**378.01 What are the advantages to an employer of offering an HDHP and HSA combination?**

The benefits of offering employees an HDHP and HSA vary dramatically depending upon the circumstances. A key strength of offering an HSA program is flexibility. Employers can be very generous and fully fund an HSA and also pay for the HDHP coverage. Alternatively, employers can also use the flexibility of the HSA to allow for the employer to reduce its involvement in benefits and put more responsibility onto the employee. Generally, employers switch to HDHPs and HSAs to save money on the health insurance premiums (or to reduce the rate of increase) and to embrace the concept of consumer driven healthcare. The list below elaborates on strengths of HDHPs and HSAs.

1. *Lower Premiums.* HDHPs, with their high deductibles, are usually less expensive than traditional insurance.
2. *Consumer Driven Healthcare.* Many employers believe in the concept of consumer driven healthcare. If an employer makes employees responsible for the relatively high deductible, the employees may be more careful and inquisitive into their health care purchases. Combining this with an HSA where employees can keep unused money increases employees’ desire to use health care dollars as if they were their own money – because it is their own money.
3. *Lower Administration Burden.* Given the individual account nature of HSAs, much of the administrative burden for HSAs is switched from the employer (or paid third-party administrator) to the employee and the HSA custodian as compared to health FSAs and HRAs. This increased burden on the employee comes with significant perks for the employee: more control over how and when the money is spent, increased privacy, and better ability to add money to the HSA outside of the employer.
4. *Flexibility.* HSA and HDHP programs allow employers to adjust the program to their needs by varying the level of employer commitment to insurance premium and HSA contributions for employees. HSAs allow for employees to contribute on their own.
5. *Tax Deductibility at Employee Level.* The ability of employees to make their own HSA contributions directly and still get a tax deduction is advantageous. Although it is better for employees to contribute through an employer to save payroll taxes, an employee can make contributions directly. An employer may not offer pre-tax payroll deferral or it may be too late for an employee to defer. For example, an employee that decides to maximize his prior year HSA contribution in April as he is filing his taxes can still do so by making an HSA contribution directly with the HSA custodian.
6. *HSA Eligibility.* Becoming eligible for an HSA is a benefit that also stands on its own. Although not all employees will embrace HSAs, savvy employees that understand the benefits of HSAs will value a program that enables them to have an HSA.