



Evolution of an HSA Program:

Fifth Third Bank's transition from Bare-Bones to Best-In-Class

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Fifth Third Bank

Who is Fifth Third Bank?

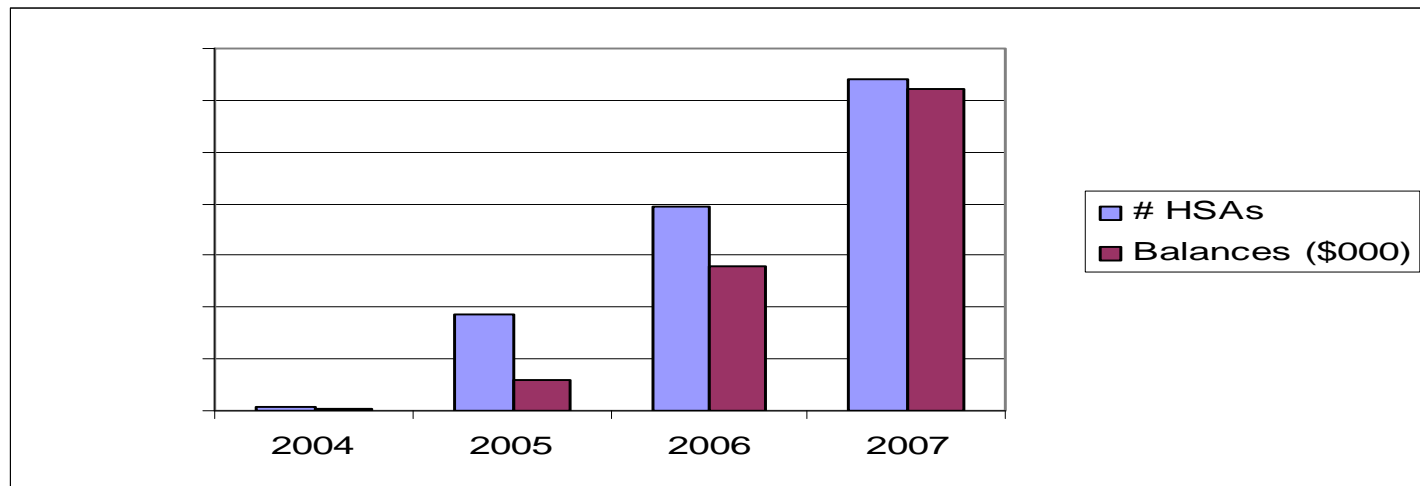
- HQ in Cincinnati, OH
- Total assets of \$112 billion at 6/30/08
- 18 affiliates
- 1,232 financial centers, primarily in the Midwest and Florida



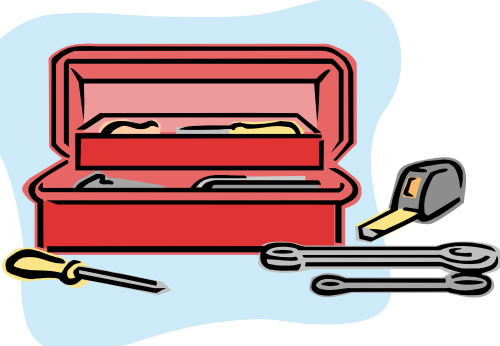




Fifth Third Bank's HSA History – Began as “Bare Bones”

- Offered the product in early 2004, after legislation passed
- Sold primarily through TPAs, minimal investment of IT / sales
- Original Fifth Third HSA effectively a glorified interest-earning DDA with tax reporting
- Experienced solid growth... 85% CAGR 2005 to 2007



What does “Best in Class” mean for HSA?

Features & Functions	Service	Education
Robust online banking	Dedicated HSA Call Center	Extensive online education
Investments		
Online personal management reporting & transaction tracking	Relationship Managers to service TPAs and employers	Enrollment brochures
Online receipt storage		Welcome brochures with usage instructions
TPA and employer features		
		

We needed to improve in order to grow ...

Classic Decision: Build or Buy?

Why Buy?

- Speed to market
- HSA specialist takes care of regulatory / tax updates
- Vendor committed to ongoing development / enhancement (not fighting for scarce internal resources)
- Political uncertainty

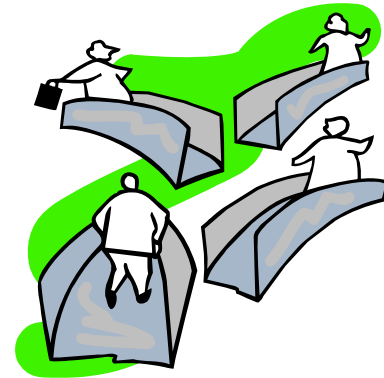
RFP Evaluation Considerations

- Features / functions: turn-key solution
 - Marketing & education
 - Customer Service
 - Investment options
 - Online tools
- Flexibility / customization

Fifth Third's Evolution Timeline

Accelerated Implementation

- Q1 2006: Gap Analysis
- Q2 2006: Build or Buy?
- Q3 2006: RFP
- Q4 2006: Implementation
- 01/01/07: Live (3,000 beta accounts)



Measured Transition

- June, 2007: Began boarding new clients on the new platform
- September, 2008: Upgrade all legacy accounts



Fifth Third Bank's HSA Lessons Learned

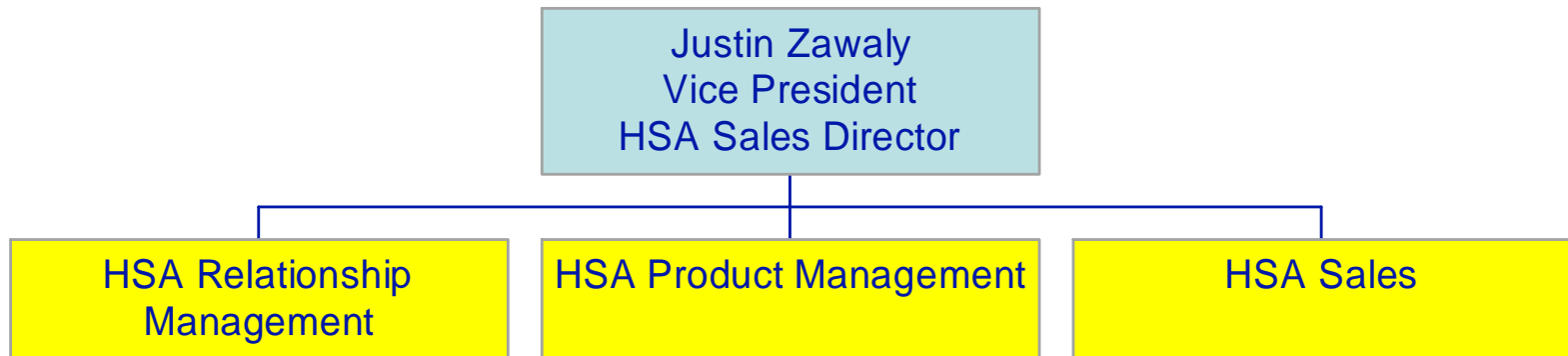
- “Best in Class” requires additional resources
- Don't underestimate all the processes associated with Enrollment
- Education and support are critical
- HDHP & HSA are a package deal in the eyes of many account holders.
 - Customers choosing a low premium health plan love their HSA
 - Customers forced into a high deductible plan are more critical of all aspects



Best in Class Requires Resources

Increased staffing four-fold in the past year

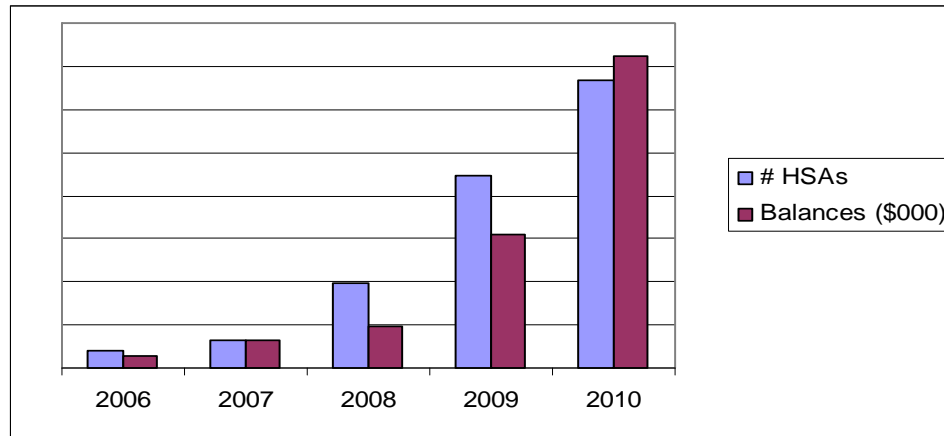
- **Product Development**
- **Relationship Management**
- **New Sales**



Health Direct HSA platform

HSA Call Center

What's next for Fifth Third HSA?



**HSAs identified as a strategic growth opportunity –
Aggressive growth targets: 119% CAGR 2007 - 2010**

- Expanded staffing – Sales / RM / Product
- Additional Marketing & Promotion
- Commitment to ongoing Product Enhancement

CDHC Market Changes



- More employers adding HDHP to benefit selection
 - Starts as an option with lower employee contribution
 - Migrate to full replacement
- More employers funding HSAs
 - Balances are increasing
 - \$700 12/06 \$1,000 12/07, \$1,300 6/08
- Consumer payment methods changing
- Service / access to FI becoming more important
 - Account-holder support
 - Employer/TPA support
- Margins thinning as more FIs enter the business
 - Commoditization?

**CDHC is changing consumer payment mechanisms.
Fewer payments at point of service; amount not known at that time.**

Fixed \$ due provider

\$25 co-pay easy to pay
at point of service



Variable \$ due provider

Amount due Provider complicated by:

- **Deductible status**
- **Co-insurance %**
- **Negotiated rates**

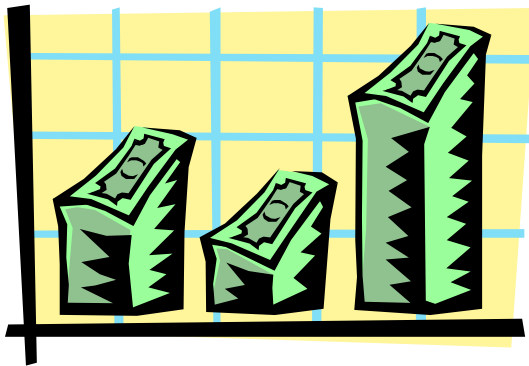
1. **Provider bills insurer**
2. **Insurer applies negotiated rate, identifies deductible status & co-insurance, pays their share**
3. **Provider applies discount, posts insurer payment, bills patient**
4. **Patient mails check**

Impact to HSA F.I.: more checks / fewer card transactions / less interchange

HSA Profitability

Revenues

- Net Interest Income
- Interchange
- Fees
- Investment 12 (b)(1) fees



Expenses

- IT – Platform
- Call Center
- Personnel
- Marketing
- Education / communication
- Statements
- Back office
- Card processing

THANK YOU

Questions?
Feel free to contact me

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