

INSTITUTIONAL

TRUST & CUSTODY

**Evolution, Revolution, Revelation -
The Coming of Age of HSAs**

Daniel Kelly

Senior Vice President

U.S. Bank Institutional Trust & Custody

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Agenda

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Introduction

U.S. Bancorp

6th Largest U.S. Financial Services Holding Company

NYSE Traded	USB
Asset Size	\$213 billion
Deposits	\$121 billion
Loans	\$135 billion
Customers	13.5 million
Branches	More than 2,400 in 24 states

- Strong, stable company
S&P 500
- Headquartered in Minneapolis with extensive resources
50,000 employees nationwide
- Comprehensive financial solutions and payment transaction services
Additional value through a single relationship



Market Trends

- Since the passing of the 2003 Medicare Act, it is estimated that 1.17 million HSAs have been opened – a 40% increase between January and July – from about 820,000¹.
- HSAs now hold at least \$1.5 billion in assets – a 54% increase since January¹.
- HSA accountholders tend to save – average HSA balance grew from \$1,181 in January to \$1,260¹.
- A recent AON Consulting survey shows HSAs are becoming more popular than HRAs².

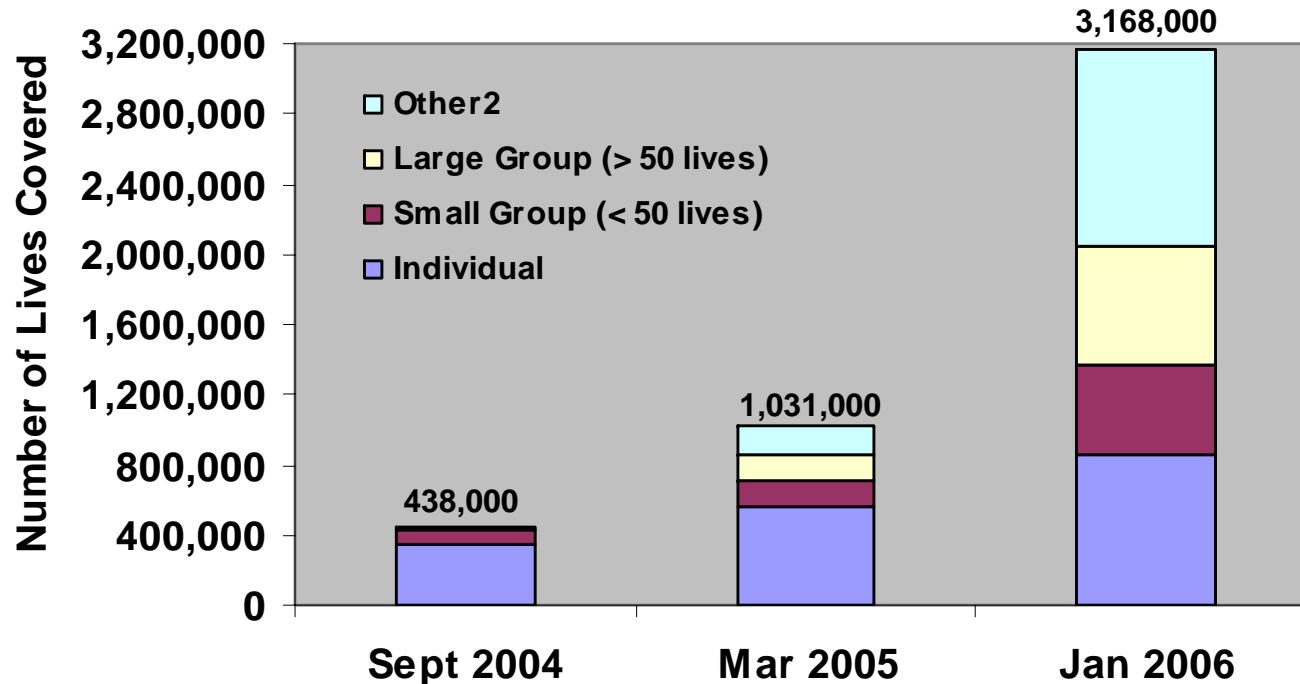
¹ Inside Consumer-Directed Care, August 25, 2006

² AON Consulting, Press Release, June 29, 2006

Growth of HSA-Based Plans

- Participation in HSA-qualified High Deductible Health Plans tripled from March 2005 to January 2006, with nearly 3.2 million consumers enrolled¹.

Growth in HSA-Based Plans



¹ Source: AHIP HSA Census, January 2006.

² "Other" category denotes enrollment data for companies that could not provide small vs. large categories within reporting deadline.



Best Selling HSA-qualified HDHPs

- For Individual Market¹

	Single	Family
Average Annual Deductible*	\$2,378	\$4,760
Average Annual Out-of-Pocket Limit	\$3,371	\$6,837
* Policies generally cover preventative care before deductible is reached.		

- For Group Markets¹

	Single		Family	
	Small**	Large**	Small**	Large**
Average Annual Deductible*	\$2,143	\$1,754	\$4,311	\$3,494
Average Annual Out-of-Pocket Limit	\$3,381	\$3,330	\$6,575	\$6,385
* Policies generally cover preventative care before deductible is reached.				
** Small is less than 50 lives and Large is greater than 50 lives.				

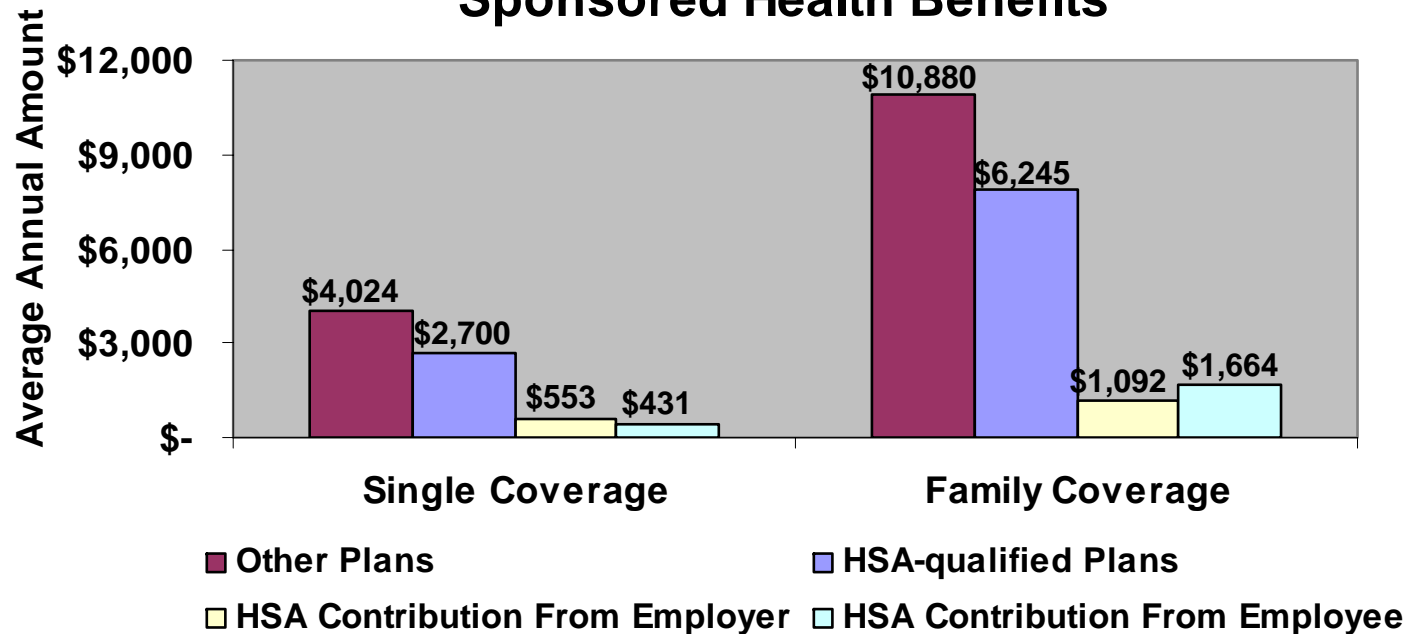
¹ Information provided by AHIP Center for Policy and Research, "January 2006 Census Shows 3.2 Million People Covered by HSA Plans" March, 2006



Annual Spending Amount

There are options with potential savings for employers and employees.

Average Annual Spending for Employer-Sponsored Health Benefits



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.



Recent HDHP Statistics

Small Group Market (< 50 Lives)	Large Group Market (> 50 Lives)	Individual Market
<ul style="list-style-type: none"> ▪ 45% of enrollees are aged 40 or over ▪ 33% of policies were purchased by companies that did not previously offer any coverage ▪ Of all new health plan purchases, 11% purchased HSA-based plans ▪ Average Annual Premium: <ul style="list-style-type: none"> ▪ \$2,772 (Single) ▪ \$6,955 (Family) 	<ul style="list-style-type: none"> ▪ 44% of enrollees are aged 40 or over ▪ Market for HSA-based plans has grown from 3% in Sept 2004 to 33% in Jan 2006 ▪ Of all new health plan purchases, 7% purchased HSA-based plans ▪ Average Annual Premium: <ul style="list-style-type: none"> ▪ \$2,745 (Single) ▪ \$6,715 (Family) 	<ul style="list-style-type: none"> ▪ 50% of enrollees are aged 40 or over ▪ 31% of new enrollees were previously uninsured ▪ Of all new health plan purchases, 23% purchased HSA-based plans ▪ Annual Premium for Best-Selling Product (Age group 30-54): <ul style="list-style-type: none"> ▪ \$1,914 (Single) ▪ \$3,951 (Family)

¹ Information provided by AHIP Center for Policy and Research, "January 2006 Census Shows 3.2 Million People Covered by HSA Plans" March, 2006



Recent U.S. Bank HSA Statistics

- **Average Account Balances**
 - \$930.00
- **Savers vs. Spenders**
 - 10% saver | 90% spender (using \$2500 threshold for saver)
- **Fees Paid by Employers**
 - 24% of employers
- **Employer Contributions**
 - \$71.19 (per month)
- **Investments**
 - 1% of accountholders investing
 - Prime Obligation Fund (Money Market) is most popular
 - Mid Cap Growth Opportunity Fund is 2nd most popular
- **Spending Transactions**
 - Debit Card = 61% (average transaction \$95.00)
 - Check = 39% (average transaction \$229.00)

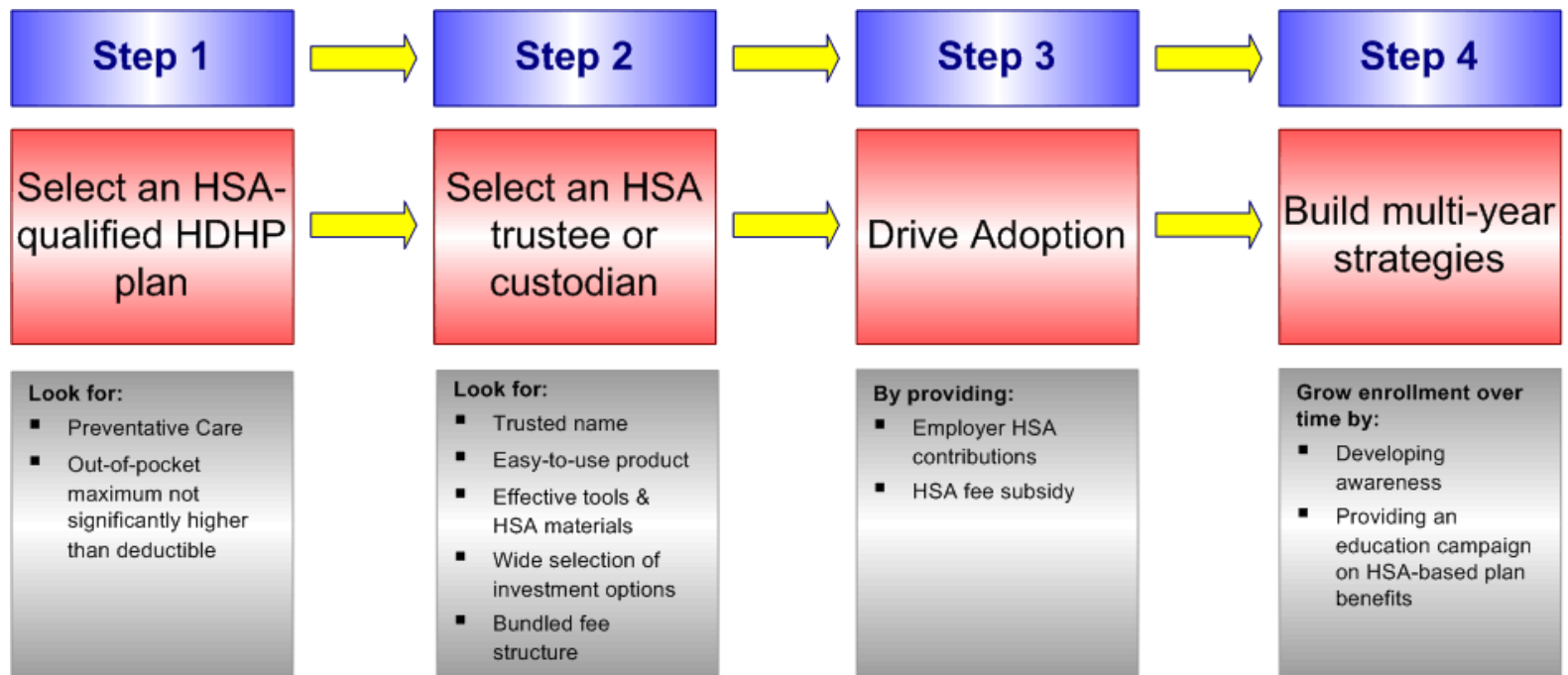
* Based on data in June 2006



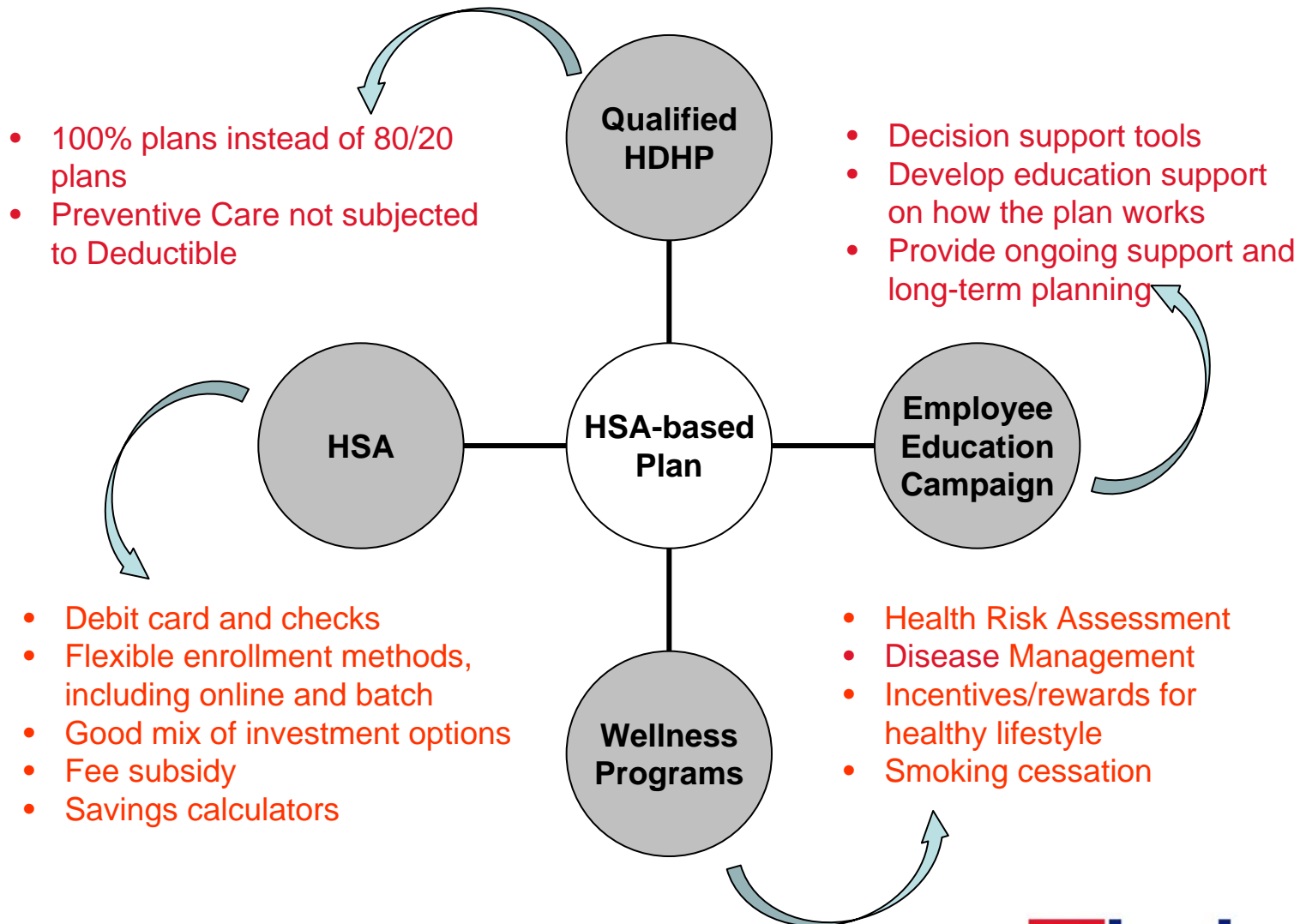
Successful Implementation Factors

Success Drivers:

- Employee Education
- Commitment to multi-year strategy of consumer-directed health care
- Incentives & Wellness Programs & Disease Management Programs



Effective Product Design



Employee Education and Communication

Planning for a customized communication approach is essential.

Favorable Methods...	Unfavorable Methods...
<ul style="list-style-type: none">▪ Tailor the education to highlight the benefits of HSA-based plan▪ Utilize decision support tools to compare costs/savings▪ Engage leadership to champion change▪ Provide mid-year election option for HSA and/or ongoing help with decision support tools	<ul style="list-style-type: none">▪ No specific education on “what it is” and “how to use it” by including it as just another option▪ Not offering any employer contributions▪ Not providing any savings calculator or long-term benefit planning▪ Not establishing ongoing support model – encouraging use of preventive care



Developing Trends

- More adoption of HSA-based plans by labor and government
- Tax changes and government incentives
- Increasing number of HDHP products and HSA trustees/custodians
- Improved information and data on health care pricing and quality
- Increased accounts receivables concern by providers
- More banks engaging in health care industry; more health insurers engaging in banking industry

Questions

- Web:
 - www.healthsavings.usbank.com
 - Employer
 - Accountholder
 - Producer/Broker
 - Industry Links & Information

- Contact:
 - Daniel Kelly – Senior Vice President
 - daniel.kelly@usbank.com
 - 612-303-7933

Important Information

This Health Savings Account (HSA) is a custody account with U.S. Bank serving as the custodian. Terms and conditions of the HSA are included in your HSA application and agreement. U.S. Bank deposit products that are held in the HSA are FDIC insured, subject to FDIC insurance limits. Non-deposit investment products, such as mutual funds, that may be held in the HSA are not FDIC insured, are not guaranteed by U.S. Bank and may lose value. Past returns of investment products do not guarantee future results. Mutual fund prospectuses provide detailed information about fund investment objectives and fees. Read a mutual fund's current prospectus carefully before investing. U.S. Bank does not provide legal, tax, or investment advice to HSA accountholders. Contact a qualified accountant or attorney to address tax or legal questions.

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