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Issue BRIEF

Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2017: Statistics From the EBRI HSA Database

By Paul Fronstin, Ph.D., Employee Benefit Research Institute

AT A GLANCE

The Employee Benefit Research Institute (EBRI) developed the EBRI HSA Database to analyze the state of and individual behavior in health savings accounts (HSAs). The HSA database contained 5.9 million accounts with total assets of $13 billion as of Dec. 31, 2017. This *Issue Brief* is the fifth annual report drawing on cross-sectional data from the EBRI HSA Database. It examines account balances, individual and employer contributions, distributions, invested assets, and account-owner demographics in 2017.

HSAs are a significant and growing part of employment-based health benefit programs.

- Enrollment in high-deductible, HSA-eligible health plans was estimated to be between 21.4 and 33.7 million policyholders and their dependents and covered nearly 3 in 10 employees in 2017. The HSA market did not exist until 2004.
- Similarly, there were an estimated 22.2 million HSAs as of the end of 2017. Most HSAs in the EBRI HSA Database are relatively new; 73 percent have been opened since 2014.

HSA balances increased in 2017.

- Two-thirds of account holders ended 2017 with positive net contributions, meaning annual contributions were higher than annual distributions.
- 95 percent of HSAs with individual or employer contributions in 2017 ended the year with funds to roll over for future expenses.
- As of the end of 2017, the average HSA balance among account holders with individual or employer contributions in 2017 was $2,764, up from $1,873 at the beginning of the year. Only 5 percent of accounts with contributions ended 2017 with a zero account balance.

Contributions to HSAs are rarely maximized.

- One-half of HSA owners contributed to their account in 2017, and 36 percent of HSAs did not receive any contributions (individual or employer) in 2017.
- Among accounts with contributions, individual contributions in 2017 averaged $1,949, and employer contributions averaged $895.
- Only 13 percent of account holders contributed the fully allowable annual amount.

- Three-fourths (77 percent) of HSAs with a 2017 contribution also had a distribution during 2017. Of the HSAs with distributions, the average amount distributed was $1,724, less than the average contribution, resulting in balance increases.

Investing does not maximize longer-term savings.

- Only 4 percent of HSAs had invested assets (beyond cash).
- Investors (beyond cash) had much higher account balances than non-investors.
- While it might be expected that individuals who invested their account balance were using the account solely as a long-term savings vehicle, the opposite appears to have been true. Both investors and non-investors used the HSA to self-fund current medical expenses.
- Investors were more likely than non-investors to take a distribution (69 percent and 64 percent, respectively). In fact, when distributions were taken, investors took larger distributions ($2,293) than non-investors ($1,696) during 2017. However, the larger distributions may have been because they had larger account balances.

Paul Fronstin is director of the Health Research and Education Program at the Employee Benefit Research Institute (EBRI). Any views expressed in this report are those of the authors and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Introduction

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) allows individuals enrolled in high-deductible health plans meeting certain requirements to open and fund a health savings account (HSA), a tax-exempt trust or custodial account that is funded with contributions and assets that an individual can use to pay for health care expenses. Individuals can contribute to an HSA only if they are enrolled in an HSA-eligible health plan. Contributions are limited to $3,450 for people with individual coverage, and $6,900 for those with family coverage (Figure 1). HSAs benefit from a triple-tax advantage: Employee contributions to the account are deductible from taxable income,[1] any interest or other capital earnings on assets in the account build up tax free, and distributions for qualified medical expenses from the HSA are excluded from taxable income to the employee.

Figure 1

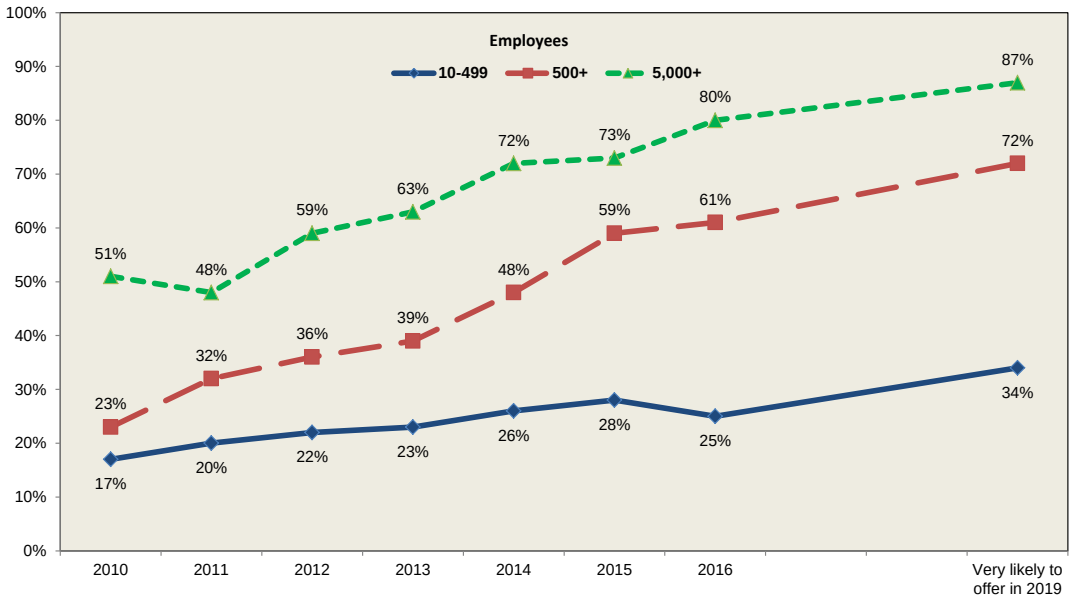
Statutory HSA Limits, 2004–2018

	Minimum Deductible		Maximum Contribution		Maximum Out-of-Pocket Limit		Per-Person Catch-up Contribution Limit
	Individual	Family	Individual	Family	Individual	Family	
2004	$1,000	$2,000	$2,600	$5,150	$5,000	$10,000	$500
2005	1,000	2,000	2,600	5,150	5,000	10,000	600
2006	1,050	2,100	2,700	5,450	5,250	10,500	700
2007	1,100	2,200	2,850	5,650	5,500	11,000	800
2008	1,100	2,200	2,900	5,800	5,600	11,200	900
2009	1,150	2,300	3,000	5,950	5,800	11,600	1,000
2010	1,200	2,400	3,050	6,150	5,950	11,900	1,000
2011	1,200	2,400	3,050	6,150	5,950	11,900	1,000
2012	1,200	2,400	3,100	6,250	6,050	12,100	1,000
2013	1,250	2,500	3,250	6,450	6,250	12,500	1,000
2014	1,250	2,500	3,300	6,550	6,350	12,700	1,000
2015	1,300	2,600	3,350	6,650	6,450	12,900	1,000
2016	1,300	2,600	3,350	6,750	6,550	13,100	1,000
2017	1,300	2,600	3,400	6,750	6,550	13,100	1,000
2018	1,350	2,700	3,450	6,900	6,650	13,300	1,000

Source: https://www.treasury.gov/resource-center/faqs/taxes/pages/health-savings-accounts.aspx

Both enrollment in HSA-eligible health plans and the number of HSAs have grown signficantly since the accounts first became available in 2004. In 2017, enrollment in HSA-eligible health plans was estimated to be between 21.4 and 33.7 million policyholders and their dependents (Fronstin 2018). According to Mercer's annual National Survey of Employer-Sponsored Health Plans, as many as one-quarter of smaller employers (10–199 employees) and 61 percent of larger employers (500 or more employees) offered an HSA-eligible health plan or health reimbursement arrangement (HRA) in 2016 (Figure 2). It has also been estimated that there were about 22.2 million HSAs holding $45.2 billion in assets as of Dec. 31, 2017.[2]

Figure 2
Employers Offering HSA-Eligible Health Plans or Health Reimbursement Arrangement, by Firm Size



Source: Figure 5 in http://www.mercer.com/newsroom/national-survey-of-employer-sponsored-health-plans-2016.html.

Enrollment in HSA-eligible health plans is expected to continue to grow. According to Mercer's survey, 25 percent of employers with 10–499 employees and 61 percent of employers with 500 or more employees offered an HSA-eligible health plan or HRA in 2016. By 2019, 34 percent of employers with 10–499 employees and 72 percent of employers with 500 or more employees said they would be very likely to offer such a health plan.

While there is growing literature around how individuals in HSA-eligible health plans use and pay for medical services,[3] there are very few sources of data on the HSAs themselves and the owners of such accounts. The most recent report by America's Health Insurance Plans (AHIP) includes data on account balances, contributions, distributions, and account-owner demographics, but the most recent data available is from 2012.[4] Devenir reports trend data going back to 2006 from a survey of HSA providers, but the data is aggregated and does not provide the kind of detail available in the AHIP report.[5] The EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey (CEHCS), conducted annually since 2005, collects self-reported demographic information on enrollees in HSA-eligible health plans and on their HSA balances, contributions, and distributions, but the survey is based on a relatively small sample, limiting the ability to do detailed analysis on balances, contributions, and distributions.[6]

To improve on the above data limitations, EBRI created the EBRI HSA Database, a large, representative repository of administrative information from record-keepers about HSAs and account owners.

This *Issue Brief* is the fifth annual report drawing on cross-sectional data from the EBRI HSA Database. It examines account balances, individual and employer contributions, annual distributions, investments, and account-owner demographics for 2017.

About the EBRI HSA Database

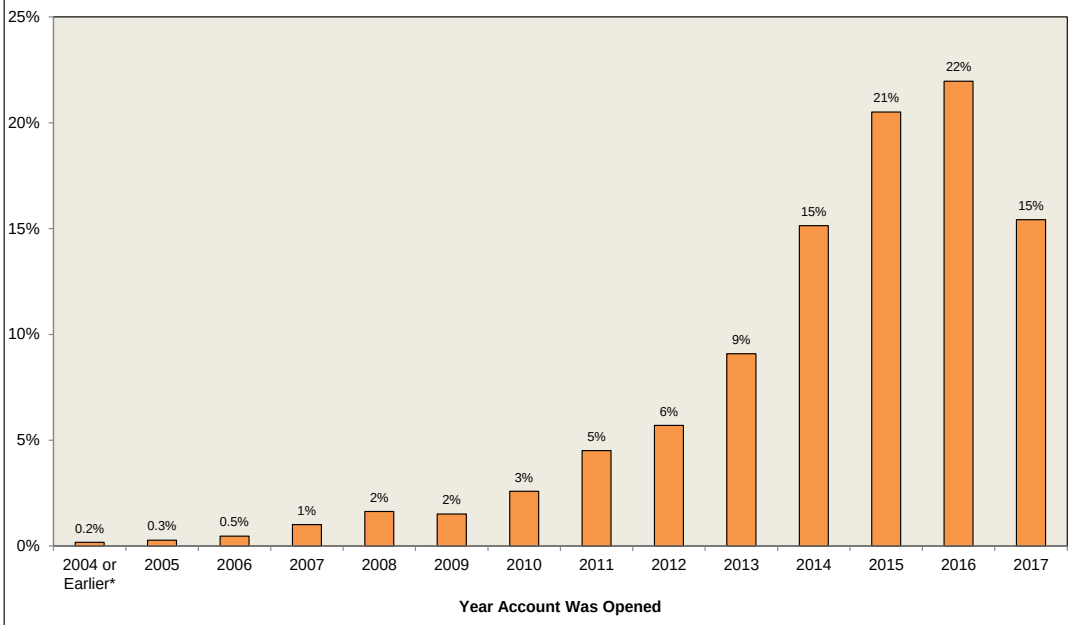
The EBRI HSA Database is a representative repository of information about individual HSAs. The database is unique because it includes data provided by a wide variety of account record-keepers and, therefore, represents the characteristics and activity of a broad range of HSA owners.[7]

As of Dec. 31, 2017, the EBRI HSA Database includes:

- 5.9 million health savings accounts.
- $13 billion in assets.

The 2017 data covers 27 percent of the universe of HSAs and 29 percent of HSA assets.[8] Most HSAs in the EBRI HSA Database were initially opened within the past few years. Overall, 73 percent of the accounts were opened between 2014 and 2017 (Figure 3).

Figure 3
Distribution of HSAs, by Year Account Was Opened



Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

HSAs Open During 2017

This *Issue Brief* focuses on 5.9 million HSAs in the EBRI HSA Database that were open at any point during 2017, including some that were closed before the end of 2017. The average balance was $2,259 at the end of 2017, up from $1,767 at the beginning of 2017 (Figure 4).

Nearly two-thirds (64 percent) of the 5.9 million HSAs received individual or employer contributions in 2017, while 36 percent did not receive any contributions. The EBRI HSA Database does not include health plan coverage data, but one of the possible explanations for the non-contributors is that some of those individuals were not currently enrolled in an HSA-eligible health plan. HSAs with contributions ended 2017 with an average balance of $2,764, up from $1,873 at the beginning of 2017. HSAs without contributions ended 2017 with an average balance of $1,346. The vast majority (95 percent) of accounts that had a contribution had a balance to roll over at the end of the year, whereas three-quarters (67 percent) of accounts with no contributions had a positive balance at the end of the year.

HSAs with investments beyond cash accounted for just 4 percent of the accounts in the EBRI HSA Database but 24 percent of the assets. They ended 2017 with an average balance of $12,196, compared with $1,802 among accounts without investments.

Overall, 85 percent of the HSAs had balances greater than zero at the end of 2017.

Accounts With Contributions in 2017

Of the 5.9 million HSAs in the EBRI HSA Database, 3.8 million (or 64 percent) received individual or employer contributions in 2017 (Figure 4). Accounts with contributions in 2017 had $10.6 billion in assets, which was about 79 percent of the assets in the EBRI HSA Database.

Seventy-seven percent of the HSAs in the EBRI HSA Database (3 million accounts) that received 2017 contributions also had a distribution in 2017. HSAs with both a contribution and a distribution in 2017 had an average account balance of $2,527 at the end of 2017. Those with a contribution in 2017 but without a distribution had an average of $3,578 in the account at the end of 2017.

The vast majority (95 percent) of HSAs with 2017 contributions ended the year with a positive account balance, and for these HSAs, the average balance increased from $1,924 at the beginning of 2017 to $2,908 at the end of 2017. Those HSAs with 2017 contributions that had a zero account balance at the end of 2017 started the year with an average balance of $886.

Figure 4
HSAs, by Account Status, Open Accounts, 2017

	Number of Accounts (millions)	Distribution of Accounts (percent)	Average Beginning-of-Year Account Balance	Average End-of-Year Account Balance	Total Assets (billions)	Distribution of Assets (percent)
Total	5.9	100%	$1,767	$2,259	$13.4	100%
Accounts With Employer or Individual Contributions	3.8	64	1,873	2,764	10.6	79
Distributions						
Distributions from account	3.0	50	1,851	2,527	7.5	56
No distributions from account	0.9	15	1,948	3,578	3.1	23
End-of-Year Balance						
End-of-year account balance zero	0.2	3	886	0	0.0	0
End-of-year account balance positive	3.6	61	1,924	2,908	10.6	79
Accounts With No Employer or Individual Contributions	2.1	36	1,576	1,346	2.8	21
Distributions from account	0.8	14	2,225	1,657	1.4	10
End-of-Year account balance zero	0.2	4	1,044	0	0.0	0
End-of-Year account balance positive	0.6	10	2,717	2,347	1.4	10
No distributions from account	1.3	22	1,154	1,144	1.5	11
End-of-year account balance zero	0.5	8	530	0	0.0	0
End-of-year account balance positive	0.8	14	1,498	1,774	1.5	11
Invested Assets						
Accounts with invested assets	0.3	4	7,947	12,196	3.2	24
Accounts without invested assets	5.7	96	1,483	1,802	10.2	76

Source: EBRI HSA Database.

Accounts Without Contributions in 2017

In order to make employer or individual contributions to an HSA, the account holder must be currently enrolled in an HSA-eligible health plan. Not being covered by an HSA-eligible health plan is one reason why 36 percent of the accounts in the EBRI HSA Database did not receive any employer or individual contributions in 2017. They accounted for 21 percent of all assets in the database. Among the HSAs that did not receive any contributions, those with distributions saw the balance fall from an average of $2,225 at the beginning of 2017 to $1,657 at the end of 2017. Those without distributions experienced a decrease in their average balance in 2017, from $1,154 at the beginning of

2017 to $1,144 at the end of 2017. The account owners for these HSAs may be taking advantage of the tax-free build up and the opportunity to invest.

Average Contributions and Distributions

Of the HSAs that received contributions in 2017, nearly one-half (50 percent) received individual contributions, 48 percent received employer contributions, and 64 percent had distributions during 2017. Individual HSA contributions averaged $1,949 when considering only those HSAs with an individual contribution in 2017 (Figure 5). Similarly, employer contributions averaged $895 for 2017 for those HSAs that received some employer contributions during the year. Distributions averaged $1,724 for those accounts with a distribution during the year.

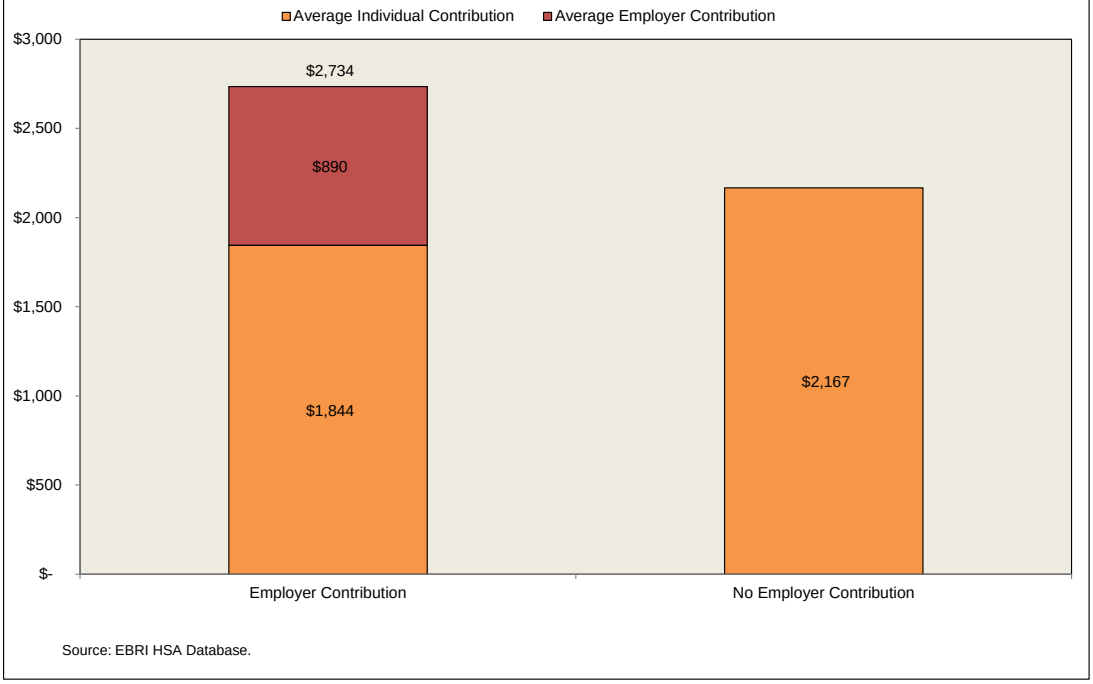
Figure 5
Summary of Average Account Activity, 2017

	All Open Accounts	Accounts With Contributions or Distributions	Percent of Accounts With Contributions or Distributions
Individual Contributions	$967	$1,949	50%
Employer Contributions	429	895	48
Distributions	1,101	1,724	64

Source: EBRI HSA Database.

Average individual contributions were higher for HSAs that did not receive employer contributions in 2017. More specifically, for HSAs with employer contributions for 2017, individual contributions averaged $1,844, while individual contributions to HSAs without employer contributions averaged $2,167 (Figure 6). This suggests that, in general, many individuals have viewed employer contributions as a substitute for their own contributions. Among those with an employer contribution, the contribution averaged $890, resulting in an average total contribution of $2,734 among individuals with both.

Figure 6
Average 2017 Individual and Employer Contributions, by Presence of Employer Contribution

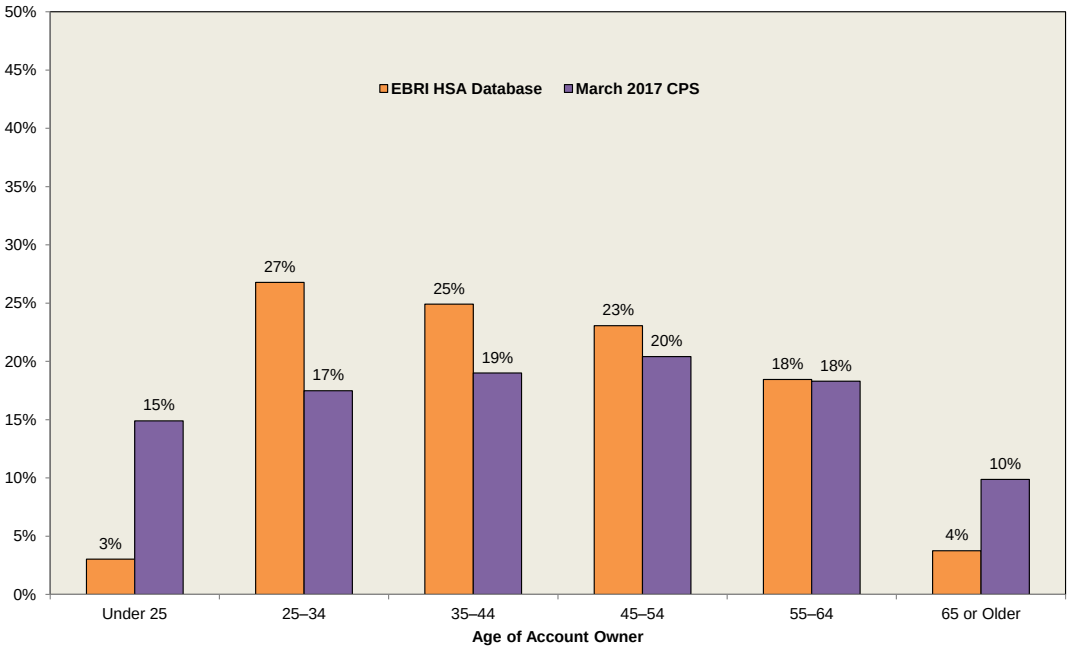


Source: EBRI HSA Database.

Ages of HSA Owners

HSA owners in the EBRI HSA Database for 2017 were fairly evenly distributed by age — approximately one-quarter each were ages 25–34, 35–44 and 45–54 (Figure 7). About one-fifth (18 percent) were ages 55–64, while only 3 percent were under age 25, and 4 percent were ages 65 and older. The average age was 43.3 years. Data from the March 2017 Current Population Survey (CPS) showed the distribution of adults with group health coverage in 2016 to vary from the EBRI HSA database; HSA owners in the EBRI HSA Database were less likely to be younger than age 25 or older than 65 than was the case in the March 2017 CPS. In contrast, HSA owners in the EBRI HSA Database were much more likely to be ages 25–34. The average age of adults with group health coverage from the March 2017 CPS was 44 years.

Figure 7
Distribution of HSA Ownership, by Age



Source: EBRI HSA Database and March 2017 Current Population Survey.

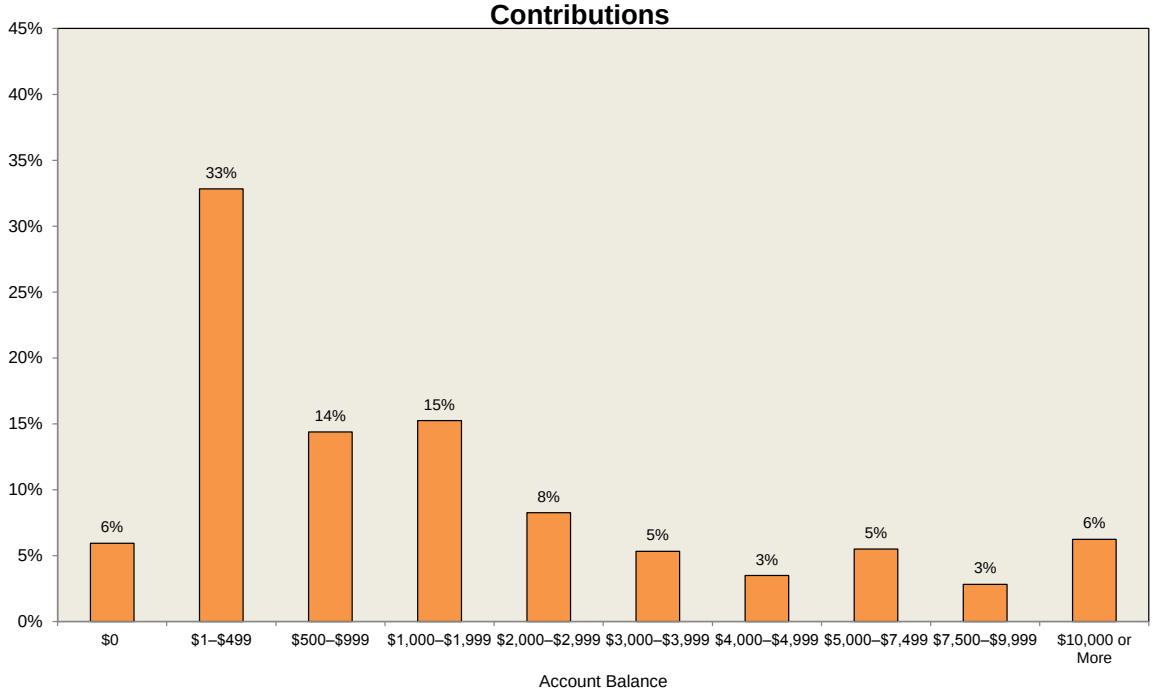
2017 Account Balances

Of the HSAs in the EBRI HSA Database with either individual or employer contributions in 2017, the most common account balance at the end of 2017 was between $1 and $499 (33 percent) (Figure 8). Only 14 percent of the accounts had $5,000 or more, 14 percent had $500–$999, 5 percent had $5,000–$7,499, 6 percent had $10,000 or more, and 3 percent had $7,500–$9,999. Six percent had a zero balance at the end of 2017.

HSA Owner Age—Despite the fact that older individuals use more health care services on average than younger individuals, HSA balances increased with owner age. Individuals under age 25 had an average of $758 in their HSA at the end of 2017, compared with $4,544 among individuals ages 55–64 (Figure 9). Even individuals ages 65 and older had an average of $4,907 in their HSA at the end of 2017.

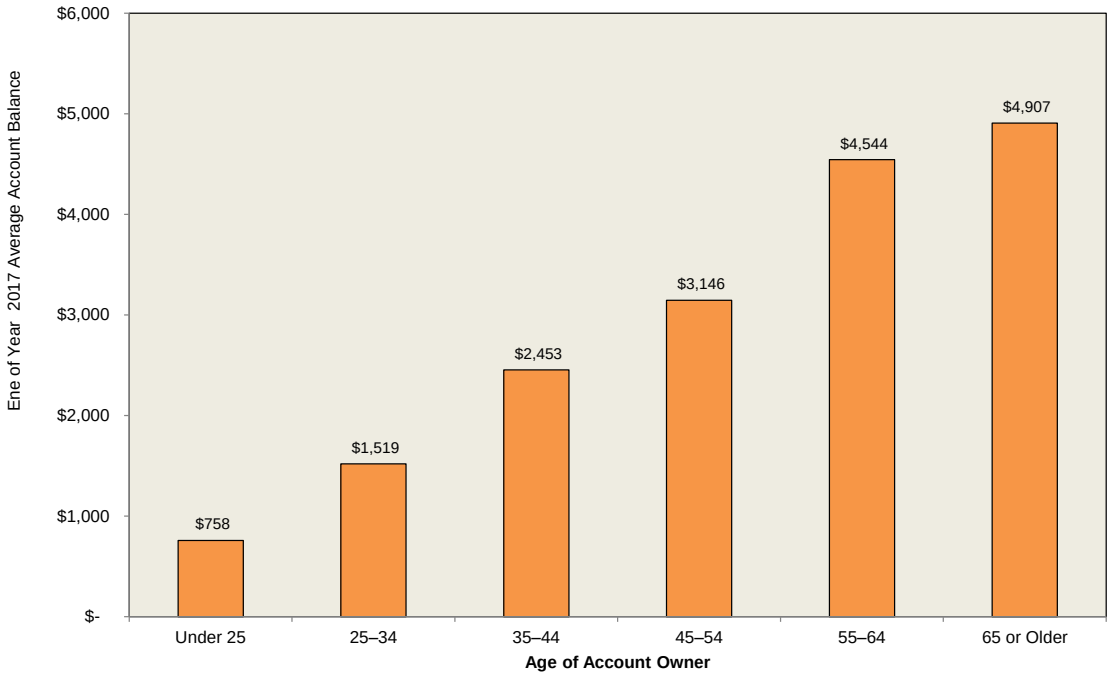
Account Tenure—The longer an individual has had an HSA, the higher the account balance. Individuals who opened an account in 2007 had an average of $8,384 in their account as of the end of 2017 (Figure 10). Those whose account was opened in 2011 had $6,284, while those who first opened the account in 2017 ended the year with a $1,092 balance.

Figure 8
Average End-of-Year 2017 Account Balance for HSAs With Contributions



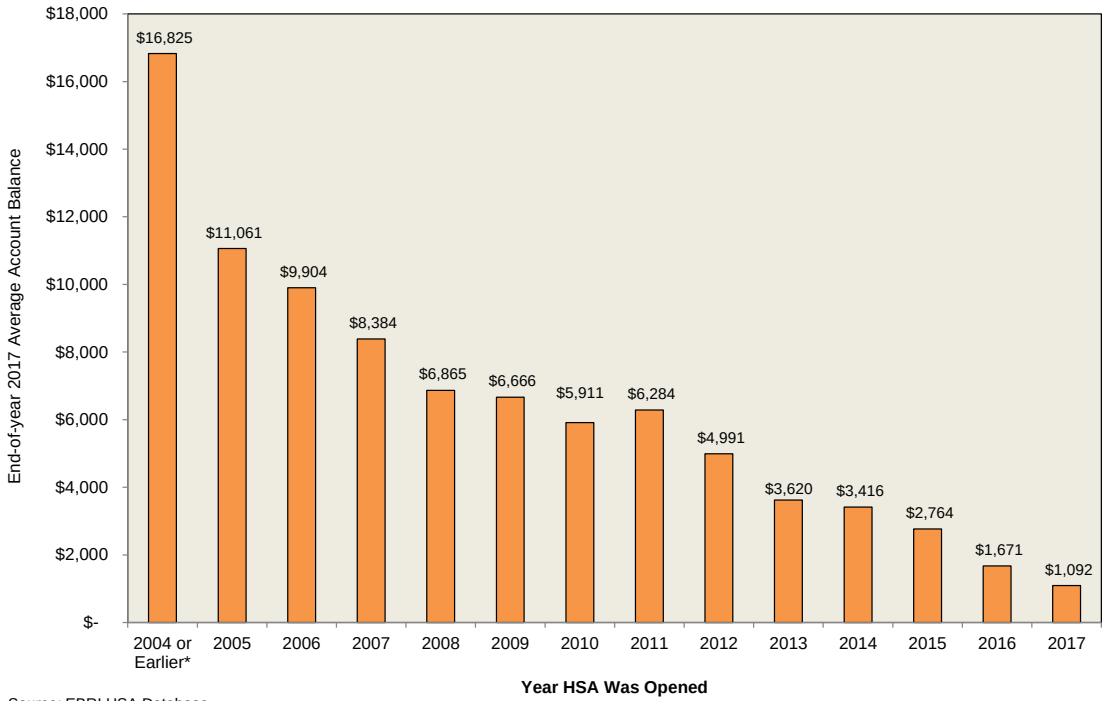
Source: EBRI HSA Database.

Figure 9
HSAs With Contributions: Average End-of-Year 2017 Account Balance, by Age



Source: EBRI HSA Database.

Figure 10
Average End-of-Year 2017 HSA Balance, Among HSAs With Contributions, by Year Account Was Opened



Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

Investments—Just 4 percent of HSAs in the EBRI HSA Database had assets invested in options beyond cash at the end of 2017. Despite this, the balances in HSAs with investments accounted for 24 percent of the total assets in the EBRI HSA Database.

More specifically, HSAs with invested assets had higher balances at the end of 2017 than accounts without invested assets. Over one-third (39 percent) of accounts with investments had $10,000 or more in the account at the end of 2017 (Figure 11). In contrast, only 4 percent of accounts without investments ended 2017 with $10,000 or more. This may be partially due to minimum investment thresholds on accounts.

In addition, end-of-year balances were much higher in accounts with investments than in accounts that did not have investments when examining those accounts by the year in which the account was opened. Among accounts opened in 2017, end-of-year 2017 balances averaged $5,849 in accounts with investments, and $987 in accounts without investments (Figure 12). Similarly, among accounts opened in 2007, end-of-year 2017 balances averaged $28,866 in accounts with invested assets, and $6,098 in accounts without investments.

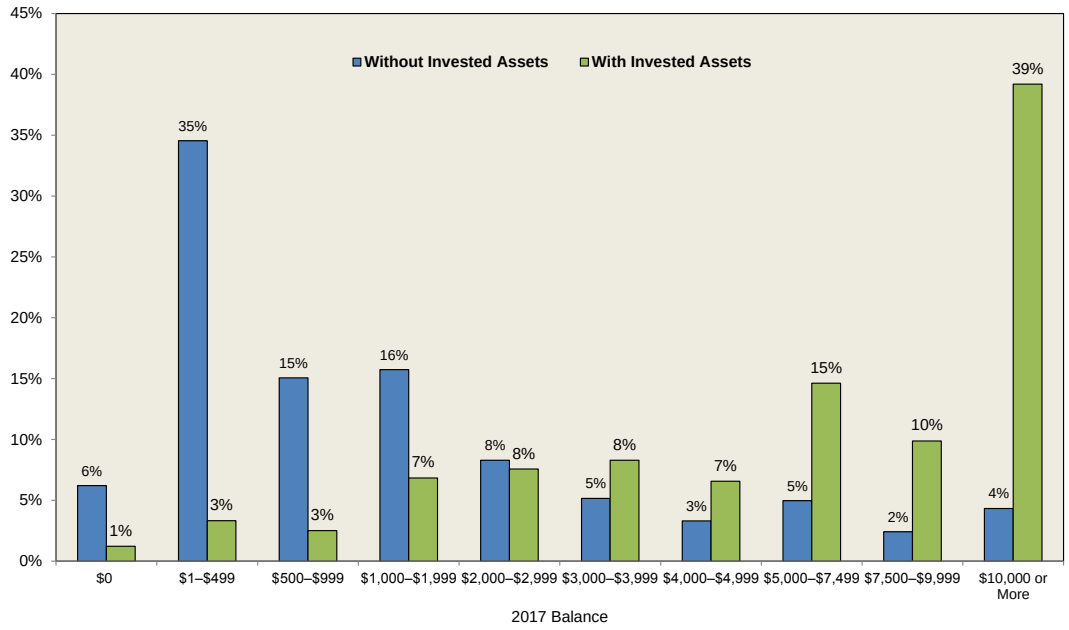
2017 Contributions

One-half of HSA owners contributed to their account in 2017 (Figure 13). More specifically, 10 percent made a contribution in the range of $1,000–$1,999 and 13 percent contributed between $2,000 and $4,999. Only 2 percent contributed $6,750 or more (the contribution limit in 2017 for HSA owners with family coverage).

Similarly, one-half (48 percent) of HSA owners received an employer contribution in 2017. One-quarter (28 percent) had an employer contribution of $100–$999; 14 percent received an employer contribution of $1,000–$1,999; and 4 percent had an employer contribution of $2,000 or more.

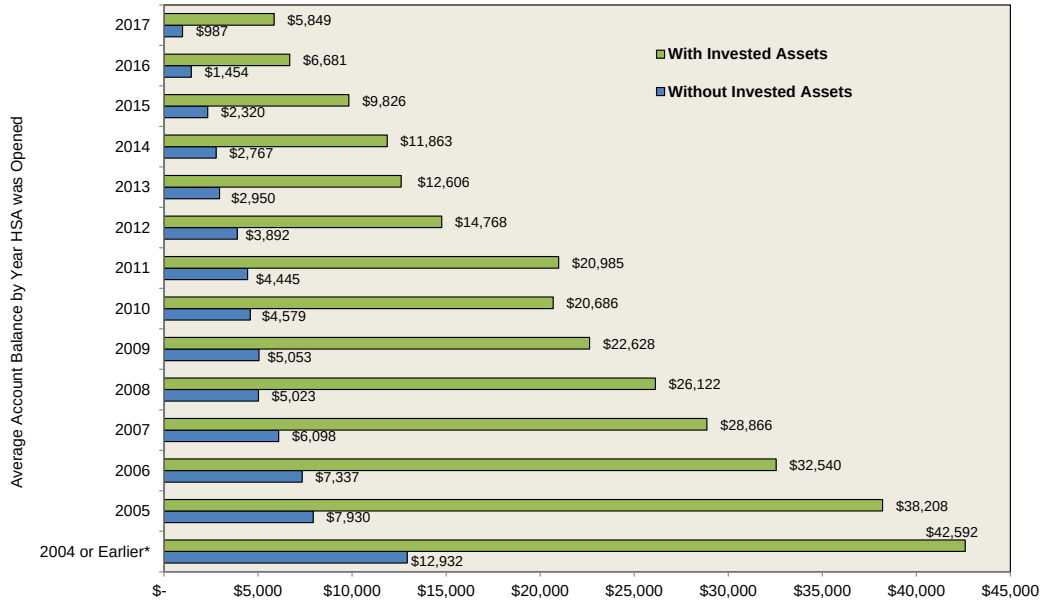
Considering overall contributions, 36 percent of HSAs did not receive any contributions in 2017, while 18 percent received contributions between $2,000 and $4,999, and 4 percent received $6,750 or more in contributions.

Figure 11
Average End-of-Year 2017 HSA Balance, With and Without Invested Assets



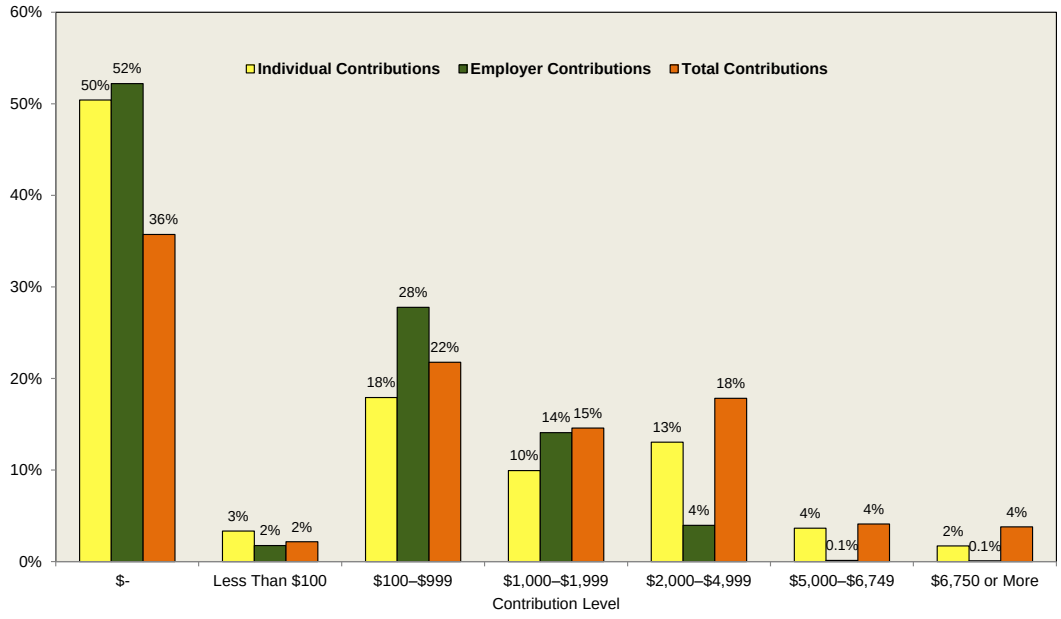
Source: EBRI HSA Database.

Figure 12
Average End-of-Year 2017 HSA Balance, Among HSAs With Contributions, With and Without Invested Assets



Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

Figure 13
2017 HSA Contributions, by Source of Contribution



Source: EBRI HSA Database.

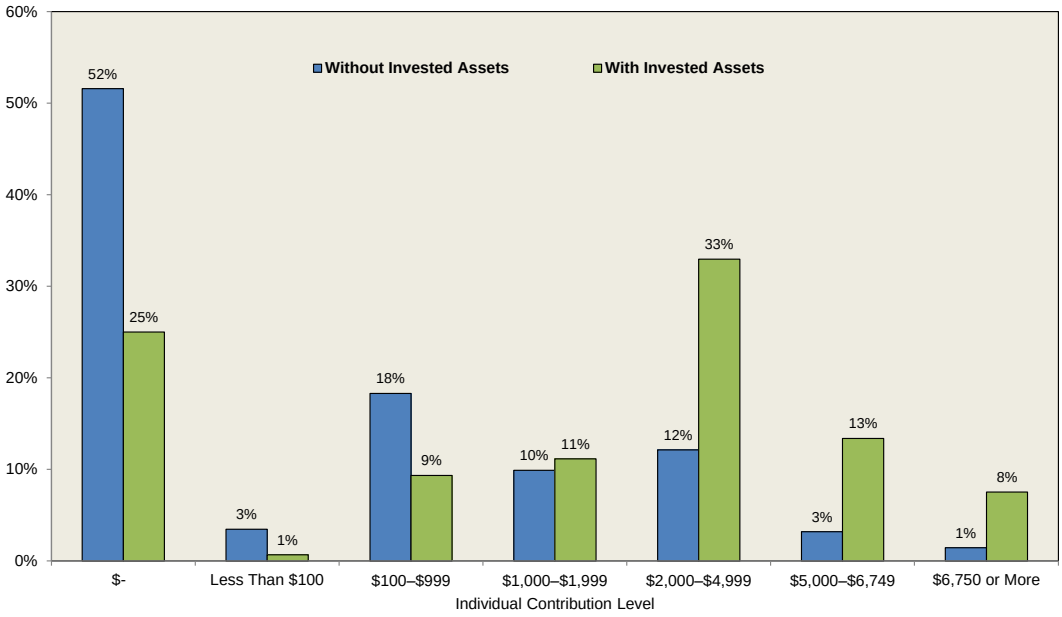
Contribution levels for 2017 were considerably higher for HSAs with investments. Among accounts with investments, 33 percent had contributions between $2,000 and $4,999, 13 percent received contributions between $5,000 and $6,749, and 8 percent had $6,750 or more in contributions (the contribution limit in 2017 for HSA owners with family coverage) (Figure 14). In contrast, of the HSAs that did not have investments, 12 percent received contributions between $2,000 and $4,999, 3 percent received contributions between $5,000 and $6,749, and 1 percent had $6,750 or more in contributions. Roughly twice as many HSAs without investments received zero contributions in 2017 compared to those with investments.

As noted above, 64 percent of the HSAs in the EBRI HSA Database received either individual or employer contributions in 2017, and the balances of these HSAs accounted for 79 percent of all assets in the EBRI HSA Database. Among HSAs with any contribution in 2017, 23 percent did not have an individual contribution and 26 percent did not have an employer contribution (Figure 15). Only 3 percent of HSAs received individual contributions at or above $6,750. When individual and employer contributions were combined, 6 percent of HSAs had contributions of $6,750 or more (the contribution limit in 2017 for HSA owners with family coverage).

Of the 2017 individual contributions to HSAs, 33 percent were below $1,000 (5 percent were less than $100, and 28 percent were between $100 and $999); 15 percent were between $1,000 and $1,999; and 20 percent were between $2,000 and $4,999. Of the HSAs with 2017 employer contributions, 43 percent of the contributions were between $100 and $999, 22 percent were between $1,000 and $1,999, and 6 percent were $2,000 or more.

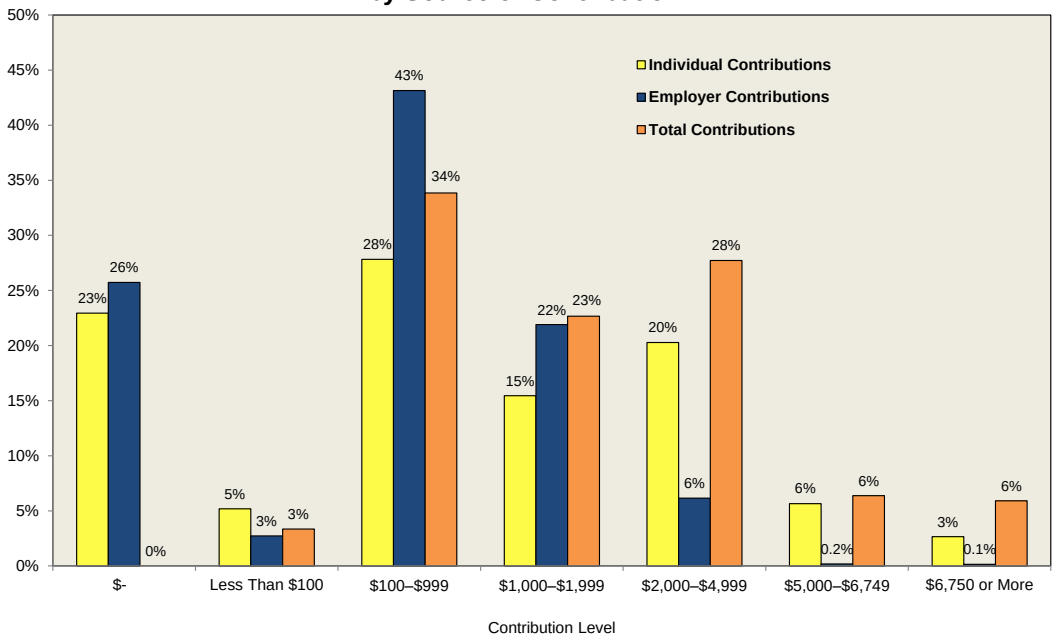
Of the HSAs that received either individual or employer contributions for 2017, 34 percent of HSAs had contributions of $100–$999, 23 percent received contributions of $1,000–$1,999, 28 percent had contributions of $2,000–$4,999, and only 12 percent of HSAs had contributions of $5,000 or more (6 percent were between $5,000 and $6,749, and 6 percent were at $6,750 or more).

Figure 14
2017 HSA Individual Contributions, With and Without Invested Assets



Source: EBRI HSA Database.

Figure 15
2017 Contributions for HSAs With Contributions, by Source of Contribution



Source: EBRI HSA Database.

Contributions by End-of-Year Balance—Among HSAs that received 2017 contributions, those with a zero account balance at the end of 2017 had lower individual contributions and were less likely to have individual contributions than those with a positive balance at the end of the year (Figure 16). Individual contributions averaged $1,548 for those with a balance at the end of 2017 and $648 among those without a balance. Among those with a balance, 16 percent contributed $1,000–$1,999, 21 percent contributed $2,000–$4,999, and 9 percent contributed $5,000 or more; whereas among those with a zero balance, 10 percent contributed $1,000–$1,999, 8 percent contributed $2,000–$4,999, and 2 percent contributed $5,000 or more There was very little difference in employer contributions when comparing those with and without an account balance at the end of 2017 (Figure 17).

Combined individual and employer contributions are shown in Figure 18. Among those with a zero account balance at the end of 2017, nearly half (49 percent) had contributions between $100 and $999:

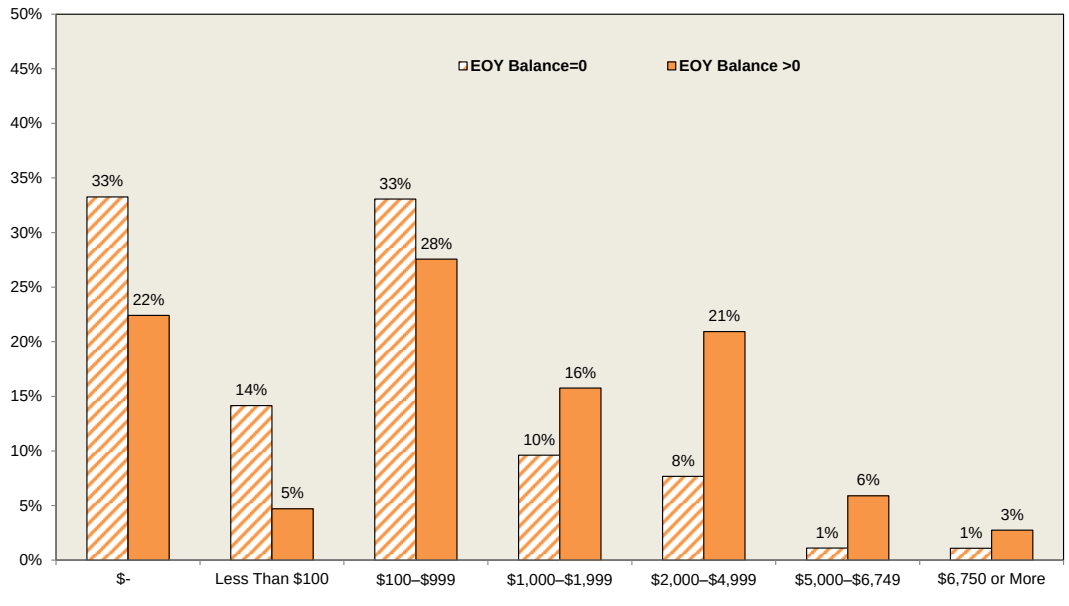
- 22 percent had contributions of $1,000–$1,999.
- 14 percent had contributions of $2,000–$4,999.
- 4 percent had contributions of $5,000 or more.

Among those with a positive account balance at the end of the year, a third (33 percent) had contributions between $100 and $999:

- 23 percent had contributions of $1,000–$1,999.
- 28 percent had contributions of $2,000–$4,999.
- 13 percent had contributions of $5,000 or more.

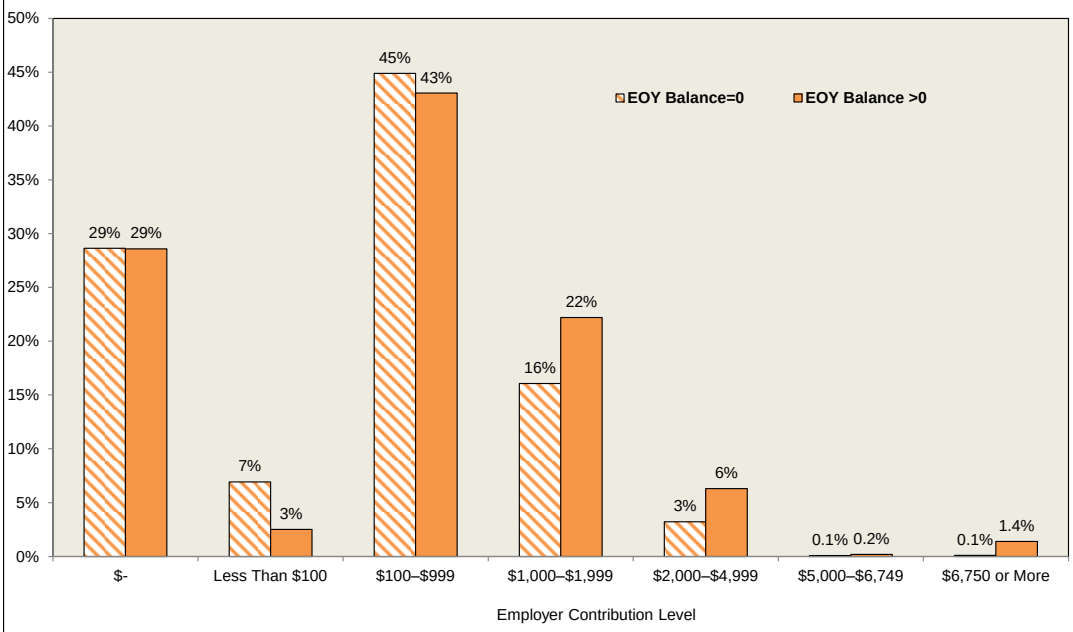
Contributions by Age—Average 2017 contributions generally increased with age. Contributions in 2017 averaged $952 for individuals under age 25 and $3,030 for individuals ages 55–64 (Figure 19). They were slightly lower, $2,723, for those ages 65 and older.

Figure 16
2017 Individual Contributions for HSAs With *Any* Contributions, by End-of Year Account Balance



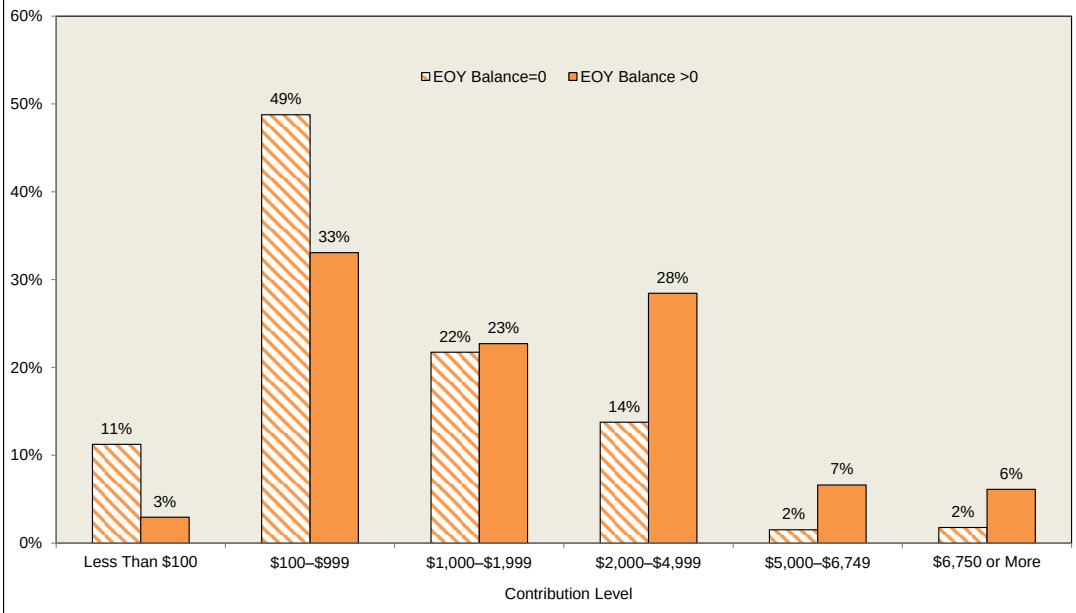
Source: EBRI HSA Database.

Figure 17
2017 Employer Contributions for HSAs With *Any* Contributions, by End-of Year Account Balance



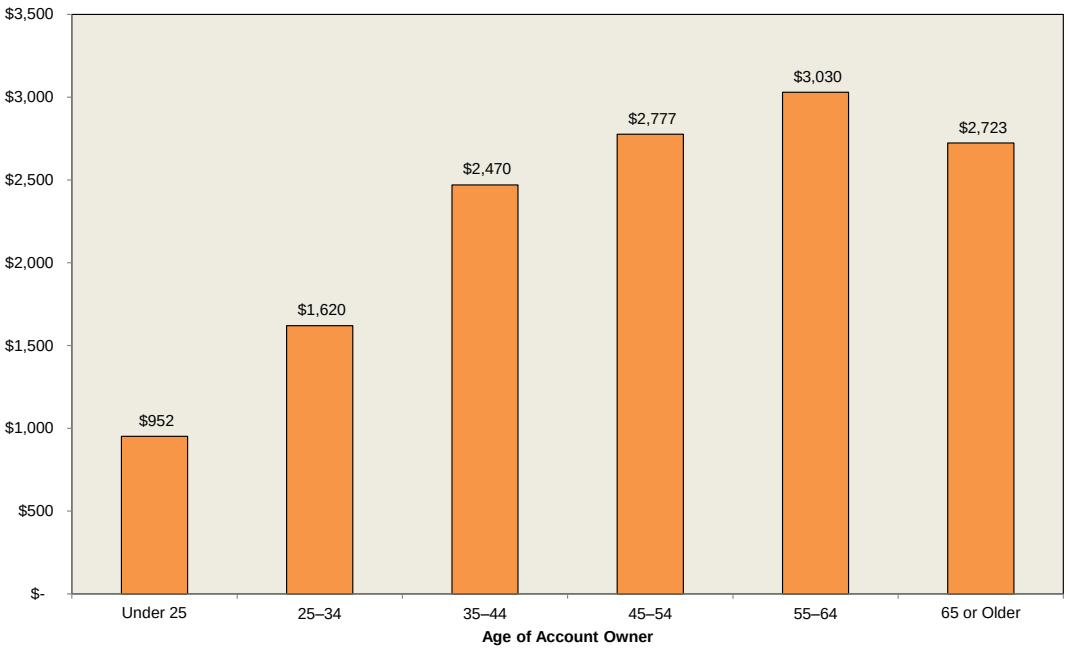
Source: EBRI HSA Database.

Figure 18
Combined 2017 Individual and Employer Contributions for HSAs With *Any* Contribution, by End-of Year Account Balance



Source: EBRI HSA Database.

Figure 19
2017 Annual HSA Contributions, by Age



Source: EBRI HSA Database.

2017 Distributions

Nearly two-thirds (64 percent) of HSAs had distributions in 2017, while 36 percent did not (Figure 20). Most distributions were for health care claims, but non-qualified distributions and rollover distributions are also mixed in with distributions for health care claims in the EBRI HSA Database. Yet, most distributions were small. Among accounts with a distribution, 32 percent were below $500, 17 percent were between $500 and $999, and 20 percent were between $1,000 and $1,999. Still, about 30 percent of 2017 distributions were at least $2,000.

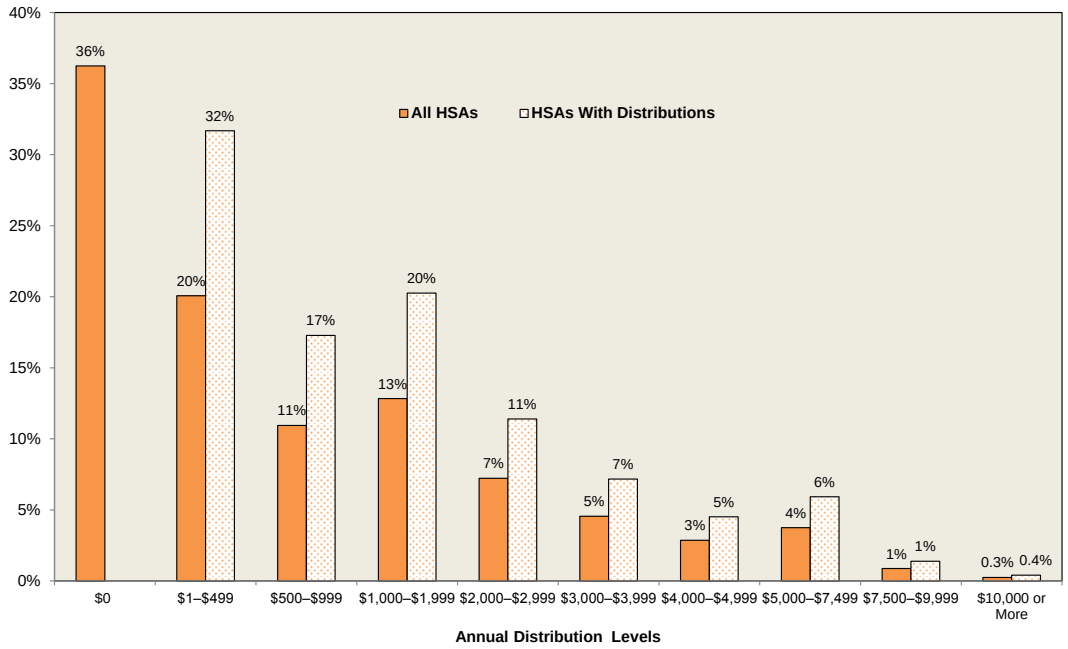
Age—The average annual amount distributed in 2017 increased with owner age, as did the likelihood that a distribution was made for a health care claim, until age 65. Among owners of HSAs with distributions, individuals under age 25 had an average distribution of $561 from their HSAs in 2017, compared with an average of $2,097 for individuals ages 55–64 and $1,769 for individuals ages 65 and older (Figure 21). Similarly, the likelihood of taking a distribution increased from 40 percent among individuals under age 25 to between 63 and 70 percent for those ages 35–44, 45–54, 55–64, and 65 and older.

Account Tenure—In general, the longer an individual has had an account, the higher the average amount distributed from the HSA. Among owners of HSAs with a distribution, individuals who opened an account in 2007 had an average distribution of $2,568 from their account in 2007 (Figure 22). Those whose account was opened in 2012 had an average distribution of $2,093, while those who first opened the account in 2017 had an average distribution of $1,005.

The likelihood of there being a distribution was between 63 percent and 74 percent among accounts opened before 2017 (with those opened in 2004 or earlier being an exception) but was only 50 percent among accounts opened in 2017. These accounts were less likely to have a distribution and more likely to have a lower average amount distributed because they have had less time to build up an account balance.

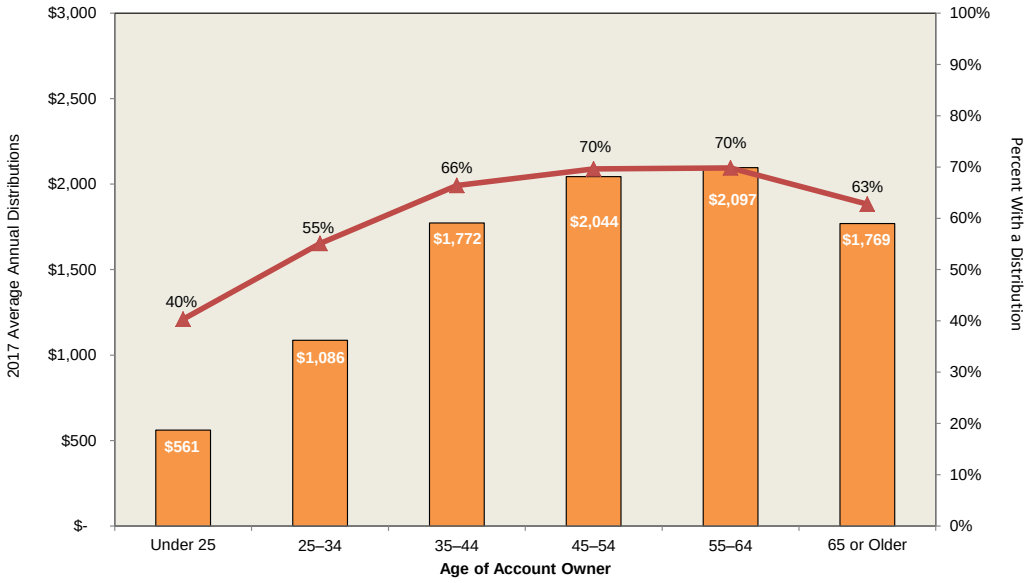
Accounts With Investments—The likelihood and size of distributions were higher in accounts with investments than in accounts without investments (Figure 23). In 2017, 69 percent of HSAs with investments had distributions, averaging $2,293, compared to 64 percent of HSAs without investments, averaging $1,696.

Figure 20
2017 Annual HSA Distributions



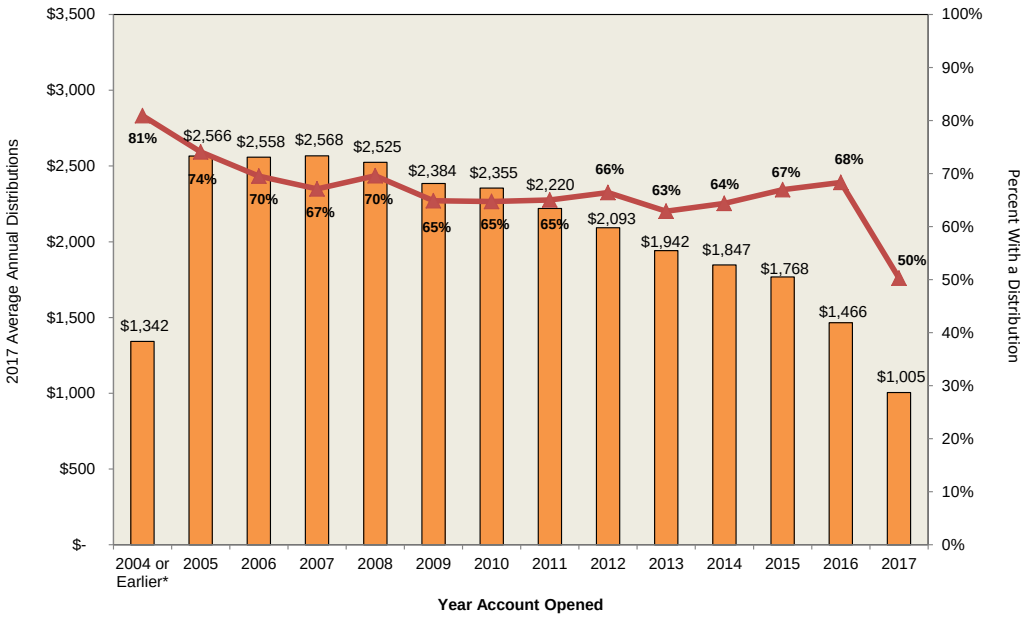
Source: EBRI HSA Database.

Figure 21
2017 Average Annual HSA Distributions Among Accounts With Distributions, by Age of Owner



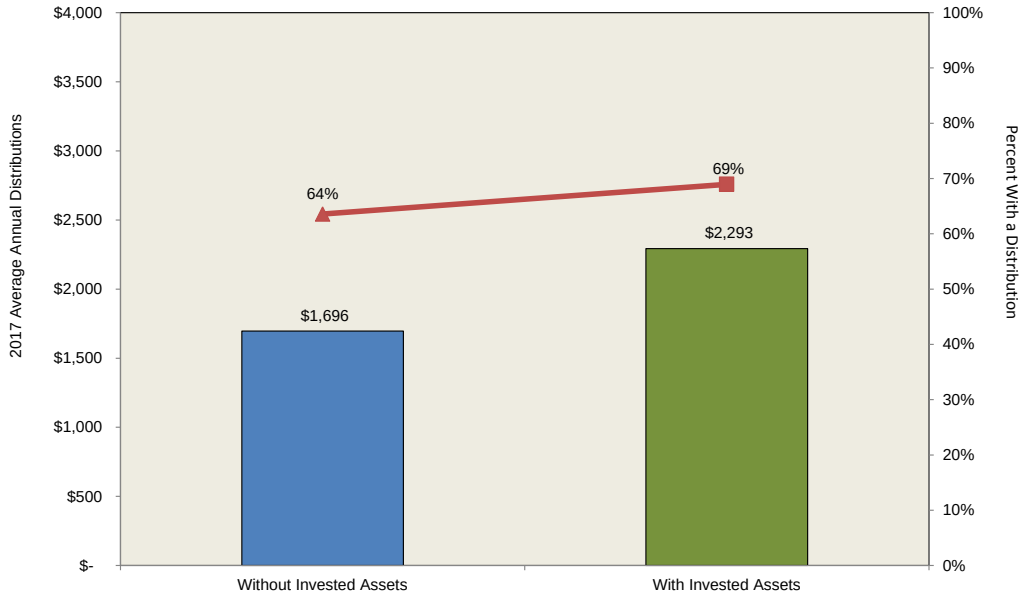
Source: EBRI HSA Database.

Figure 22
2017 Average Annual HSA Distributions Among Accounts With Distributions, by Year Account Was Opened



Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

Figure 23
2017 Average Annual HSA Distributions Among Accounts With Distributions, With and Without Invested Assets

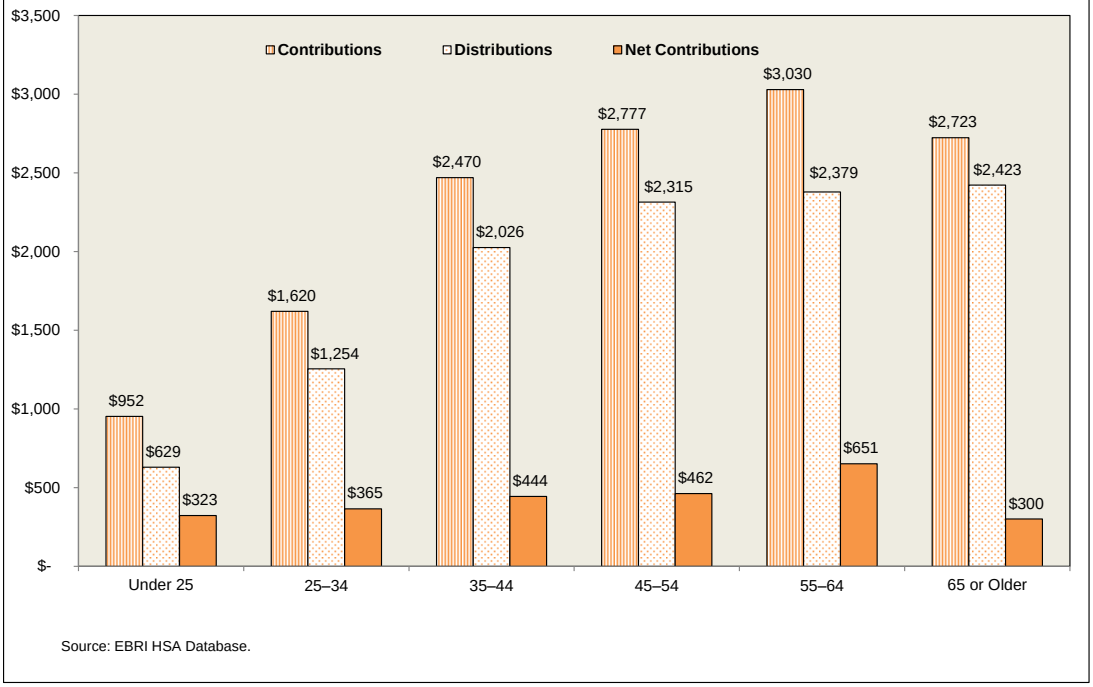


Source: EBRI HSA Database.

2017 Net Contributions

Average 2017 contributions and distributions increased with owner age — up to a point. Contributions in 2017 averaged $952 for individuals under 25 and peaked at $3,030 for individuals ages 55–64 (Figure 24). Similarly, average distributions ranged from $629 for individuals under 25 to $2,423 for individuals ages 65 and older. Average net contributions, or the excess of 2017 contributions over distributions, also increased with age, until age 65. Individuals under 25 had an average net contribution of $323 in 2017, while those ages 55–64 had an average net contribution of $651. Overall, two-thirds of account holders had contributions that were larger than their 2017 distributions.

Figure 24
Annual 2017 HSA Activity, by Age,
Among Accounts With Both Contributions and Distributions



Source: EBRI HSA Database.

Conclusion

The number of employers expected to offer an HSA-eligible health plan either as an option or as the only health plan option is expected to continue to increase. As a result, HSA-eligible health plans and HSAs are expected to grow as a vital component of employment-based health coverage. Enrollment in HSA-eligible health plans in 2017 is estimated to be between 21.4 and 33.7 million policyholders and their dependents, and HSA assets are estimated at $45.2 billion, as of Dec. 31, 2017.

Data from the EBRI HSA Database, which contains data collected from several HSA providers on 5.9 million accounts with total assets of $13 billion, provides an important window into account-holder behaviors and trends. These trends can help plan sponsors and administrators tweak and craft anew the support systems for their health and financial wellness programs.

Three-quarters of HSAs were opened since the beginning of 2014. Even in this short window, the data show account holders are gradually making incremental steps toward maximizing the savings potential of HSAs. Specifically, 95 percent of HSAs with 2017 contributions ended the year with funds to roll over for future expenses. This is evidence that account holders understand the roll-over feature of their HSA.

Further, in 2017, 66 percent of account holders had positive net contributions, meaning their annual contributions were higher than their annual distributions. While it is plausible that account holders overestimated the expenses they would

have during the year, it is equally possible that individuals intentionally hoped to build up savings in their account. As of the end of 2017, the average HSA balance was $2,764 among account holders with individual or employer contributions, up from $1,873 at the beginning of the year.

When working to support account holders in self-funding uninsured medical expenses, plan sponsors and administrators should bear in mind that most account holders do not maximize their annual contribution and do not invest their assets other than in cash. However, longitudinal results from the EBRI HSA Database do show encouraging signs for future financial wellness for individuals the longer they have and contribute to an HSA. Over time, balances increase, contributions increase, and the percentage of accounts investing increases.

Appendix–What is an HSA?

A health savings account (HSA) is a tax-exempt trust or custodial account that is funded with contributions and assets that an individual can use to pay for health care expenses. Individuals can contribute to an HSA only if they are enrolled in an HSA-eligible health plan. An employee's contributions to the account are deductible from taxable income, an employer's contributions to the account for an employee are excludable from the employee's gross income, and distributions for qualified medical expenses from the HSA are excluded from taxable income to the employee. Tax-free distributions are also allowed for certain premium payments. Any interest or other capital earnings on assets in the account build up tax free. Finally, HSAs are always funded, unlike similar types of health accounts known as health reimbursement arrangements (HRAs) and flexible spending accounts (FSAs), which can be and are typically set up as unfunded, notional arrangements.

Eligibility

An individual who is covered by an HSA-eligible health plan may (but is not required to) open and make contributions to an HSA. To be an HSA-eligible health plan for 2018, the plan must have an annual deductible of at least $1,350 for individual coverage and $2,700 for family coverage, and the plan's out-of-pocket maximum may not exceed $6,650 for individual coverage or $13,300 for family coverage with the deductible counting toward this limit. (These minimum allowable deductibles and maximum out-of-pocket limits are indexed to inflation.) Certain primary preventive services — typically those deemed to prevent the onset of disease — can be and often are exempt from the deductible and covered in full. (These preventive services are in addition to those preventive services that the Patient Protection and Affordable Care Act of 2010 (ACA) requires be covered in full.) Otherwise, all health care services must be subject to the HSA's deductible.

Additional HSA contribution requirements are that (1) an individual may not be enrolled in other health coverage, such as a spouse's plan, unless that plan is also an HSA-eligible health plan, (2) an individual may not be claimed as a dependent on another person's tax return, and (3) an individual may not be enrolled in Medicare. Notwithstanding these requirements, an individual is not precluded from making HSA contributions merely because he or she has supplemental coverage with deductibles below the statutory HSA-eligible health plan minimum for such things as vision care, dental care, certain specific diseases, and/or insurance that pays a fixed amount per day (or other stipulated period) for hospitalization.

Contributions

Individuals and employers are allowed to contribute to HSAs. As noted above, contributions are excluded from gross income if the employer makes them, and deductible from taxable income if the individual account owner makes them.

For 2018, a worker with individual coverage is allowed to make an annual HSA contribution of $3,450, while a worker with family coverage can contribute as much as $6,900. These dollar limits are indexed for inflation. Additionally, individuals who have reached age 55 and are not yet enrolled in Medicare may make an additional $1,000 catch-up contribution. The catch-up contribution is not currently indexed to inflation.

If an employer does make contributions to an HSA, the contributions must be the same dollar amount or the same percentage of the deductible for all employees.[9]

Investments

HSAs can be invested in the same investment options that have been approved for individual retirement accounts (IRAs)—i.e., bank accounts, certificates of deposit (CDs), money market funds, stocks, bonds, and mutual funds. Many HSA custodians, however, require that an HSA have at least a minimum balance in order to invest HSA funds in options beyond cash or cash equivalents, and some HSA custodians do not offer investment options beyond cash. If an HSA owner is able to invest HSA funds in options beyond cash, the owners are responsible for making the investment decisions and bear the risks and rewards for investment losses or gains.

Distributions

An individual may take distributions from an HSA at any time. The individual need not be covered by an HSA-eligible health plan at the same time the individual withdraws money from the HSA. Distributions are generally treated as taxable income, but they are excluded from an individual's taxable income if they are used to pay for qualified medical expenses. Distributions for premiums for COBRA coverage, long-term-care insurance, health insurance while receiving unemployment compensation, and insurance while eligible for Medicare (other than for Medigap) are also tax free.

HSA distributions for nonqualified medical expenses are not excludable from gross income and, in addition to being taxable, are subject to a 20 percent penalty, which is waived if the HSA owner dies, becomes disabled, or is eligible for Medicare. Individuals are able to transfer funds from one HSA to another without subjecting the distribution to income and penalty taxes as long as the transfer occurs within 60 days of the date funds are received.

Archer Medical Savings Accounts

Prior to the availability of HSAs, Archer Medical Savings Accounts (MSAs) were authorized as a demonstration project under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Workers were eligible to set up an MSA if employed at a firm with 50 or fewer employees. The self-employed were also eligible. Both were required to be covered by a high-deductible health plan in order to be able to contribute to an MSA. When the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) created HSAs, existing MSAs were grandfathered in, but as of Dec. 31, 2007, no new MSAs could be opened. However, individuals with MSAs are allowed to transfer those account balances to HSAs. Amounts that continue to be held in grandfathered MSAs can be distributed tax free for qualified medical expenses.

ERISA Compliance

Unlike HSA-eligible health plans offered by an employer, when employer involvement in an HSA is limited, the HSA is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Thus, for example, HSAs are not subject to ERISA when the employer does not contribute to the HSA or when the establishment of the HSA is completely voluntary on the part of the employee.[10] In addition, the employer may not limit the ability of employees to move their HSA funds to another HSA, impose conditions on using the HSA funds, or make or influence investment decisions. There are other considerations for employers as well when offering an HSA.[11]

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Endnotes

[1] Both employees and employers can contribute to an HSA. While employee contributions to the account are deductible from taxable income, employer contributions to the account for an employee are excludable from the employee's gross income.

[2] See http://devenir.com/wp-content/uploads/2017-Year-End-Devenir-HSA-Market-Research-Report-Executive-Summary.pdf. The number of enrollees in HSA-eligible health plans differs from the number of HSAs for various reasons. The number of enrollees is composed of the policyholder and any covered dependents and generally is higher than the number of HSAs because one account is usually associated with a family. Hence, the number of individuals enrolled in an HSA-eligible health plan generally is higher than the number of accounts. However, over time, the number of accounts can grow relative to the number of enrollees, because when an individual or family is no longer covered by an HSA-eligible health plan, they are allowed to keep the HSA open. Furthermore, individuals and families can have more than one account.

[3] See the literature review in Bundorf (2012) as well as more recent research in Brot-Goldberg, et al. (2015); Fronstin and Roebuck (2013); Fronstin, Sepulveda and Roebuck (2013a); Fronstin, Sepulveda and Roebuck (2013b); and Fronstin and Roebuck (2014).

[4] See AHIP (2014).

[5] See http://devenir.com/wp-content/uploads/2017-Year-End-Devenir-HSA-Market-Research-Report-Executive-Summary.pdf

[6] See Fronstin and Elmlinger (2017).

[7] Several recordkeeping organizations have provided de-identified data on HSA owners as of year-end 2017. Records are de-identified prior to inclusion in the database to conceal the identity of account owners, but the data are coded so that account owners can be tracked over time, a unique aspect of the EBRI HSA Database. At no time has any nonpublic personal information that is personally identifiable, such as Social Security number, been transferred to or shared with EBRI. A unique aspect of the de-identified coding is that the EBRI HSA Database can link the accounts of each individual with more than one account in the database while still preventing the identification of the individual, thus permitting the aggregation of the HSA balances of individuals with multiple accounts, within or across recordkeepers contributing to the database, providing a more complete picture of the number of individuals with accounts and their HSA balances. Moreover, the EBRI HSA Database contains information about the year of birth of account owners, individual and employer contributions, beginning- and end-of-year account balances, and the month and year the HSA was opened. A very small percentage (less than 0.5 percent) of accounts have an account-opening date prior to 2004. An HSA that was funded by amounts rolled over from an Archer Medical Savings Account (MSA) was considered established on the date the MSA was established.

[8] According to Devenir, there were 22.2 million accounts holding $45.2 billion in assets as of Dec. 31, 2017. See http://devenir.com/wp-content/uploads/2017-Year-End-Devenir-HSA-Market-Research-Report-Executive-Summary.pdf

[9] There are exceptions to the comparability rule. For instance, employers may make matching contributions that are conditional on a contribution by the employee if done through a cafeteria plan. Furthermore, employers may contribute more to the HSAs of non-highly compensated employees.

[10] See https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/field-assistance-bulletins/2004-01

[11] See https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/field-assistance-bulletins/2006-02

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