee HSA contributions per paycheck.


They continued to monitor performance and learned that not only did they surpass their original goal of increasing HSA plan enrollment by 67%, but they also saw 95% of members making contributions to their HSAs.


With that migration to the lower cost HSA plan, the employer achieved a significant 11% in savings compared to PPO plan holders.



Total cost savings: 11% compared to PPO plan holders


After acting on data-based insights...

 **104%** increase in HSA enrollment

 **95%** of HSA members contributing

+29% individual contribution

+64% family contribution

 **11%** less expensive than PPO plan

HealthEquity, 2024: <https://info.healthequity.com/casestudy-affordability>





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Strategy 3

Offer an HSA contribution match.

One area you can start using your data-backed insights to best advantage is in how you make HSA contributions – and in how you encourage your people to make their own. It's good for their long-term financial wellbeing, and for your bottom line too.

When it comes to incentivizing contributions, the employer's contribution strategy can make a big difference. Many organizations elect to seed HSAs by contributing a lump sum at the beginning of the

plan year. Other employers use a distributed seed strategy, making contributions at least once a month. However, there's good evidence from HealthEquity data that suggests **employer matching might be a more effective contribution strategy.**

With an HSA match, you commit to contributing a certain portion of what employees contribute, up to a specific threshold. You can make these contributions as a percentage match or as a dollar-for-dollar match.

Under the percentage match model, you contribute a percentage of the amount your employees contribute (example: a 50% match of employee contributions up to a \$500 maximum).

Under the dollar-for-dollar match model, you contribute at the same rate as your employee (example: \$1 for every \$1 of employee contributions, up to \$500).

Model 1	Model 2
X% to \$1	\$1 to \$1

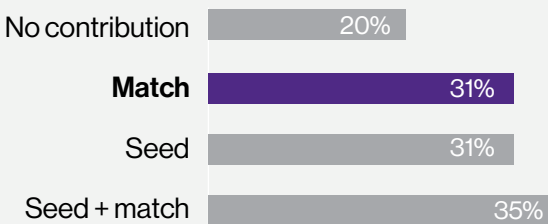
Either contribution strategy results in significant employer cost savings. According to internal HealthEquity data, **79% of employers using a match had lower HSA contributions than employers using a seed-only contribution strategy.**

Matching also generates positive savings outcomes for employees. When employers use a match strategy, **22% more employees contribute as compared to a seed-only strategy, resulting in 35% higher employee contributions.**



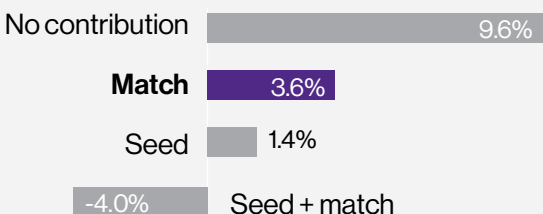
Using a match increases HSA enrollment.

HSA enrollment rate



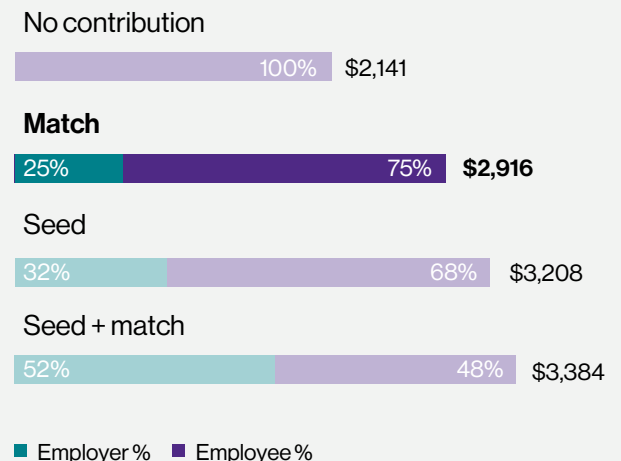
Matches save more compared to PPOs.

Avg. employer cost savings vs. PPO



Matches mean higher balances with less employer spending.

Avg. contribution per account and percentage made by employee and employer

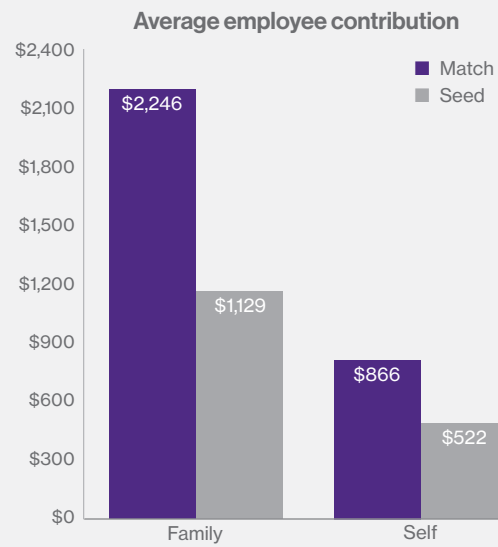
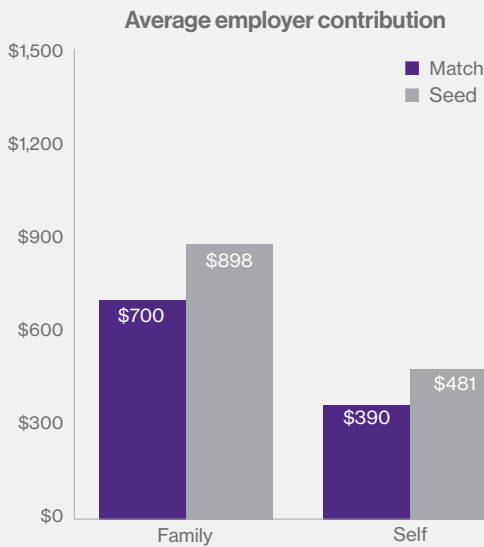


<https://www2.healthequity.com/doclib/case-studies/hsa-contribution-report.pdf>
 All data referenced on this page is based exclusively on anonymized HealthEquity client data.

Comparing match vs. seed in the hospitality industry

We compared two similarly sized organizations in the hospitality industry – one implemented an employer match and one did not. Both organizations offered \$500 for single employees and \$1,000 to employees with a

family. The company with a match required employee contributions before funds were dispersed, while the seed-only organization dispersed funds regardless of employee activity.



As the charts above illustrate, the organization using a match contributed roughly **42% less per HSA** than the organization using the seed-only option. In addition, employee contributions at the organization using the match were **84% higher** among employees.

Beyond the charts, the analysis also uncovered several additional advantages. Nearly 90% of employees at the organization using a match contributed funds to their HSA, compared to just 40% of employees at the seed-only organization. At the same time, annual FICA savings per HSA were \$105 for the match-based plan compared to only \$25 for the seed-only plan.

Although not always right for every business, it's clear that the employer match is a powerful tool that helps incentivize HSA adoption and use – and therefore drives serious cost savings.

Total cost savings:



\$198

on average per employee
in a family plan annually

\$91

on average per employee
in self-only plan annually

\$105

in FICA savings
per HSA annually

All data referenced in this case study is based exclusively on anonymized HealthEquity client data.



Strategy 4

Empower employees through price transparency.

Healthcare price transparency has become a buzzword in recent years, and for good reason – it has the potential to transform how Americans access care. And for your benefits team, it's a functional tool that can lower overall spending while building workforce health, financial wellness, and overall satisfaction.

Price transparency tools make the cost of healthcare services and procedures clear to employees before they receive care. This allows them to **compare costs between providers as well as consumer reviews**, helping them find the best value for their money.

And most people are ready to use tools like these. [Research from McKinsey](#) shows that nearly **90% of consumers say they're interested in shopping for healthcare**, and **33% to 52% would switch providers for financial incentives**. If more people engaged in comparison shopping, a [recent White House fact sheet](#) estimated employers could see an **average 27% reduction in healthcare costs across 500 common services**.

The long-term benefits of price transparency are just as compelling as the immediate savings. Making informed healthcare decisions can help foster efficiency, reduce waste, and empower employees to focus on preventative care. When employees can shop for and ultimately receive lower-cost healthcare services, this **increases the likelihood that the employees receive the care and don't delay treatments.**


To help promote the benefits of price transparency, your team can **start by giving employees access to easy-to-use, digital cost comparison tools.** Implementing cost transparency tools allows employees to easily compare provider rates as well as out-of-pocket costs. Some tools even include care quality scores to give a fuller picture of provider value.


Your team can also **provide training sessions or workshops that teach employees how to use price transparency tools effectively.** Running through example searches can help them understand how to lower their out-of-pocket costs.

Lastly, you might consider an **incentive program to encourage the use of price transparency tools.** Offering greater HSA contributions or cash-back programs can drive employees to seek out quality, cost-effective providers². In fact, a [McKinsey study](#) found that between **33% and 52% of people would be willing to switch healthcare providers in return for cash rebates of \$25 to \$100.**

This could not only improve cost savings but also boost employee health outcomes and overall satisfaction.

²Any incentive funding to eligible employees' HSAs will count toward the employee's annual HSA maximum amount.

 **90%** of consumers are interested in healthcare shopping.

 **27%** average reduction in healthcare costs for employers.





 Case in point

Healthcare employer saves by incentivizing comparison shopping.

A large healthcare employer offering a self-funded health plan and HSA was struggling with cost control. The cost of the plan was increasing by more than 15% each year, and data analysis revealed employees were overspending by roughly 63% – largely due to visiting high-cost providers.

The employer started working with benefits technology provider TALON to implement price transparency tools and an incentive program to boost their use.³ With the price transparency tools, employees got access to out-of-pocket cost estimates and provider ratings based on their health plan details, allowing them to choose

providers that charged less and provided quality health outcomes. The employer incentivized the use of these tools by providing a percentage of savings deposited directly into their HSA each time they chose a low-cost, high-value provider.

After implementing these tools, 84% of employees enrolled in the health plan and more than a third (34%) started comparison shopping using the price transparency tools. The employer said they saved \$3.1 million in healthcare spend over the first year and a half of promoting price transparency.



Total cost savings: \$3.1M in employer healthcare spend over 1.5 years



3,250

enrolled employees



84%

of employees enrolled



34%

of employees actively shopping



22%

average savings realized among active shoppers

³HealthEquity and Talon HealthTech are independent entities, each responsible for its own policies and services. By choosing Talon HealthTech's offerings, we may receive a referral fee. You release us from all liability related to your decision to use or not use Talon HealthTech's services.



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Strategy 5

Boost value with low-cost LSAs and HPAs.

While it may not seem immediately apparent, your organization can also cut benefits costs over time with well-planned supplementary benefits like a Lifestyle Spending Account (LSA) or Health Payment Account (HPA).

LSAs are an increasingly popular way employers can offer their people support through benefits dollars employees can spend where they need it most. **LSAs can either be general or targeted to specific needs**, allowing employees to use tax-advantaged funds to manage a variety of areas, including:

- General cost of living
- Physical fitness
- Mental health
- Fertility services
- Childcare

These programs can **keep employees physically and mentally healthy, resulting in less absenteeism and more productive work happening in the office.** They can also be a good solution for niche demands, like GLP-1 drugs or fertility and family planning needs.

These treatments can be expensive and can drive up total health plan costs if covered; by providing funds for them through a separate account, you're tailoring your organization's spending in a way that will satisfy demand as well as contain costs.

Another benefit to consider is a Health Payment Account (HPA).⁴ Offered through Paytient and HealthEquity, HPAs are employer-sponsored, flexible payment tools that **give employees access to a small line of credit up to an up to \$2,000 revolving line of credit to cover out-of-pocket healthcare expenses** over time, interest free.⁵ Employees pay costs back in installments directly from their paycheck, bank account, or HSA funds.

HPAs offer payment flexibility for employees and reinforce your efforts to build an informed and health-conscious workforce. They give you additional resources

for helping employees manage costs, potentially encouraging adoption of lower-cost health plans by providing multiple ways to pay for care. In fact, a recent survey found that **34% of employees with access to an HSA saying they would be open to switching to a health plan with lower premiums.**

Your team has total freedom in setting cost limits and employees can use it as they see fit. And the HPA is available to all employees, regardless of plan enrollment or benefit eligibility.

With supplemental benefits like these, your organization can provide for employees while being strategic about how costs are managed.

⁴HealthEquity Payments, LLC is a wholly owned subsidiary of HealthEquity, Inc. with Nationwide Multistate Licensing System ("NMLS") ID 2564416. Not available in all states.

⁵The HPA card is a line of credit that is subject to approval, and works with providers in approved merchant categories. All charges made to the HPA card must be repaid according to the terms outlined in the cardholder agreement.





Case in point

HPAs persuade 40% of employees to save with HSA-qualified plan

An employer in the education field was finding difficulty controlling healthcare costs for their organization. They offered both a PPO and a less costly high-deductible health plan (HDHP) with an HSA, but found that many employees were over-insuring themselves by choosing the PPO. The employer wanted to drive more plan migration to the HSA plan while persuading their people to contribute more to their HSA, but were struggling to do so.

After connecting with HPA provider Paytient, the employer decided to offer an HPA in hopes that it would incentivize transition to the less expensive HSA plan.

The strategy worked. After introducing the HPA, the employer saw a plan migration adoption rate of 40% as employees moved from the \$2,000 deductible PPO plan to the \$3,500 deductible HSA plan thanks to the additional support of the HPA.

The employer enjoyed cost savings of \$40 per month per employee on their premiums, and employees received both the benefits of an HSA and an HPA.



Total cost savings: \$40 per employee per month

“

We want to drive migration from the PPO to HDHP, and we need to make the HDHP more appealing by building in extra support. The HSA alone is not doing it.”

Education industry employer



Bringing it all together

Benefits are expensive and time consuming to manage. But choosing an experienced benefits administrator with flexible, integrated solutions can help you work better and more efficiently. Customize plan design, manage benefits, and deliver a better employee experience with HealthEquity.

With access to our integrated ecosystem, you can be confident that you're working with a partner who can draw on 20+ years of industry experience to optimize benefits strategy for every employee.

Discover more ways to save in 2025.

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HSA



FSA



HRA



LSA



COBRA



Commuter