HEALTH BENEFITS NAVIGATOR

Five simple steps to make the most of your health benefits in 2023
INTRODUCTION

2022 was a year of adjustment for many people: adapting to new ways of working, managing through economic changes, handling stress and anxiety, and balancing home and work responsibilities. Whether 2022 was a year of challenges or new and better opportunities, we’d like to help you make 2023 even better.

Understanding and using your health benefits are a great way to start the new year. Our research shows that people who are confident in their health care decisions tend to be better off in a host of ways—financially, at work, and in their personal lives. They are more likely to report better mental health, financial security, and overall happiness and engagement.

But for many of us, it’s hard to know if we are making the right decisions about choosing and paying for health care—from enrolling in benefits and choosing health care providers to figuring out how to pay for care and save for unforeseen expenses.

Our research shows people can’t always predict when they will need care or how they should prepare financially.

Nearly 4 out of 10 people we surveyed said that they, or a dependent, had had an emergency or urgent health problem in the past two years.¹ Health problems create challenges beyond physical health.

And

Nearly a third of people said they are carrying medical debt.²

Not only is this a financial problem, but medical debt can add to stress, anxiety, and further health issues.

But there are things you can do to feel more in control of your health and your finances. Just as you do when making decisions about other big-ticket items, you can build knowledge and experience about how to access convenient, quality, and cost-effective health care.

Informed consumers make better health care decisions, and better decision-making helps bring down stress and costs. That’s a win-win! Now let’s look at the pathway to make 2023 your best year yet.

Check out our glossary in the Appendix to familiarize yourself with some frequently used health care terms.
Navigating your health benefits
Choosing the right health benefits, understanding how they work, and using them requires careful planning. Your employer may offer a suite of benefits, and you may not know what all those benefits do. Understand how to get the most out of your benefits for your particular needs.

Interacting with the health system
It is important to engage in healthy behaviors and seek mental health care, but where do you start when you have a mental health issue? There are many new ways to access mental health services that were not widely available just a few years ago, including telehealth and virtual mental health care. Learn when and how to use them.

Paying for care
Paying for health care can be challenging and stressful because understanding the cost and quality of care is not easy. But there are preparations that can give you more peace of mind. Your employer may have tools to help you get the right care at the right price. For example, you can save for health care costs by opening a health savings account when offered by your employer or on your own. Find out how.

Saving and preparing for the unexpected
We live in a constantly changing environment—pandemics, natural disasters, economic challenges. These forces often arrive unexpectedly. Preparing for emergencies now by building emergency reserves can reduce stress later. Learn how to build a financial immune system using a combination of insurance coverage, savings, and borrowing strategies.

Planning for the future
Did you know the average couple will spend about $315,000 on health care during retirement? Consider using a free online tool to estimate how much health care will cost you in retirement. If that sounds like another thing to stress about, don’t worry. There are ways to prepare now for a smooth future.
NAVIGATING
YOUR HEALTH BENEFITS

Employers are offering more health benefits than ever. Get familiar with what you have, what each one can do, and how your benefits can work together to do more for you.

Typically, health insurance covers most of your health care costs and is often the go-to benefit for health needs. But did you know that you might be able to use other benefits for health, too? Now is a great time to check out all the benefits available to you beyond your health insurance plan. Below are some examples of the types of benefits that your employer may offer. You may need to enroll in some of these benefits before you can access them, so it’s a good idea to do that now—before you need them.

NAVIGATION SUPPORT BENEFITS

Self-service decision support tools

Your employer may have offered a decision support tool for you to use before enrolling in your benefits for 2023. Decision support tools can help guide you through annual enrollment by asking you about your health status and life situations or by using data about how you used health care in previous years.

Sometimes employers also provide these kinds of tools to help you navigate health benefits and use the health system during the year. These are often online or accessed through apps, and they help you research costs of procedures and treatments as well as better understand which providers and facilities are in your insurance network versus out-of-network.

Live navigation services

Some employers offer a single point of contact for all your health and benefit questions—the true definition of a navigator! These health assistants can help you find programs that will assist with your immediate needs, aid you in understanding which health providers are in your insurance network, and may even be able to help you estimate your out-of-pocket costs for accessing these services.

Our research found that many people tend to favor navigation support: 84% of consumers responding to Fidelity’s survey who said they use self-service tools said they were at least somewhat satisfied with them, as were 84% who used a live navigation service.5

BENEFITS PROVIDING MORE WAYS TO GET CARE

Telehealth

Virtual doctor visits can be a great option for convenient and cost-effective care, and 88% of consumers Fidelity surveyed who have used telehealth were satisfied with it.6 The pandemic has shown that telehealth can be used to access health care when in-person visits are not available or there is risk of exposure to a virus.

But these types of visits, whether through video, phone, texts, or even chatbots, can also be helpful on nights and weekends when your regular doctor may not be available or when you’re traveling.

While telehealth can be used for a variety of health care needs, health care providers that Fidelity surveyed reported that they find telehealth most effective for managing chronic conditions, mental health care, medication management, and follow-up after a hospital stay for nonsurgical care.7

Did you know that some employers offer benefits that you can enroll in outside of annual enrollment? Ask your employer’s HR representative.
Mental health
Some employers now offer special mental health benefit programs in addition to what is available through your health insurance plan. These programs may include in-person visits, telehealth or video visits, online support communities, meditation apps, and even FDA-approved digital therapeutics (prescription treatments and therapies accessed on your smartphone). Sometimes these services are low or no cost, and many of them can be accessed 24/7.

Prescription drug delivery
Did you know your prescription drug plan likely allows you to have your regular prescriptions delivered to your home instead of picking them up at a pharmacy? This convenient option is often less expensive and can save you time. The other benefit to some mail order prescriptions is a larger supply of your medications—a great way to stock up on your routine prescriptions and reduce the number of times you must get them refilled. Still prefer using your local pharmacy? Many retail pharmacies offer home delivery services free of charge—just ask.

BENEFITS TO HELP YOU MANAGE LIFE SITUATIONS THAT CAN AFFECT YOUR HEALTH

Concierge services
You may not be thinking about this as a health benefit, but it can be. You might need to visit a family member in the hospital or travel to seek specialized medical care. Concierge services can help you navigate medical crises by arranging services like grocery delivery, house cleaning, and travel.

Dependent care
If you are caring for children or elderly family members, backup dependent care programs may be able to help you find in-home care, including home health aides. And a dependent care flexible spending account allows employees to contribute their pretax dollars throughout the year to help pay for dependent care, including for your spouse or a relative living in your home who is physically or mentally incapable of caring for themselves.

Corporate wellness programs
Some employers offer programs (e.g., VirginPulse, JOON) that allow you to earn incentives for tracking healthy behaviors, such as exercise, meditation, or healthy eating.

BENEFITS TO HELP YOU PAY FOR CARE

If you are looking for tools to help you make confident health-related savings and spending decisions, your employer may offer one of many health benefit accounts designed to do just that. For example, if you have a high-deductible health plan, you may be eligible for a health savings account (HSA), which you can use to pay for qualified medical expenses. HSAs also allow you to save money and, in some cases, even invest the funds for potential long-term growth. They can be a great way to prepare for both short-term health care costs and retirement health costs.

Other health benefit accounts that may be available to you—even if you don’t have a high-deductible health plan—include health care flexible spending accounts (FSAs), limited-purpose flexible spending accounts (LPFSAs), and various health reimbursement accounts. Employers can also contribute money to certain health benefit accounts.
TIPS FOR PUTTING YOUR BENEFITS TO USE

Knowing how, when, and in what combination to use your benefits is a great way to gain confidence and feel in control as a health care consumer. Here are some tips for using your benefits:

Check which doctors and hospitals are in-network before you make an appointment.
Each plan may have a different set of doctors and hospitals available to you. If you choose a doctor or hospital outside of this list, you almost always will pay more. Most health insurance companies offer online tools to help you do this or a navigation service that can give you live assistance.

Know that sometimes your health benefits give you more than one way to get the service you need.
For example, virtual health can often be accessed through your health insurance plan, your doctor, or as a stand-alone benefit from a company like Teladoc® or Doctor on Demand®. Mental health services are similar, often able to be accessed through your health insurance, your employee assistance program (EAP), or a stand-alone benefit company like Lyra Health, Ginger, or Twill™. Benefits can also complement one another. For example, you might use your mental health benefit from your health insurance plan while using your EAP to help with household tasks to reduce stress.

Tell your doctor about the benefits you have available to you.
Nearly all (95%) of the health care providers responding to a recent Fidelity survey said that knowing what other benefits their patients have available to them through their employers would be helpful, for example when referring you for care or prescribing certain therapies or medication.8 We also found that doctors don’t always think to ask patients if they have access to other health-related benefits, so make sure to mention them at your next appointment.

One thing that may take more effort but could have a big payoff in terms of getting the care you need faster and more affordably: sharing the list of your health plan’s covered medications (the drug formulary) and in-network providers with your doctor. You may be able to pull up these lists on your smartphone while you’re in the exam room or send them to your doctor before an appointment.

Doctors want to know more about your benefits. Here are a few reasons.9
Fidelity asked: What, specifically, would be helpful if you knew more about the benefits your patients have available to them?

“If I knew which benefits and drugs were covered, we could start treatment and help sooner.”
– Pediatric Nurse Practitioner, Arizona

Knowing about coverage for alternative treatments such as massage and acupuncture.”
– Psychiatrist, Michigan

The more information to benefit the patient, the better.”
– Psychiatrist, California

Being better able to assist patients in meeting their mental and medical health needs referrals and other avenues to care.”
– Primary Care Physician Assistant, Florida
INTERACTING WITH THE HEALTH SYSTEM

How to make the most of your mental health benefits

If you feel you need help, you’re not alone. In the past few years, more people than ever have struggled with poor mental health. In fact, 22% of people Fidelity surveyed in fall 2022 said they were in fair or poor mental health. If you’re one of them, your employer may offer benefits that can help you. If you are suicidal or experiencing another mental health or substance use crisis, you can call or text 988, the 988 Suicide & Crisis Lifeline provided by the U.S. Department of Health & Human Services, for immediate assistance. We know that mental health needs vary. Whether you have a diagnosed mental health condition, such as depression or substance use disorder, or are experiencing anxiety or stress, better understanding your health-related benefit options is important so you can get the help you need. When we surveyed Americans with employer-sponsored insurance, we found more than 16% reported a mental health care need but did not try to find a mental health service. Why does this happen? Some people said they didn’t know where to begin, while others thought it would cost too much. Our research has found that mental health influences many parts of our lives such as physical health, financial health, and overall well-being. Likewise, changes at your job or home can greatly influence your mental health. Even a diagnosis of a non-mental health condition such as cancer or a chronic disease can cause stress and anxiety. In fact, 38% of people Fidelity surveyed who said they had a diagnosed physical condition said that their diagnosis negatively impacted their mental health.

This guide can help you navigate your mental health benefits and manage your mental health care. To start, let’s look at the types of benefits that may be available to you and benefits that you might not have considered that could help alleviate stress.

Employee assistance program (EAP)

Most employers offer an employee assistance program, and it’s a great place to start. EAPs can help provide mental health services and then refer employees to longer term, more intensive care as needed. You typically get a limited number of counseling sessions at no cost, and if need be, you can get a referral for further treatment. Contrary to popular belief, any information that you provide is anonymous and will not get back to your employer.

How to start: Your employer’s benefit site or app will typically have a contact number, chat, or email address for you to start the process. The EAP may be described as well-being support, emotional support, or counseling, and some employers want the EAP to be your first stop.
**Health insurance**

Contact your health insurance company to get a list of mental health providers that accept your insurance. A recent study found that only 62% of psychiatrists were accepting new privately insured patients.15 Be sure to find out how your plan covers therapy visits.

**How to start:** Your insurance card will have a contact number to connect you with a representative who can help you find mental health professionals such as psychiatrists. Your insurance company should be able to tell you which doctors are in-network versus out-of-network and what the cost differences could be.

**Your primary care provider**

If you have a primary care provider (PCP), let them know about your mental health experiences. One-third of people responding to our survey said they had sought treatment from their primary care doctor first.16 Keeping them in the loop will help your doctor treat your overall well-being, and they may have further ideas for treatment or give you a referral.

Often PCPs have good relationships with mental health providers and can help you find an appointment more quickly. Because of the shortage of mental health providers, you may have to wait to meet with a therapist or seek an alternative such as a virtual visit. If you’re unable to wait, contact your primary care provider. They may be able to treat you for mental health while you wait to meet with a therapist. Keep in mind that some mental health conditions may require both therapy and medication.

**How to start:** Because mental health issues are increasing, some primary care physicians are being proactive and will ask you about issues such as anxiety, sleep, and stress. This is a great opportunity to help your doctor better understand your whole health needs.

**Stand-alone mental health benefits**

Your employer may offer a separate benefit just for your mental health. These benefits can often help you find a licensed provider more easily than going through your health insurance or PCP for a referral. They can often be accessed through your health insurance, your employer’s employee assistance program, or a stand-alone benefit company like Lyra Health, Ginger, or Happify Health™.

You may also be offered a range of virtual mental health benefits, including virtual therapy, meditation apps, digital therapeutics (learn more about these below), and hybrid digital and in-person solutions. There is no one-size-fits-all solution for mental health, so these personalized options can be a great choice to help you determine the course of action that’s right for you.

**How to start:** If your employer offers a stand-alone benefit, it may be listed in your work benefits site with a contact number or link. Many of the stand-alone mental health benefits have their own app where you can interact through chat, telehealth, or video calls. The app may also include educational materials and exercises that you can use on your own.

**Digital therapeutics and apps**

Digital therapeutics and apps are software and devices that can help manage a variety of conditions, such as anxiety, depression, and substance use, from your smart device or phone. These apps are easy to access and allow you to pursue treatment on your own schedule. Programs may include telehealth or video visits, online support communities, meditation apps, and even FDA-approved digital therapeutics (prescription treatments). Sometimes these services are low or no cost and may be included as part of a stand-alone mental health benefit.

**How to start:** Check with your employer to see if you have access to mental health apps. Once you’ve downloaded them, you can often choose your own pathway to manage stress and anxiety or focus on concentration and relaxation. Some digital therapeutics are FDA approved and can be prescribed by your primary care doctor or mental health professional.
Supplemental benefits
As we mentioned earlier, your employer may offer you benefits that you don’t think of as “health care” but can be very helpful during times of health needs. Benefits, such as caregiving, financial counseling, backup dependent care, and even concierge services, can help ease stress by handling scheduling, arranging services like grocery delivery, finding caregiving resources, and more. Benefits can also complement one another. For example, you may use your mental health benefit from your health insurance plan while using your backup dependent care to help reduce stress when regular caregivers are not available.

How to start: This is a good time to go through all your benefits, not just the ones labeled “health.” Supplemental benefits may be found in categories such as wellness, life, and financial. Think about how to use these additional benefits to free up time to address your mental health needs and to reduce stress and anxiety.

Here’s how the process will look once you’ve decided to reach out to a mental health provider:

1. Decide you want help
2. Review your benefits options
3. Think about how you’ll pay for treatment (if applicable)
4. Talk to your PCP
5. Get care

Once you’ve identified a mental health provider, determine how you’ll pay for their care. You can use your HSA or FSA to pay, and it’s best to find in-network providers where applicable.

As you continue with your care, make sure you’re keeping your primary care doctor in the loop so that they can best manage your overall health and well-being. And remember, if you have a mental health crisis, substance use emergency, or suicide risk, you can now dial 988 to reach a crisis counselor.
PAYING FOR CARE

Did you enroll in a health benefit account at annual enrollment? If you did, you can use it to save money when paying for health care, instead of your checking account. See how the HSA and the health care FSA work – and learn about other health benefit accounts too.

Using a health savings account (HSA) or a health care flexible spending account (FSA) can help you save money. Unlike the money you put into a personal checking or savings account at the bank, you don’t pay federal income tax on the money you contribute to an HSA or health care FSA. And both accounts allow you to withdraw money tax free to use to pay for qualified medical expenses. But the HSA and health care FSA have some key differences. **Find out what they might mean to you.**

<table>
<thead>
<tr>
<th>HSA</th>
<th>HEALTH CARE FSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>An individual tax-advantaged account that you own and allows you to save what you don’t use for future health care costs.</td>
<td>An account your employer owns that allows you to set aside money you plan to spend, typically within the plan year.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Will the account help me save on taxes?</strong></td>
<td>Yes. You don’t pay taxes on your contributions or when the account grows. You can also withdraw money tax free to cover qualified medical expenses.¹⁷</td>
</tr>
<tr>
<td><strong>How do I know if I’m eligible?</strong></td>
<td>You can establish and contribute to an HSA if you meet all of the eligibility requirements. - Must be enrolled in an HSA-eligible health plan on the first day of the month - Must not be covered by any other health plan unless that plan is also an HSA-eligible health plan - Must not be enrolled in Medicare - Cannot be claimed as a dependent on someone else’s tax return¹⁹</td>
</tr>
<tr>
<td><strong>What happens if I have money left over at the end of the year?</strong></td>
<td>The balance carries over from year to year until you need it.</td>
</tr>
<tr>
<td><strong>What if I change jobs, lose my job, or retire?</strong></td>
<td>Your HSA can move with you. If you lose your job, you can use the money to pay for COBRA premiums (which temporarily extend your employer-sponsored health care coverage). And in retirement, you also can use your HSA for general (non-health care) expenses starting at age 65—you just have to pay normal income taxes on the money you withdraw.</td>
</tr>
<tr>
<td><strong>How can I make my money grow?</strong></td>
<td>Contributions generally go into an interest-earning account, but you may be able to invest all or part of your balance to save for the future.²⁰</td>
</tr>
</tbody>
</table>
WHAT OTHER ACCOUNTS MAY BE AVAILABLE TO ME TO HELP PAY FOR HEALTH CARE?

**Limited-purpose FSA (LPFSA)**
Many employers who offer an HSA-eligible health plan with an HSA also offer an LPFSA. A limited-purpose FSA allows you to set aside money specifically for qualified vision and dental expenses.

Having both accounts lets you get the most tax and savings benefits. If you use an LPFSA to pay for dental and vision expenses, you can then use your HSA for other qualified medical expenses—or save it for later. But, as with a health care FSA, you typically lose the money you don’t spend in an LPFSA. You may want to consider contributing to an LPFSA after you reach your maximum HSA contribution.

**Health reimbursement arrangement (HRA)**
This is an employer-owned account, meaning you as an employee cannot contribute to it. Your employer controls how much goes in and decides how it is spent. Employees with an HRA can use the tax-free money from their employer to pay for qualified medical expenses that may not be covered by their health plan.

**Other types of reimbursement accounts that can support your health**
You may have other reimbursement accounts to help you pay for things that can help you get or stay healthy, such as fitness memberships, ergonomic home-office equipment, or transportation (16% of consumers ages 18 to 34 that Fidelity surveyed said that a lack of reliable transportation affects their ability to get or stay healthy).21

And to meet the needs of an increasingly diverse workforce and give employees more flexibility with their benefits, a few employers are beginning to fund lifestyle spending accounts that employees can use on a number of eligible expenses. Fidelity expects the number of employers offering these accounts to increase over the next few years, so be on the lookout for them where you work.

WHAT ELSE CAN I DO TO HELP MANAGE THE COST OF CARE?

**Shop around for health care services.** Only 30% of consumers Fidelity surveyed said they do this now.22 If your employer offers a navigation service, contact them first to help you find health care providers who are in-network and get information so you can compare things like prices and quality scores of these providers. If your employer doesn’t offer navigation services, you can use your health plan’s provider search tool to find providers and then call providers directly to obtain information to compare.

**Ask your doctor for a lower cost option.** Only 39% of the consumers we surveyed who said it was financially difficult for them to pay their health care bills in the past two years reported that they had asked their doctor for a more affordable option.23
**Question a bill if you do not understand it or if you think it has an error.** Medical billing errors are common; with many of those errors not favoring the patient. But a recent Fidelity survey found that only 27% of consumers in the past two years had challenged a bill.

**Ask your provider about a payment plan.** Even if you have set up a health care budget and are setting aside money regularly to prepare for health care costs, you might have an unexpected health event and be unable to pay all the costs right away. Almost half (48%) of the consumers Fidelity surveyed said it would be at least somewhat difficult if they had to pay their entire deductible at once. Most health care providers now offer payment plans—with little or no interest—to help you pay these costs over time. And special credit card options, such as CareCredit®, offer no interest, short-term financing.

**Develop a health care budget.** Many (44%) of the consumers Fidelity surveyed said they do not budget for health care expenses. Those who did were more likely to say they were prepared for the costs of an unexpected health event that they had experienced in the past two years.

There are many ways to budget. You can look at what you spent on health care last year and adjust based on what health services you think you might need in the coming year. Or you can budget based on your health plan deductible (i.e., the amount that you have to pay out-of-pocket before your health plan starts paying) or your health plan out-of-pocket limit (i.e., the maximum amount that you would have to pay—outside of your monthly premium—during the plan year).

**Something else to consider:** If you switched to a high-deductible health plan from a Preferred Provider Organization (PPO) or other plan this year, consider contributing what you are saving in monthly premiums to an HSA.
Sometimes just being smart about how we pay for our everyday health expenses is not enough. More than one-third of people surveyed by Fidelity said they had had an unexpected health event in the past two years; more than one-third of these people said they were unprepared to pay for it. If you find yourself battling a health crisis—a cancer diagnosis, a bad car accident, or something equally traumatic—the last thing you want to worry about is money. An unexpected illness can harm more than your health; it can also undermine your financial security. Health care expenses lead to almost one-third of hardship withdrawals from retirement savings. Financial worries can turn an already stressful situation into a chronic stressor that can exacerbate existing health conditions, create new ones, and, ultimately, shorten life span.

Here's how you can confidently brace for the financial impact of a health crisis before it (hopefully never) happens.

**YOUR FINANCIAL IMMUNE SYSTEM TOOLKIT**

<table>
<thead>
<tr>
<th>HEALTH INSURANCE</th>
<th>OTHER INSURANCE</th>
<th>SAVINGS</th>
<th>BORROWING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health insurance</td>
<td>Disability insurance</td>
<td>Emergency fund</td>
<td>Low-interest credit</td>
</tr>
<tr>
<td></td>
<td>Supplemental/gap insurance</td>
<td>Health benefit accounts</td>
<td></td>
</tr>
</tbody>
</table>

**Building financial immunity with insurance**

It’s important to have insurance that gives you confidence that your health care and financial needs can be met. There are different types of insurance that can help you. Health insurance is meant to pay for most of your health care costs, while other types of insurance—like disability insurance or gap insurance—can help you pay your everyday bills during a health crisis.

You may be able to sign up for these other insurances during your employer’s annual enrollment period or purchase them on your own.
Disability insurance
- Replaces some of your income if you can’t work due to a disabling illness or injury.

Supplemental/gap insurance
- Replaces some of your income if you can’t work due to a disabling illness or injury.

**How it helps build financial immunity**

<table>
<thead>
<tr>
<th>Disability insurance</th>
<th>Supplemental/gap insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replaces some of your income if you can’t work due to a disabling illness or injury.</td>
<td>Replaces some of your income if you can’t work due to a disabling illness or injury.</td>
</tr>
</tbody>
</table>

**What can I do now?**

<table>
<thead>
<tr>
<th>Disability insurance</th>
<th>Supplemental/gap insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Your employer may offer some amount of short-term and/or long-term disability insurance benefit, or you can buy your own.</td>
<td>- Find out if your employer offers it.</td>
</tr>
<tr>
<td>- Consider this type of insurance especially if you are your family’s sole earner.</td>
<td>- Use the policy’s lump-sum payment for any remaining out-of-pocket medical expenses, additional help around the house, household bills, or whatever else you may need.</td>
</tr>
<tr>
<td>- Have enough disability insurance to replace 70% of your income if you can’t work.</td>
<td>- Determine the amount of benefits you need, since this will influence the cost of the coverage.</td>
</tr>
</tbody>
</table>

**Building financial immunity by saving strategically**

Make sure you have enough savings set aside for a health emergency in a bank savings account or a health benefit account, like a health savings account (HSA) or health care flexible spending account (FSA). HSAs and FSAs can be used to save for health emergencies in addition to being a way to pay for qualified health expenses while getting a tax break.

**WHAT SHOULD I CONSIDER DOING NOW?**

<table>
<thead>
<tr>
<th>EMERGENCY FUND</th>
<th>HEALTH BENEFIT ACCOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Have three to six months of expenses socked away in case of a major emergency.</td>
<td>- Build savings throughout the year by contributing to your HSA or FSA.</td>
</tr>
<tr>
<td>- Make your savings automatic through direct deposit if you can. Find an account that pays some interest but makes your money readily available if you need it.</td>
<td>- Withdraw your HSA or FSA money tax free to pay for qualified medical expenses.</td>
</tr>
<tr>
<td>- Find out if your employer offers an employer-sponsored emergency savings account that you can contribute to through payroll deductions.</td>
<td>- Build savings over a longer period with your HSA, as any used balance carries over from year to year. Invest it to help it grow, if you can.</td>
</tr>
<tr>
<td></td>
<td>- If you lose your job, your HSA stays with you. Consider using your HSA savings to help defray or cover the costs of continuing your employer-based health coverage under COBRA, which is available to you for up to 18 months.</td>
</tr>
<tr>
<td></td>
<td>- Use other reimbursement accounts you may have to help pay for other health-related expenses.</td>
</tr>
</tbody>
</table>

**More than one-third of people**

Surveyed by Fidelity said they had had an unexpected health event in the past two years;

**More than one-third of these people**

Said they were unprepared to pay for it.
Building financial immunity by being smart about borrowing

No one wants to take out a loan to pay for expenses related to a health emergency if they can help it, but even borrowing is something you can confidently prepare for.

**WHAT SHOULD I CONSIDER DOING NOW?**

- You can open a line of credit on your house, if you own one, for a back-up source of funds at a potentially low interest rate.\(^{32}\)

- Shop around to get the lowest interest rate since your payment is based on how much you’ve borrowed at any given point in time, as well as your current interest rate.

- Planning ahead is key. If you’re diligent about saving for emergencies, support or strengthen your savings with insurance, and keep some low-interest credit available as a last resort, you will have built a financial immune system to help you weather a health crisis.
Depending on where you work, employers offer different types of retirement savings plans, such as a 401(k) or 403(b). An HSA can also be a way to invest your savings for the future—notably to help cover the significant health care costs you may face in retirement. But only 36% of people responding to Fidelity’s survey who have an HSA said they plan to use their HSA to cover health care expenses in retirement. Both a workplace retirement savings plan and an HSA give you the opportunity to save pretax dollars every year. Pretax contributions made to a workplace retirement savings plan can be used to cover any kind of expense in retirement but are taxed when you withdraw them. HSA savings can also be used to cover expenses in retirement, but withdrawals to cover qualified medical expenses are not taxed. Here, we’ll look at how the HSA works as part of other retirement strategies, using the 401(k) as the example.

Ask yourself these four questions to guide your decision-making:

1. Does my employer offer a 401(k) and/or HSA match?

**YES**

Consider contributing to your 401(k) and HSA up to the employer match, if you are able.

Then consider setting aside enough for this year’s medical expenses in your HSA.

**NO**

Consider contributing enough in your HSA to cover your expected medical expenses for the year up to the IRS limit.

Contribute enough money to your HSA, up to the IRS limit, to cover your expected medical expenses for the year; otherwise, you’ll be giving up a tax-break.

---

**2023 Contribution Limits**

<table>
<thead>
<tr>
<th>Account</th>
<th>Maximum Contribution</th>
<th>Catch-up (age 50+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>401(k)</td>
<td>$22,500</td>
<td>$7,500</td>
</tr>
<tr>
<td>HSA</td>
<td>$7,750</td>
<td>$3,850</td>
</tr>
<tr>
<td></td>
<td>Family coverage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$7,750</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Individual coverage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$3,850</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Catch-up contribution</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(age 55+)</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

In an ideal world, everyone would be able to contribute the maximum amount to their 401(k) and HSA that the law will allow each year. If you can’t afford to max out your contributions to both accounts, how do you decide how much to allocate to your 401(k) and how much to set aside in your HSA? And why does it matter, today and for the future?
Think about how much money you spent on health care last year. If you aren’t sure, consider contributing the amount of your deductible or out-of-pocket maximum as a starting point. If your employer contributes to your HSA, make sure to take that into account in your calculation. If you don’t spend all of your HSA balance this year, you won’t lose it—as you learned earlier, the money is yours until you need it, even if you change jobs.

2. Have I saved enough in my 401(k) and HSA to get my full employer match (if available) and to cover my health care expenses for the year?

- **YES**
  Excellent! Now consider focusing on maxing out your HSA.
  - Consider contributing to your HSA to cover any expected medical expenses for the year.

3. Will I reach the annual maximum on HSA contributions this year?

- **YES**
  You’re doing great. Now, it’s time to contribute more to your 401(k), up to the maximum if you can.

- **NO**
  Consider contributing to your HSA until you reach the annual limit, if you are able.

It may be better to contribute to your HSA before maxing out your 401(k) because HSAs have a leg up on tax benefits. Like the 401(k), you make pretax contributions to the HSA, and your savings grow tax free. But the HSA has a third tax advantage: You are not taxed on withdrawals to cover qualified medical expenses. With a 401(k), you pay federal income tax on the money when you withdraw it, even if you use it for medical expenses.

4. Will I max out my HSA and 401(k) contributions for 2023?

- **YES**
  Congratulations! You’ve made the most of your workplace savings.

- **NO**
  Our financial situations are always changing. Remember to use these questions as a guide to make the most of your workplace savings.

You also may want to find out if you can enroll in a limited-purpose flexible spending account (LPFSA), which helps you pay for current eligible dental and vision expenses.

Aim to save at least the equivalent of 15% of your income for retirement, including your employer’s contribution, throughout your career.
NEARING RETIREMENT?

If you are nearing retirement, your employer may offer assistance with making the transition from your employer-sponsored insurance. Ask your human resources representative if they can help with the following:

- Informing you of your health insurance options in retirement
- Informing you of when you’ll be eligible for Medicare
- Helping you plan for your health insurance and savings needs in the years between retiring and becoming eligible for Medicare (for instance, you may be able to extend your current benefits under COBRA for up to 18 months to help you bridge the gap)
- Assisting with selecting a Medicare plan, if you were eligible for Medicare at the age you retired
- Comparing any difference between your current health insurance coverage and Medicare coverage
- Helping you understand the most favorable ways to pay for health care in retirement (such as how to use your HSA)
Appendix: Health care glossary

**Coinsurance:** The percentage of costs of a covered health care service that you pay (20%, for example) after you've paid your deductible.

**Copayment (or copay):** A fixed amount ($20, for example) you pay for a covered health care service after you've paid your deductible.

**Deductible:** The amount you pay for covered health care services before your insurance plan starts to pay. With a $2,000 deductible, for example, you pay the first $2,000 of covered services yourself.

**Flexible spending account (FSA):** An arrangement through your employer that lets you pay for many out-of-pocket medical expenses with tax-free dollars. Allowed expenses include insurance copayments and deductibles, qualified prescription drugs, insulin, and medical devices.

**Formulary:** A list of prescription drugs covered by a prescription drug plan or another insurance plan offering prescription drug benefits. Also called a drug list.

**Health savings account (HSA):** A type of savings account that lets you set aside money on a pretax basis to pay for qualified medical expenses. HSA funds generally may not be used to pay premiums.

**In-network coinsurance:** The percentage (for example, 20%) you pay of the allowed amount for covered health care services to providers who contract with your health insurance or plan. In-network coinsurance usually costs you less than out-of-network coinsurance.

**Network:** The facilities, providers, and suppliers your health insurer or plan has contracted with to provide health care services.

**Out-of-network coinsurance:** The percentage (for example, 40%) you pay of the allowed amount for covered health care services to providers who don’t contract with your health insurance or plan. Out-of-network coinsurance usually costs you more than in-network coinsurance.

**Out-of-pocket costs:** Your expenses for medical care that aren’t reimbursed by insurance. Out-of-pocket costs include deductibles, coinsurance, and copayments for covered services plus all costs for services that aren’t covered.

**Out-of-pocket maximum:** The most you have to pay for covered services in a plan year. After you spend this amount on deductibles, copayments, and coinsurance for in-network care and services, your health plan pays 100% of the costs of covered benefits.

**Premium:** The amount you pay for your health insurance every month. In addition to your premium, you usually have to pay other costs for your health care, including a deductible, copayments, and coinsurance.

**Preventive services:** Routine health care that includes screenings, checkups, and patient counseling to prevent illnesses, disease, or other health problems.

**Provider:** A physician (M.D. [medical doctor] or D.O. [doctor of osteopathic medicine]), nurse practitioner, clinical nurse specialist, or physician assistant, as allowed under state law, who provides a range of health care services.
Endnotes

1 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q42. How prepared were you to cover the unexpected health care expenses? Sample included 1,501 U.S. consumers with employer-sponsored insurance.

2 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q41. Do you currently have medical debt (i.e., owe money for a health care service or product)? Sample included 1,501 U.S. consumers with employer-sponsored insurance.


5 Fidelity Health Solutions Thought Leadership Health Benefits Consumer Survey, Fall 2022. Q32: How satisfied have you been with these benefits? Sample included 1,552 U.S. consumers with employer-sponsored insurance.

6 Fidelity Health Solutions Thought Leadership Health Benefits Consumer Survey, Fall 2022. Q32: Using a scale of 1 to 5 where 1 is not satisfied at all and 5 is very satisfied, how satisfied have you been with these benefits? Sample included 1,552 U.S. consumers with employer-sponsored insurance.

7 Fidelity Health Solutions Thought Leadership Clinician Survey, Fall 2022. Q49: How effective or ineffective do you think telehealth is for the following types of care? Sample included 750 U.S. clinicians.

8 Fidelity Health Solutions Thought Leadership Clinician Survey, Fall 2022. Q34: How helpful would it be to understand all of the health-related benefits your patients have available to them, including other health-related benefits available to them outside of their traditional health plan? Includes “Somewhat helpful,” “Moderately helpful,” and “Very helpful” responses. Sample included 750 U.S. clinicians.

9 Fidelity Health Solutions Thought Leadership Clinician Survey, Fall 2022. Q35: What, specifically, would you find helpful?


12 Fidelity Health Solutions Thought Leadership Health Benefits Consumer Survey, Fall 2022. Q50: What prevented you from trying to find mental health care services? Please select all that apply. Sample included 1,552 U.S. consumers with employer-sponsored insurance.

13 Fidelity Health Solutions Thought Leadership Health Benefits Consumer Survey, Fall 2022. Q8. Mental health - How strongly do you agree with this statement. My diagnosis or diagnoses have negatively impacted my: Sample included 1,552 U.S. consumers with employer-sponsored insurance.

14 Fidelity Health Solutions Thought Leadership Health Benefits Consumer Survey, Fall 2022. Q8: How strongly do you agree with this statement. My diagnosis or diagnoses have negatively impacted my: mental health. Sample included 1,552 U.S. consumers with employer-sponsored insurance.


16 Fidelity Health Solutions Thought Leadership Health Benefits Consumer Survey, Fall 2022. Q51: Please tell us all the places you went to look for mental health care. If you looked in more than one place, please tell us where you went first, second, third and so on. Sample included 1,552 U.S. consumers with employer-sponsored insurance.

17 With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. The triple tax advantages are only applicable if the money is used to pay for qualified medical expenses.


20 Investing involves risk, including the risk of loss. Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.
21 Fidelity Health Solutions Thought Leadership Health Benefits Consumer Survey, Fall 2022. Q61: In the last year, have you struggled with any of the following social factors that may impact your ability to get or stay healthy? Sample included 1,552 US consumers with employer-sponsored insurance.

22 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q27: Thinking about your health care costs and paying your medical bills, how frequently do you: Shop around for health care services (i.e., compare prices, quality of the provider, etc.)? Sample included 1,501 U.S. consumers with employer-sponsored insurance.

23 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q27: Thinking about your health care costs and paying your medical bills, how frequently do you: Shop around for health care services (i.e., compare prices, quality of the provider, etc.) and Q33. In the last two years, how financially difficult or easy was it for you to pay your health care-related bills? Sample included 1,501 US consumers with employer-sponsored insurance.


25 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q32: Where did you turn for help, if anywhere, to challenge the bill that had the suspected error? Sample included 1,501 U.S. consumers with employer-sponsored insurance.

26 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q46: Which of the following most accurately describes how you budget for health care expenses each year? I don’t budget for health care expenses. Sample included 1,501 U.S. consumers with employer-sponsored insurance.

27 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q45: If you had to pay your entire deductible all at once—for example, if you had an unexpected, expensive health event—how difficult or easy would it be for you to afford it? Sample included 1,501 U.S. consumers with employer-sponsored insurance.


29 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q43: How prepared were you to cover the unexpected health care expenses? Sample included 1,501 U.S. consumers with employer-sponsored insurance.

30 Fidelity Investments record kept data as of December 31, 2019; eCertified participant web entries.

31 Fidelity Investments Workplace Thought Leadership, "How to build up your financial immune system," 2021.

32 Note that it’s extremely important to consider the potential consequences of borrowing against your home. There may be financial, legal, tax, and estate implications. If you default on the loan, you could even lose your home.

33 Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q53. How will you cover or are you covering your health-related expenses in retirement? Sample included 1,501 U.S. consumers with employer-sponsored insurance.


35 With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. The triple tax advantages are applicable only if the money is used to pay for qualified medical expenses.

36 Fidelity analysis of 2.6 million participants contributing to 401(k) plans that offer an employer matching contribution as of March 31, 2017.

37 Fidelity Investments, "Where to Save Your Money for the Long Term: How to Make the Most of Your 401(k) and HSA," 2021.

This information is intended to be educational and is not tailored to the investment needs of any specific investor. Fidelity does not provide legal or tax advice. The information herein is general and educational in nature and should not be considered legal or tax advice. Tax laws and regulations are complex and subject to change, which can materially impact investment results. Fidelity cannot guarantee that the information herein is accurate, complete, or timely.

Fidelity makes no warranties with regard to such information or results obtained by its use, and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Consult an attorney or tax professional regarding your specific situation.

Fidelity Brokerage Services LLC, Member NYSE, SIPC
900 Salem St., Smithfield, RI 02917
©2022 FMR LLC. All rights reserved. 1060778.2.1