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WHITEPAPER

How Banks Can Win Deposits and Deepen Client Relationships: The Strategic Case for HSAs

As competition for deposits intensifies, banks must look beyond traditional strategies to find new revenue streams. Health Savings Accounts (HSAs) offer a compelling solution.

HSAs have emerged as a powerful tool in employer efforts to support employee health and financial well-being. For banks, offering HSAs is a strategic opportunity to bridge commercial and consumer banking, enabling financial institutions a way to strengthen relationships with employees and employers.

Though non-bank entities currently dominate the HSA market, banks are uniquely positioned to reclaim market share. With double-digit growth in HSAs projected through 2027 and beyond, banks have an untapped opportunity to spur deposit acquisition and stronger customer relationships.

This whitepaper explores the HSA market opportunity and outlines the roadmap for banks to compete and win in the future of financial wellness.

Banks Need a New Strategy

The banking industry faces unprecedented pressure to attract and retain deposits. With loan-to-deposit ratios climbing and competition intensifying, financial institutions must look beyond traditional strategies to secure stable funding sources. While banks have historically focused on commercial and consumer banking as separate entities, a massive opportunity lies in connecting these two worlds through comprehensive financial wellness programs anchored by HSAs.

HSA assets reached nearly \$147 billion in 2024, with account holders contributing \$56 billion during the year – representing one of the fastest-growing deposit categories in financial services¹. Yet most banks have largely missed this opportunity, leaving non-bank entities to dominate the market.

The Non-Bank Advantage: A Wake-Up Call

Market share among the top 5 largest HSA providers increased to 73% of total HSA assets in 2024, and notably, most of these market leaders are not traditional banks². Specialized HSA administrators and financial technology companies have captured the majority of this growing market while traditional financial institutions have focused elsewhere.

This concentration reveals a critical gap in most banks' service offerings. With 39 million accounts by the end of 2024 and approximately 3.5 million accounts having invested some portion of their HSA dollars, the market offers both significant deposit opportunities and substantial fee income potential through investment services and account management³.

Platform Limitations and Market Fragmentation

Why have banks struggled to capture HSA market share? The answer lies in the unique nature of HSA funding and the limitations of traditional banking platforms.

89% of HSA contributions come through employer and employee payroll deductions, driven by employer benefit programs⁴. This creates a fundamental challenge for banks whose core platforms typically segregate business/commercial accounts from retail consumer accounts. Most banks struggle to support a product that requires seamless integration between their commercial banking relationships (the employers) and retail banking services (the employees).

The result is a fragmented approach where banks attempt to serve employees through limited financial wellness programs offered to their commercial clients. While 97% of employers feel responsible for employee financial wellness, the infrastructure and expertise gaps prevent most banks from delivering solutions that capture both the commercial relationship and the associated consumer deposit opportunities⁵.



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Why have financial institutions missed the HSA opportunity?

1

Lack of expertise and specialization

2

Solution integration challenges

3

Fragmented approach with limited financial wellness offerings

The Total Relationship Value of HSAs

HSAs represent more than just deposit growth opportunities. They offer multiple revenue streams that align perfectly with banks' strategic objectives across three key areas:

1 Deposit Growth and Stability

HSA contributions follow predictable payroll cycles, providing stable deposit inflows that create natural customer retention. Unlike traditional checking accounts, HSAs serve specific tax-advantaged purposes that create inherent stickiness. The average HSA account balance was \$4,476 in 2024, substantially higher than typical consumer checking accounts, representing both immediate deposit value and long-term growth potential⁶.

2 Non-Interest Income Opportunities

The HSA model generates multiple fee-based revenue streams beyond traditional deposit services. HSA debit cards generate steady interchange revenue through frequent healthcare-related transactions. In addition, account maintenance fees provide recurring monthly or annual income and increase long-term stability. Plus, as account balances grow, investment management fees become increasingly attractive as account holders seek to maximize their long-term savings potential.

3 Enhanced Customer Relationships

HSA management creates multiple touchpoints throughout the year, facilitating deeper engagement than traditional banking products. These regular interactions naturally lead to cross-selling opportunities for retirement planning, insurance, and other banking services. Perhaps most importantly, comprehensive HSA programs set banks apart from competitors offering basic transactional services, creating meaningful competitive differentiation in an increasingly commoditized market. Additionally, HSA programs which hold account assets in a local bank can strengthen business relationships and impact the area economy by enabling the bank to expand its community loan and investment activity.

Unifying Commercial and Consumer Banking

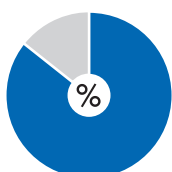
The most successful HSA strategies marry commercial and consumer banking relationships, creating a stickier, more profitable total relationship. This approach recognizes that HSAs are simultaneously commercial products offered through employer benefits, consumer products owned and managed by individual employees, and financial wellness tools supporting both immediate and long-term financial goals.

Banks that successfully integrate HSA offerings create powerful synergies that benefit all parties involved. For commercial clients, enhanced employee benefits packages improve recruitment and retention while streamlining benefits administration through integrated banking relationships. Nearly 9 in 10 employers (89%) now say that offering financial wellness tools can help reduce employee attrition, and 81% say wellness tools help with recruitment⁷. This approach demonstrates the employer's commitment to employee financial health through comprehensive financial wellness programs.

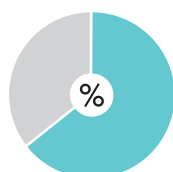
For consumer clients, the integration provides multiple benefits that leverage the bank's full-service capabilities beyond basic account services. In addition to seamless account management, the HSA owner can get professional financial guidance and investment options with retirement planning, which can lead to increased customer satisfaction and loyalty.

Customer Loyalty Connection

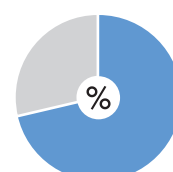
Financial institutions that successfully implement comprehensive HSA-centered financial wellness programs see measurable improvements in customer loyalty metrics. Research shows that when customers feel their bank supports their financial well-being, they are more loyal, more likely to recommend their bank to others, purchase more products and services, and maintain higher balances⁸. One recent survey found that 84% of banking customers would switch banks to get timely, relevant advice to improve their financial health⁹.



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68% believe banks should proactively offer solutions to financial challenges¹⁰



72% want integrated tools that address both everyday finances and long-term goals¹¹

HSA Wellness Cycle

The HSA Wellness Cycle illustrates the mutually reinforcing benefits of bank-sponsored HSAs across commercial and consumer banking segments, highlighting how each stage – from initial engagement to relationship deepening – drives value for both banks and their clients.

Stage	Bank Benefit	Commercial Client Benefit	Consumer Client Benefit
Initial Engagement	Enhanced commercial relationships through differentiated employee benefits support	Improved employee recruitment and retention tools	Access to tax-advantaged healthcare savings
Account Acquisition	Increased consumer deposits through HSA account acquisition	Streamlined benefits administration	Seamless integration with existing banking relationship
Ongoing Engagement	Deeper consumer engagement through financial wellness guidance	Demonstrated commitment to employee financial health	Professional financial guidance and education
Revenue Generation	Additional revenue streams through fees, interchange, and investment services	Administrative efficiency and cost savings	Investment growth and retirement planning opportunities
Relationship Deepening	Improved retention across both commercial and consumer relationships	Enhanced employee satisfaction and loyalty	Comprehensive financial wellness support

The Win-Win-Win Opportunity

HSA-centered programs create alignment between banks' business objectives and their clients' needs across three stakeholder groups:



Banks can gain deposit growth by capturing a share of the growing HSA market, generating fee income through multiple sources, and fostering deeper relationships with commercial and consumer clients. This also helps banks gain a competitive advantage through their financial wellness offerings.



Commercial clients receive employee benefits enhancement through valuable financial wellness tools. The tools improve recruitment and retention, administrative efficiency, consolidates existing banking relationships, and improves employee satisfaction.



Consumer clients get tax advantages on HSA contributions, growth, and qualified withdrawals. They also improve healthcare cost management and preparation, and have opportunities to build long-term wealth through HSA investment options and professional financial guidance.

What It Takes to Compete and Win

Successfully capturing HSA market share requires banks to address the fundamental platform and expertise limitations that have historically prevented their participation in this market:



Cohesive and Compatible Technology Platform

The foundation of successful HSA programs rests on a seamless connection between commercial and consumer banking systems. This includes robust account management capabilities that support both employers and employees, investment platform integration for HSA investment options, and compliance management for HSA-specific regulations that differ significantly from traditional banking products.



Specialized Expertise

HSA success relies on specialized knowledge that goes beyond traditional banking expertise. This encompasses HSA regulatory knowledge and compliance capabilities, benefits administration experience, program design and implementation, and investment advisory services for long-term HSA growth strategies.



Operational Excellence

The customer experience must be seamless across all touchpoints. This requires streamlined account opening and management processes, customer service teams trained in HSA-specific requirements, marketing and educational materials that communicate HSA benefits effectively, and ongoing participant education and engagement programs that maintain customer involvement throughout their HSA journey.



Strategic Commitment

Perhaps most critically, success requires senior leadership commitment to HSA market entry and growth, adequate resource allocation, integration of HSA strategy with broader commercial and consumer banking objectives, and a long-term perspective on relationship building and market development that recognizes HSAs as relationship tools rather than simple products.

The Future Belongs to Financial Wellness Leaders

The HSA market represents more than a product opportunity – it exemplifies the future of banking relationships. As customers increasingly expect their financial institutions to serve as financial wellness partners rather than simple transaction processors, banks that embrace HSA-centered programs position themselves at the forefront of industry evolution.

The HSA market continues to grow rapidly (projected to exceed \$199 million by 2027) – driven by increasing healthcare costs, expanding high-deductible health plan adoption, and growing consumer awareness of HSA benefits¹². Banks that act decisively to capture their share of this market will not only enhance their deposit bases but also transform their customer relationships for long-term competitive advantage.

Taking the Next Step

The HSA opportunity represents one of banking's most promising growth avenues in the coming decade. Financial institutions that successfully integrate HSAs and other tax-advantaged healthcare accounts into their broader service offering will establish themselves as leaders in the next evolution of consumer banking.

DataPath offers financial institutions a proven path to capitalize on these opportunities without the substantial investment and prolonged timeline typically required. Our comprehensive, turnkey HSA and benefits administration solution allows banks to:

- ▶ **Quickly launch comprehensive HSA and other benefit account capabilities**
- ▶ **Deliver a seamless, white-labeled experience for employers and employees**
- ▶ **Generate immediate deposits through multiple channels**
- ▶ **Scale with minimal investment**

The time to act is now. Contact us to discuss a comprehensive financial model for your HSA program, a customized implementation plan for your institution, and a go-to-market strategy tailored to your specific customer base.



Banks in the top quartile of financial wellness offerings outperform peers in:



Deposit growth



Customer
acquisition costs



Revenue per
customer

About the Company:

For over 40 years, DataPath has delivered cutting-edge business and technology solutions that empower companies in the benefits, financial services, and insurance industries to achieve growth and success.

Learn more at dpath.com or call (800) 633-3841.

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