



Choose Wisely: Understanding the Unseen Costs of Employee Benefits and Their Financial Impact

What finance leaders need to consider when pairing 401(k)s and HSAs

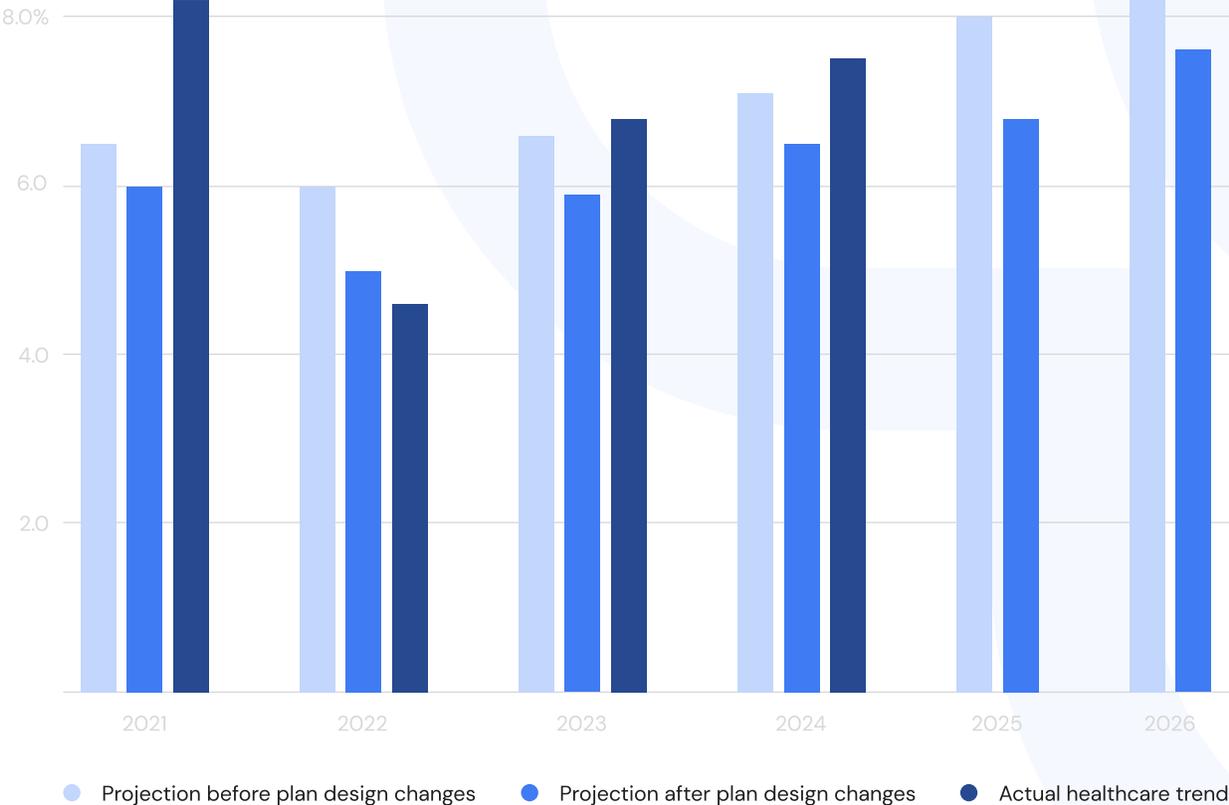


Executive Summary:

A strategic perspective for CFOs managing rising healthcare costs and workforce financial strain

Healthcare costs continue to rise and remain difficult for employers to forecast, with actual costs outpacing projected increases in 2023 and 2024. For CFOs, this shows up as unpredictable claims, higher stop-loss exposure, and annual premium increases that are often larger than projected. Employees experience the same pressure from another direction. **Their most urgent financial concern is not retirement optimization; it is affording healthcare, prescriptions, childcare, commuting, and the everyday costs that shape their financial stability and their sense of day-to-day security.** The cost of healthcare today outweighs the costs of retirement down the road.

Projected vs. Actual Healthcare Trend 2021-2024



Source: Business Group on Health

These pressures materially affect how employees interact with their benefits. Lively's research shows that many [employees skip or delay care because of cost](#). Others postpone filling prescriptions or avoid scheduling appointments because they cannot cover the upfront expense. For self-insured employers, [deferred care frequently becomes more acute and more expensive](#), increasing long-term claims volatility. When people feel uncertain about meeting basic needs, they naturally retreat from the healthcare decisions that keep them healthy and productive.

For years, employers adopted benefits bundles that tied Health Savings Accounts (HSAs) to 401(k) plans, especially through major retirement providers. This reinforced the idea that an HSA should function primarily as an investment account — but at what expense? While that approach serves financially confident employees with predictable income and existing investment habits, it does little for the 90%+ of employees who rely on HSAs, FSAs, HRAs, and commuter accounts to pay for essential health and household expenses—the expenses that anchor their ability to care for themselves and their families today.

43%

workers with employer-sponsored coverage say [affording healthcare is difficult](#) (this share has only risen over the past decade).

29%

report that [healthcare costs have made it harder to afford basics](#) like food, electricity, and heating.

“A more effective strategy for today’s workforce is to pair HSAs with FSAs, HRAs, commuter benefits, and dependent care accounts on a unified platform rather than through fragmented, retirement-centric systems.”

The combination of these benefits addresses day-to-day affordability, supports more consistent care decisions, and reaches the large share of employees who are not eligible for HSAs or who cannot afford to treat their accounts as investment vehicles.

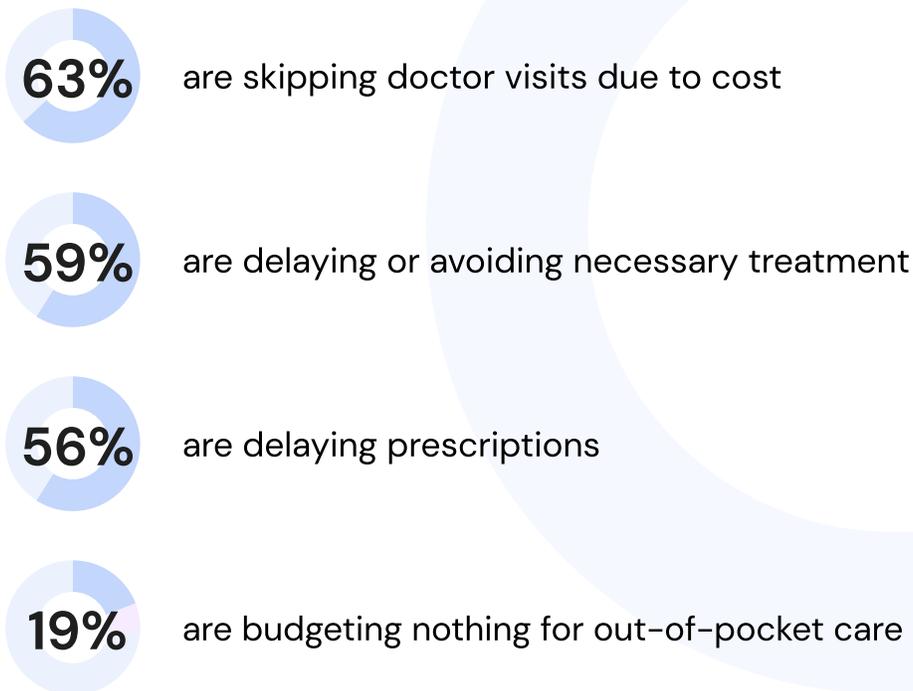
Dedicated health and lifestyle benefits providers, who build and control their own platforms, tend to focus on supporting every employee, not just those who are already financially equipped to invest. Because their systems are purpose-built for daily spending and healthcare use, they are also the ones investing in next-generation tools that remove friction from the experience. This includes multilingual, multimodal AI agents, smart cards that automatically route transactions to the correct account, AI-assisted claims adjudication, and conversational task completion. Together, these capabilities make benefits easier to understand, easier to use, and far more reliable for employees who depend on them. Less friction translates to better adherence to care and confidence in the benefits that are being provided to them.

This whitepaper examines how multi-account bundles address affordability challenges, who benefits from investment-heavy HSA models, why employers are separating health and retirement strategies, and how modern AI-enabled platforms improve both employee usage and employer financial outcomes.

Healthcare Affordability is the Dominant Financial Pressure

Employees across income levels report that healthcare costs are among their most stressful expenses. Deductibles and out-of-pocket requirements have grown steadily, and many employees lack the savings to cover even minor unexpected bills. When faced with competing demands such as rent, childcare, groceries, transportation, healthcare becomes a financial balancing act.

Lively's 2025 research on healthcare spending and affordability [illustrates this](#) clearly. Survey respondents indicated that:



Avoiding care may reduce short-term spending for employees but [drives up long-term spending](#) for employers. A delayed doctor visit often becomes an urgent care visit. A delayed prescription becomes a more serious health episode. For self-insured employers, these patterns lead to higher-than-expected claims and premium volatility — not to mention time off from work leading to productivity losses.

Immediate financial concerns overshadow long-term investing

Retirement planning remains important, but many employees cannot prioritize it consistently. When someone is working to cover daily expenses or has no buffer for unexpected bills, long-term investing, whether in a 401(k) or an HSA, is a luxury.

Employees tend to use HSAs for near-term needs, not for investment growth. When employers promote HSAs primarily as investment accounts, the messaging often reaches only a subset of employees. Most are simply not in a financial position to optimize for future returns when they need help paying for care today.

We Must Question Who Is Investing, And Why That Matters for HSA Design

HSAs offer powerful tax advantages, but their long-term value depends on employees contributing more than they plan to spend. That requires discretionary income, financial literacy, and comfort with investing—characteristics that describe some, but not most, American workers.

Stock ownership is limited, even including retirement accounts.

Data from YouGov shows that [only 21 percent of Americans own stocks](#) directly. Even when retirement accounts like 401(k)s and IRAs are included, Gallup reports that nearly four in ten [adults have no stake in the stock market](#) at all.

Investing access varies by income, gender, and education

Affordability—first benefits matter most for those least able to invest



Investing Data

Men invest at twice the rate of women — compare men at 28% vs. women at 14%.

47% of higher-income households invest, compared with **only 10%** of lower-income households.

Only 5% of adults without a high school diploma own stocks, compared with **43%** of adults with postgraduate degrees.



Healthcare Data

Females under single coverage incur 18% more in healthcare costs, excluding those related to pregnancy.

Lower-income individuals are at increased risk for mental illness, chronic disease, higher mortality, and lower life expectancy.

US college graduates live an average of 11 years longer than those who never finish high school.

These disparities reflect who is financially equipped to treat an HSA as an investment vehicle. They also highlight why retirement-centric HSA bundles benefit some employees far more than others.

The implication for employers

In most organizations, a large share of employees participate minimally, if at all, in investing. On average, [only 10% of HSA account holders invest](#) their funds. These employees rely on HSAs and other accounts primarily to pay for care in the moment. A benefits bundle that treats the HSA as a retirement tool—rather than an affordability tool—misses the mark for them.

At the same time, employees who do wish to invest can still do so. A multi-account strategy does not preclude investment. It simply acknowledges that most employees need a program that helps them manage expenses today.



HSA account holders invest their balances

Source: 2025 Devenir Midyear HSA Report

Why Traditional HSA + 401(k) Bundles Fall Short

They are designed for employees who already invest

Pairing HSAs with retirement programs work well for a specific group: employees with surplus income, consistent savings habits, and familiarity with investing. These employees can leverage the triple tax advantage of HSAs and afford to not think about their current healthcare costs.

But they represent a minority of most workforces. Many employees cannot afford to contribute enough to invest their HSA funds meaningfully. Promoting an investment-first HSA strategy is therefore misaligned with the financial circumstances of most employees.

Fragmented platforms create barriers and frustration

Many retirement providers outsource FSAs, HRAs, and commuter benefits to third-party platforms such as WEX or Alegeus. As a result, employees navigate:

- × Different cards for different accounts
- × Multiple logins and portals
- × Contradictory rules and documentation
- × Slow or inconsistent claim processing
- × Service inconsistencies

An analysis conducted of the most frequent complaints against various providers notes that when these accounts are run on legacy reimbursement systems, account holders commonly experience repeated claim denials, often for expenses they believe, and sometimes know, should be covered.

Why Traditional HSA + 401(k) Bundles Fall Short

The more severe issue is that many employees report feeling unable to spend their own money. Their card fails at the pharmacy, or a claim is rejected multiple times. These moments erode trust immediately. Employees who encounter frequent denials often stop using the account altogether. Some pay out-of-pocket to avoid future problems, while others avoid care entirely because the administrative burden feels too high.

This is the opposite of what benefits are designed to accomplish.

Employees with limited financial experience or irregular cash flow are the least likely to persist through confusing or frustrating processes. If the system feels complicated or unpredictable, they disengage.

Complexity discourages use, especially among those who need support most

When employees avoid using benefits intended to improve affordability, employers lose twice: first in the value of the benefit, and later through higher claims. When this happens, employers get hit the hardest: higher insurance premiums, higher stop-loss coverages, unplanned time off from employees, preventable turnover, and more.

Why Multi-Account Health and Lifestyle Bundles Work Better

A multi-account structure—HSA, FSA, HRA, and lifestyle accounts—supports more employees across more situations. **These accounts align with daily financial needs.**

Employees routinely face expenses such as:

- ✓ Prescriptions and over-the-counter items
- ✓ Copays and office visits
- ✓ Dental and vision care
- ✓ Parking and transit
- ✓ Childcare and dependent care (another major financial stressor for the average American)

Helping employees manage these costs meaningfully improves their financial stability and reduces decisions that delay care.

FSA, HRAs, and other lifestyle benefits broaden reach beyond HDHP participants

Not all employees choose high-deductible health plans. FSAs and HRAs allow employers to support employees enrolled in PPOs and other plan types. Choosing platforms that make these benefits easier to use and spend from creates a more equitable benefits experience. Dependent care benefits, commuter accounts, and similar tools help reduce some of the most predictable financial burdens facing employees. These accounts improve cash flow, which supports productivity and retention.

Earlier care helps employers manage long-term spend

When employees can pay for routine care, they seek treatment earlier. Conditions remain manageable, adherence improves, and high-cost episodes become less common. Over time, this stabilizes employer claims and reduces risks.

The Role of Technology: Unified Platforms Improve Outcomes and Lead to Lower Healthcare Costs on the P&L

Modern benefits success increasingly depends on the platform underneath the program—not just the accounts themselves.

Unified systems reduce friction and confusion

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Providers that own their entire platform (not patched-together technology) offer:

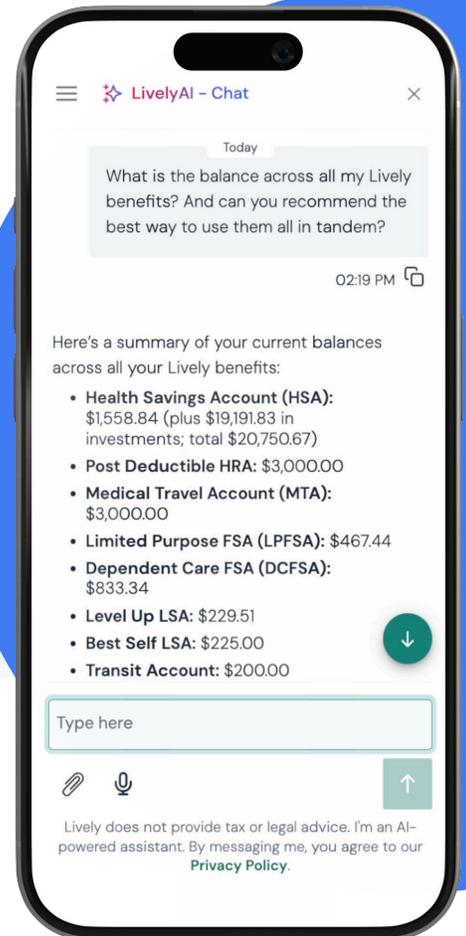
- ✓ One card for all accounts
- ✓ One login
- ✓ One set of rules
- ✓ A consistent claims process
- ✓ Cleaner data for employers

This eliminates many of the issues that cause claim denials and card failures.

Modern health and lifestyle benefits platforms are beginning to deploy advanced AI agents that allow employees to:

- ✓ Ask questions in any language
- ✓ Speak, type, or upload images (e.g., receipts, invoices)
- ✓ Get guidance on which account to use for maximum tax savings
- ✓ Receive help completing tasks such as ordering cards, updating dependents, or submitting claims
- ✓ Understand complex rules in plain language

This reduces intimidation, improves accuracy, and builds employee confidence. Employees often also do not know which account to use to maximize tax savings in which order or even, at times, how to submit documentation to get their money back. Platforms that offer clear guidance—through intuitive design or conversational support—reduce errors and encourage consistent use. This also reduces HR's administrative workload.

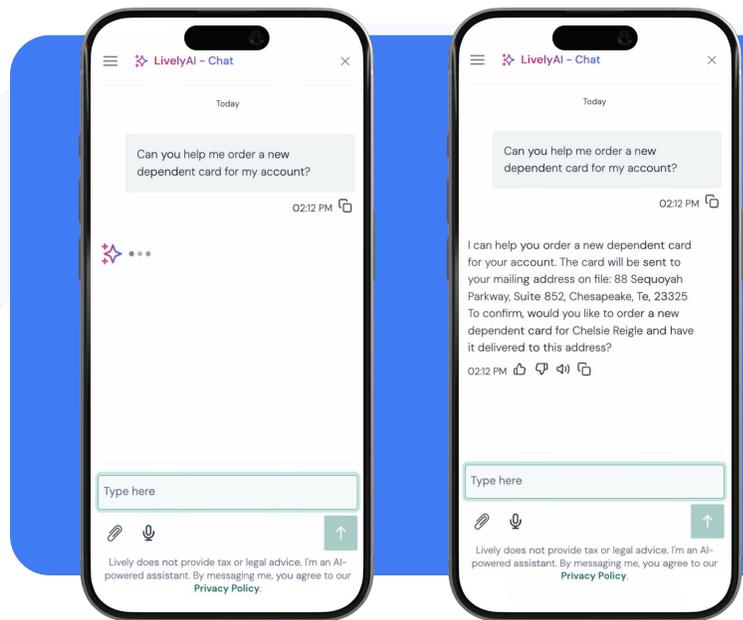


AI-driven claims adjudication increases speed and predictability

AI can read receipts, verify eligibility, flag missing information, and process reimbursement requests more quickly. Faster approvals mean employees receive their money on time, reducing frustration and increasing trust. Consistent, automated adjudication also reduces HR workload and lowers the risk of compliance errors.

Task completion reduces administrative burden

- ✓ Filing claims
- ✓ Updating contributions
- ✓ Ordering new cards
- ✓ Adding dependents
- ✓ Providing annual tax documentation
- ✓ Checking balances across multiple accounts



Instead of forcing employees to navigate a complex interface, the AI handles the work. For CFOs and other executives, this means fewer errors, fewer escalations, better benefits utilization, more time for strategic work for their HR teams — and ultimately, better business outcomes.

Reliability matters

When an employee's benefits card works every time, and when claims are adjudicated quickly and consistently, employees trust the system. Trust leads to use. Use leads to better care decisions. Better care decisions lead to fewer high-cost claims. Fewer high-cost claims lead to lower premium renewals.

Why Employers Are Separating Retirement and Healthcare Strategies

Competitive analysis shows that many employers are choosing to keep their 401(k) provider while moving their HSA, FSA, and HRA programs to unified, modern platforms. One example involves a 5,000–employee Santa Monica based technology company that retained its Fidelity 401(k) but migrated its HSA and other accounts to a unified system due to superior employee experience and fewer service issues. Employers increasingly recognize that retirement benefits and health-related financial benefits solve different problems and should be optimized independently.

Healthcare costs and employee financial pressures are increasing. Traditional HSA + 401(k) bundles speak primarily to employees already positioned to invest.

For most workers, however, affordability challenges—not investment opportunities—shape their healthcare decisions.

Bundling HSAs with FSAs, HRAs, and lifestyle benefits provides more meaningful support across the workforce. These bundles improve affordability, encourage early care, and reduce long-term employer costs. Unified platforms like Lively’s amplify these advantages by simplifying account use, improving reliability, and guiding employees toward the right decisions.

In a high-cost healthcare environment, benefits design plays a direct role in financial outcomes for both employees and employers. A modern multi-account strategy helps organizations deliver support where it matters most.

Looking ahead

Organizations exploring a modernized benefits framework can benefit from a strategic assessment focused on cost containment, employee affordability, and platform usability. Unified systems such as Lively's provide the infrastructure to offer HSAs, FSAs, HRAs, and lifestyle benefits in a way that is easy to manage and easy for employees to use.

