

POPULATION HEALTH &
WELL-BEING

Lifestyle Spending Accounts New Frontier or Fad?

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Kelly Polinski, MPH, Mimi Tun



Employer interest in Lifestyle Spending Accounts (LSAs), also called Well-Being Reimbursement Accounts (WRAs), has surged in recent years. Some may consider it the latest benefit fad that will soon disappear, but based on market trends, it seems LSAs are here to stay. According to a recent survey, more than 10% of large employers already have implemented LSAs, while another 35% are considering them for 2024.¹ The growing awareness and interest are impressive, considering that as little as five years ago, LSAs were a little-known concept.

The rapid rise of LSAs is part of a larger evolution of hyper-personalization and precision-targeting across industries and consumer experiences, now reaching employee benefits and total rewards. LSAs are a vehicle for providing employee rewards that allow the personalization employees are coming to expect. As employers continue to enhance their employment value proposition and compete for talent, many have embraced the adoption of the LSA.

If you are interested in implementing LSAs, it is important to understand what they are, how LSAs could have a lasting impact on your employee well-being reward and perk strategy and to then think through some key considerations.

What Is an LSA?

A Lifestyle Spending Account is typically a post-tax account designed to help reimburse employees for eligible well-being-related expenses. Employers typically determine the maximum reimbursement amount, frequency (Brown & Brown typically sees a range from \$100 - \$3,000 per employee and family per year) and a list of eligible expenses (see sidebar).



Examples of well-being expenses often reimbursed by LSAs:

Fitness center memberships, digital fitness subscriptions, financial counseling, home office expenses, weight management programs, caregiving, sports league and athletic club memberships, digital health app subscriptions, pet care.

1. Business Group on Health's 14th Annual Employer-Sponsored Health and Well-being Survey (May 2023)



Three Reasons Why LSAs Could Have a Lasting Impact on Well-Being Strategies

- 1 Personalization and Choice:** Fundamentally, LSAs allow employers to offer more relevant rewards that align with each employee's preferences, attitudes and needs. Instead of a one-size-fits-all approach for well-being programming, LSAs can serve as an effective tool for employers to reach and engage a much broader spectrum of the employee population.
- 2 Value on Investment:** Employers may be able to shift or repurpose dollars from existing and less-effective programs or incentives to subsidize an LSA program. Investing in an LSA program is also likely to yield higher employee engagement rates and could positively impact downstream value drivers like productivity and retention. As an employer implements an LSA, an employee feedback mechanism should be in place to help evaluate the impact and capture the value.
- 3 Vendor Marketplace Innovation:** The increased employer interest in LSAs has coincided with rapid innovation in the vendor marketplace. Traditional health account vendors who administer tax-advantaged accounts (Health Savings Accounts, Health Reimbursement Accounts and Flexible Spending Accounts) are now developing new capabilities to support a broader set of well-being-related, post-tax expense reimbursements. New vendors have also emerged who focus solely on the administration of LSAs and typically add a higher level of service to support decision-making and member experience.

Employers considering the implementation of an LSA should address the following key points:

- **Assess Current State:** Evaluate employee well-being needs and incentive utilization data to help identify opportunities to refresh or rethink overall incentives and/or well-being strategy.
- **Design Program Specifications:** Establish the maximum reimbursement amount, disbursement frequency and the eligible expenses for the LSA. Inform these decisions based on the overall budget, market benchmarking data and employee needs and interests.
- **Verify Compliance:** Compliance considerations are typically limited to benefit taxation and ensuring the LSA does not include expense categories that would inadvertently trigger group health plan status, as this introduces numerous other compliance requirements. Discuss and resolve these questions with your tax advisor and/or legal counsel.
- **Decide on Administration Approach:** Using internal resources to administer an LSA can be cumbersome and labor-intensive. Leveraging the capabilities of an existing health accounts administrator or a dedicated vendor solution may deliver a more consumer-centric experience and drive higher engagement. In addition to providing a smoother member experience, having a vendor solution can simplify the adjudication process for reimbursements and taxation.

As consumers and employees have come to expect guidance and personalization in other areas of their lives, the LSA offers a method to highlight the value of a total rewards and benefits package and to enhance the employment experience. Employees enjoy the opportunity to customize rewards and compensation to suit their needs and interests. For these reasons, LSAs will likely continue to see increased adoption in the coming years.

About the Authors



Abinue Fortingo, MPH, *Population Health and Well-Being Consultant*

Abinue Fortingo is a Population Health and Well-Being Thought Leader, Strategist and Consultant. He has worked with leading employers across various industries to develop effective population health & well-being strategies, including award-winning programs for Fortune-listed organizations. Prior to joining Brown & Brown in 2021, he spent 10 years at a global consulting firm as a leader in the health and well-being practice. Abinue holds a bachelor's degree in Political Science and a Master of Public Health degree from the University of Georgia.



Kelly Polinski, MPH, *National Population Health Consultant*

Kelly brings fifteen years of experience in wellness, population health and quality improvement. She focuses her consulting work on strategic design with an overall goal to empower employers and their employees to achieve better health and health care. She is a Certified Wellness Program Manager through the Chapman Institute and is Certified in Public health (CPH). Kelly earned her Master of Public Health from the University at Albany and her bachelor's degree in Biochemistry from Elizabethtown College.



Mimi Tun, *Managing Consultant, Innovation Hub*

In her role as part of the Innovation Hub, Mimi is responsible for identifying innovative digital health trends and solutions, collaborating with thought leaders to vet them, maintaining a large vendor database, and developing intellectual capital, tools and resources. Mimi joined Brown & Brown in 2018 after serving more than 25 years at Mercer, including as Operations Leader of the Total Health Management practice. Mimi received her Bachelor of Science in Mathematics from Haverford College.

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