

## Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2018: Statistics From the EBRI HSA Database

*By Paul Fronstin, Ph.D., Employee Benefit Research Institute, and Jake Spiegel, Employee Benefit Research Institute*

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### AT A GLANCE

Plan sponsors that wish to introduce or continue offering health savings account (HSA)-eligible health plans as part of their workplace benefit program can benefit from insight into HSA accountholder behaviors. With this in mind, the Employee Benefit Research Institute (EBRI) has undertaken a series of annual reports drawing on cross-sectional data from the EBRI HSA Database. In the sixth annual report of this kind, EBRI examines account balances, individual and employer contributions, distributions, invested assets, and account-owner demographics as of year-end 2018. Such analysis can help not only plan sponsors but providers and policymakers better understand strategies that can help improve employee financial wellness.

Key findings this year are that:

#### **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 23 and 36.8 million policyholders and their dependents and covered nearly 3 in 10 employees in 2018. The HSA market did not exist until 2004.
- Similarly, there were an estimated 25 million HSAs as of the end of 2018. Most HSAs in the EBRI HSA Database are relatively new; 71 percent have been opened since 2015.

#### **HSA balances increased in 2018.**

- Two-thirds of accountholders ended 2018 with positive net contributions, meaning annual contributions were higher than annual distributions.
- 93 percent of HSAs with individual or employer contributions in 2018 ended the year with funds to roll over for future expenses.
- As of the end of 2018, the average HSA balance among accountholders with individual or employer contributions in 2018 was \$2,803, up from \$2,071 at the beginning of the year. Only 8 percent of accounts with contributions ended 2018 with a zero account balance.

EBRI developed the EBRI HSA Database to analyze the state of and individual behavior in HSAs. The HSA database contains 9.8 million accounts with total assets of \$22.8 billion as of Dec. 31, 2018.

**Contributions to HSAs are rarely maximized.**

- One-half of HSA owners contributed to their account in 2018, and 37 percent of HSAs did not receive any contributions (individual or employer) in 2018.
- Among accounts with contributions, individual contributions in 2018 averaged \$2,017, and employer contributions averaged \$901.
- Only 14 percent of accountholders contributed the fully allowable annual amount.
- Three-fourths (76 percent) of HSAs with a 2018 contribution also had a distribution during 2018. Of the HSAs with distributions, the average amount distributed was \$1,865, less than the average contribution, resulting in balance increases.

**Investing does not maximize longer-term savings.**

- Only 5 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 medical expenses.
- Investors were more likely than non-investors to take a distribution (63 percent and 59 percent, respectively). In fact, when distributions were taken, investors took larger distributions (\$2,570) than non-investors (\$1,828) during 2018. 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). Jake Spiegel is a Research Associate at EBRI. This *Issue Brief* was written with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the author 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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## About HSAs

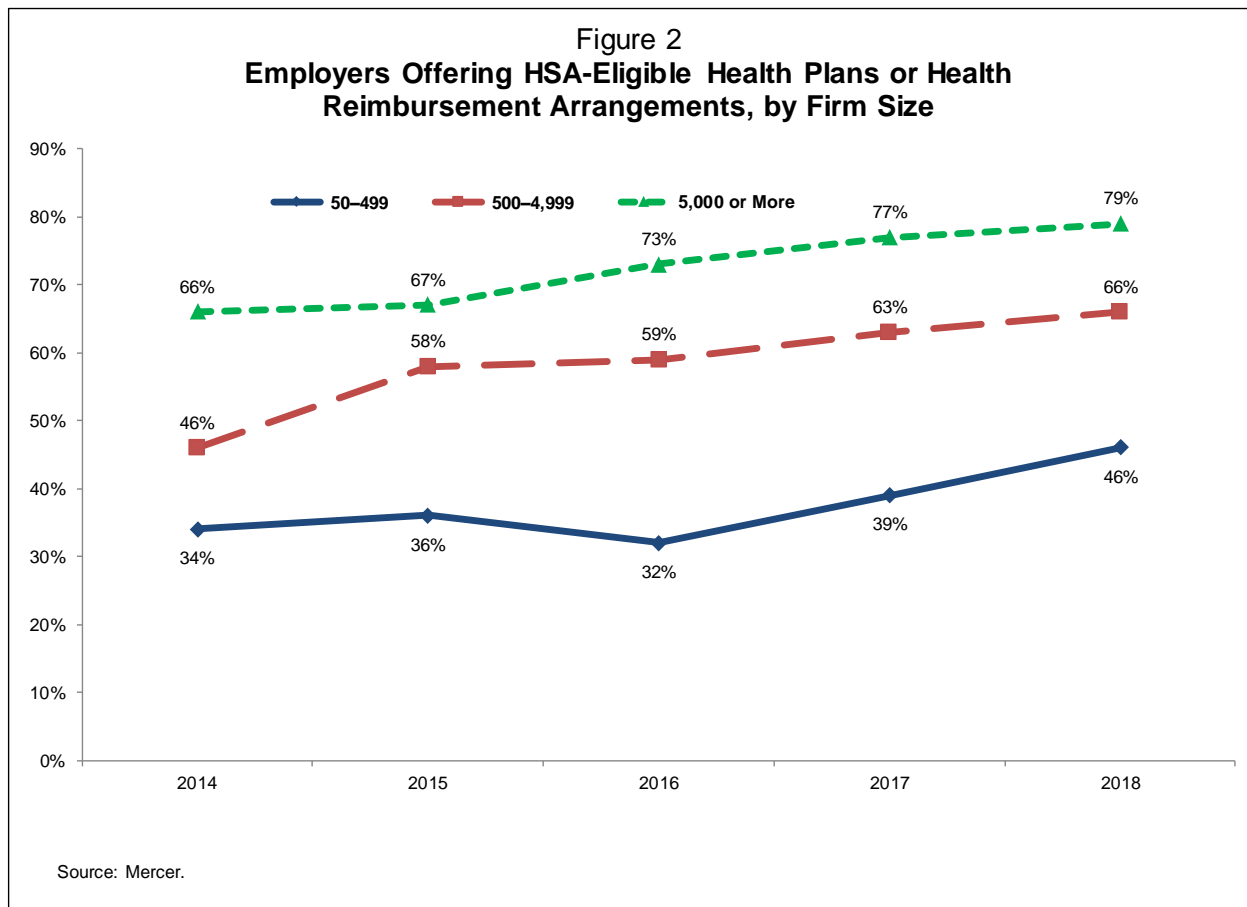
The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) allows individuals enrolled in high-deductible health plans meeting certain requirements to open and fund a health savings account (HSA), a tax-exempt trust or custodial account that is funded with contributions and assets 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 \$3,500 for people with individual coverage and \$7,000 for those with family coverage (Figure 1). HSAs benefit from a triple tax advantage: Employee contributions to the account are deductible from taxable income, 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, 2004–2019

	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
2019	1,350	2,700	3,500	7,000	6,750	13,500	1,000

## Introduction

Although health savings accounts (HSAs) only first became available in 2004, both enrollment in HSA-eligible health plans and the number of HSAs have experienced significant growth since then. In 2018, enrollment in HSA-eligible health plans was estimated to be between 23 and 36.8 million policyholders and their dependents (Fronstin 2019). According to Mercer's annual National Survey of Employer-Sponsored Health Plans, nearly one-half of smaller employers (50–499 employees); two-thirds of employers with 500–4,999 employees; and 79 percent of larger employers (5,000 or more employees) offered an HSA-eligible health plan or health reimbursement arrangement (HRA) in 2018 (Figure 2). It has also been estimated that there were about 25 million HSAs holding \$53.8 billion in assets as of Dec. 31, 2018.<sup>1</sup>



While there is growing literature around how individuals in HSA-eligible health plans use and pay for medical services,<sup>2</sup> there are very few sources of data on the HSAs themselves and the owners of such accounts.<sup>3</sup> This type of information is important because, increasingly, HSAs are being positioned not only as health benefits but as retirement savings plans and even as vehicles to support overall employee financial wellbeing. As Fidelity notes in its report on “5 Ways HSAs Can Fortify Your Retirement,” HSAs can be used to be used, in some instances, as a bridge to Medicare, to cover Medicare premiums, for long-term care expenses, and even to pay for non-qualified expenses from age 65 on and for estate planning.<sup>4</sup> However, not only may workers not realize the retirement potential of HSAs, they may not even understand their use as health benefits. Bank of America reports that 57 percent of workers said they have a good understanding of how HSAs work, and only 11 percent correctly identified four basic attributes of HSAs.<sup>5</sup> Similarly, the EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey (CEHCS) has found that, while 21 percent of HSA owners strongly agree with the statement that they view their HSA as a long-term savings vehicle that they can use for health care costs in retirement, and 19 percent view the account as an investment account, only 7 percent report that they are investing.<sup>6</sup>

As such, plan sponsors that wish to introduce or continue offering HSA-eligible health plans as part of their workplace benefit program can benefit from insight into HSA accountholder productive — and counterproductive — behaviors. Using its HSA Database, EBRI examines account balances, individual and employer contributions, distributions, invested assets, and account-owner demographics as of year-end 2018. Such analysis can help not only plan sponsors but providers and policymakers better understand strategies that can help improve employee financial wellness.

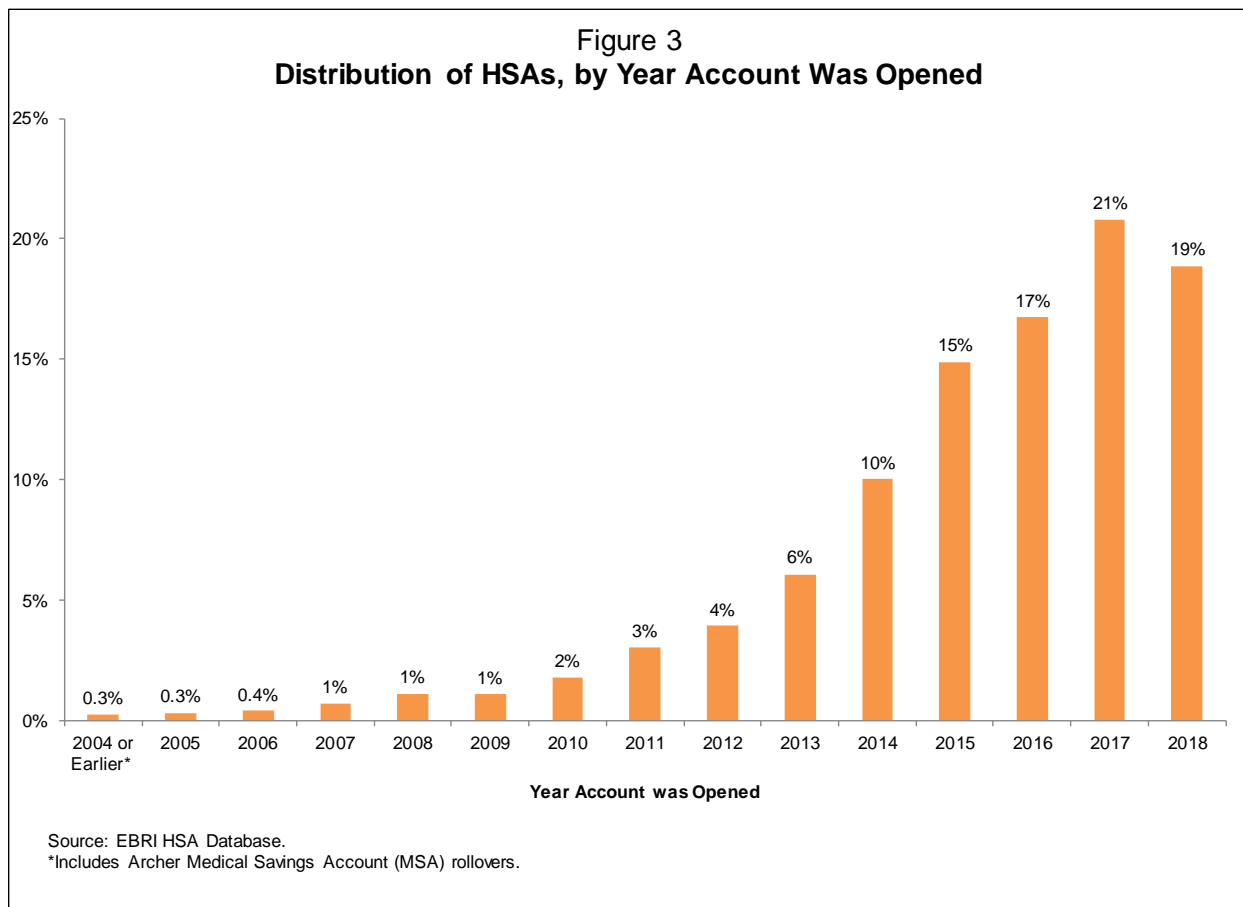
### About the EBRI HSA Database

To improve on the existing data limitations around HSA utilization, EBRI created the EBRI HSA Database, a large, representative repository of administrative information from recordkeepers about HSAs and account owners. The database is unique because it includes data provided by a wide variety of account recordkeepers and, therefore, represents the characteristics and activity of a broad range of HSA owners.<sup>7</sup>

As of Dec. 31, 2018, the EBRI Database includes:

- 9.8 million health savings accounts.
- \$22.8 billion in assets.

The 2018 data cover 39 percent of the universe of HSAs and 42 percent of HSA assets.<sup>8</sup> Most HSAs in the EBRI HSA Database were initially opened within the past few years. Overall, 71 percent of the accounts were opened between 2015 and 2018 (Figure 3).



## Characteristics of Open HSAs

This *Issue Brief* focuses on 9.8 million HSAs in the EBRI Database that were open at any point during 2018, including some that were closed before the end of 2018. The average balance was \$2,314 at the end of 2018, up from \$1,974 at the beginning of 2018 (Figure 4).

Two-thirds (63 percent) of the 9.8 million HSAs received individual or employer contributions in 2018, while 37 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 2018 with an average balance of \$2,803, up from \$2,071 at the beginning of 2018. HSAs *without* contributions ended 2018 with an average balance of \$1,485. The vast majority (93 percent) of accounts that had a contribution had a balance to roll over at the end of the year, whereas two-thirds (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 5 percent of the accounts in the EBRI Database but 26 percent of the assets. They ended 2018 with an average balance of \$12,968, compared with \$1,787 among accounts without investments.

Overall, 83 percent of the HSAs had balances greater than zero at the end of 2018.

Figure 4  
**HSAs, by Account Status, Open Accounts, 2018**

	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)
<b>Total</b>	<b>9.8</b>	<b>100%</b>	<b>\$1,974</b>	<b>\$2,314</b>	<b>\$22.8</b>	<b>100%</b>
<b>Accounts With Employer or Individual Contributions</b>						
Accounts With Employer or Individual Contributions	6.2	63	2,071	2,803	17.4	76
<i>Distributions</i>						
Distributions from account	4.7	48	1,986	2,515	11.8	52
No distributions from account	1.5	15	2,336	3,697	5.6	24
<i>End-of-Year Balance</i>						
End-of-year account balance zero	0.5	5	893	0	0.0	0
End-of-year account balance positive	5.7	58	2,170	3,037	17.4	76
<b>Accounts With No Employer or Individual Contributions</b>						
Accounts With No Employer or Individual Contributions	3.6	37	1,809	1,485	5.4	24
<i>Distributions from account</i>						
Distributions from account	1.2	12	2,607	1,769	2.1	9
<i>End-of-year account balance zero</i>						
End-of-year account balance zero	0.4	5	1,034	0	0.0	0
<i>End-of-year account balance positive</i>						
End-of-year account balance positive	0.7	7	3,563	2,843	2.1	9
<i>No distributions from account</i>						
No distributions from account	2.5	25	1,427	1,349	3.3	15
<i>End-of-year account balance zero</i>						
End-of-year account balance zero	0.8	8	559	0	0.0	0
<i>End-of-year account balance positive</i>						
End-of-year account balance positive	1.7	17	1,811	1,947	3.3	15
<b>Invested Assets</b>						
Accounts with invested assets	0.5	5	10,698	12,968	6.0	26
Accounts without invested assets	9.4	95	1,542	1,787	16.8	74

Source: EBRI HSA Database.

### Accounts With Contributions in 2018

Of the 9.8 million HSAs in the EBRI HSA Database, 6.2 million (or 63 percent) received individual or employer contributions in 2018 (Figure 4). Accounts with contributions in 2018 had \$17.4 billion in assets, which was about 76 percent of the assets in the EBRI HSA Database.



Three-quarters (76 percent) of the HSAs in the EBRI Database (4.7 million accounts) that received 2018 contributions also had a distribution in 2018. HSAs with both a contribution and a distribution in 2018 had an average account balance of \$2,515 at the end of 2018. Those with a contribution in 2018 but without a distribution had an average of \$3,697 in the account at the end of 2018.

The vast majority (93 percent) of HSAs with 2018 contributions ended the year with a positive account balance, and for these HSAs, the average balance increased from \$2,170 at the beginning of 2018 to \$3,037 at the end of 2018. Those HSAs with 2018 contributions that had a zero account balance at the end of 2018 started the year with an average balance of \$893.

### Accounts Without Contributions in 2018

In order to make employer or individual contributions to an HSA, the accountholder must be currently enrolled in an HSA-eligible health plan. Not being covered by an HSA-eligible health plan is one reason why 37 percent of the accounts in the EBRI HSA Database did not receive any employer or individual contributions in 2018. They accounted for 24 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 \$2,607 at the beginning of 2018 to \$1,769 at the end of 2018. Those without distributions experienced a decrease in their average balance in 2018, from \$1,427 at the beginning of 2018 to \$1,349 at the end of 2018. The account owners for these HSAs may be taking advantage of the tax-free buildup and the opportunity to invest.

### Average Contributions and Distributions

Of the HSAs that received contributions in 2018, one-half (50 percent) received individual contributions, 46 percent received employer contributions, and 60 percent had distributions during 2018. Individual HSA contributions averaged \$2,017 when considering only those HSAs with an individual contribution in 2018 (Figure 5). Similarly, employer contributions averaged \$901 in 2018 for those HSAs that received some employer contributions during the year. Distributions averaged \$1,865 for those accounts with a distribution during the year.

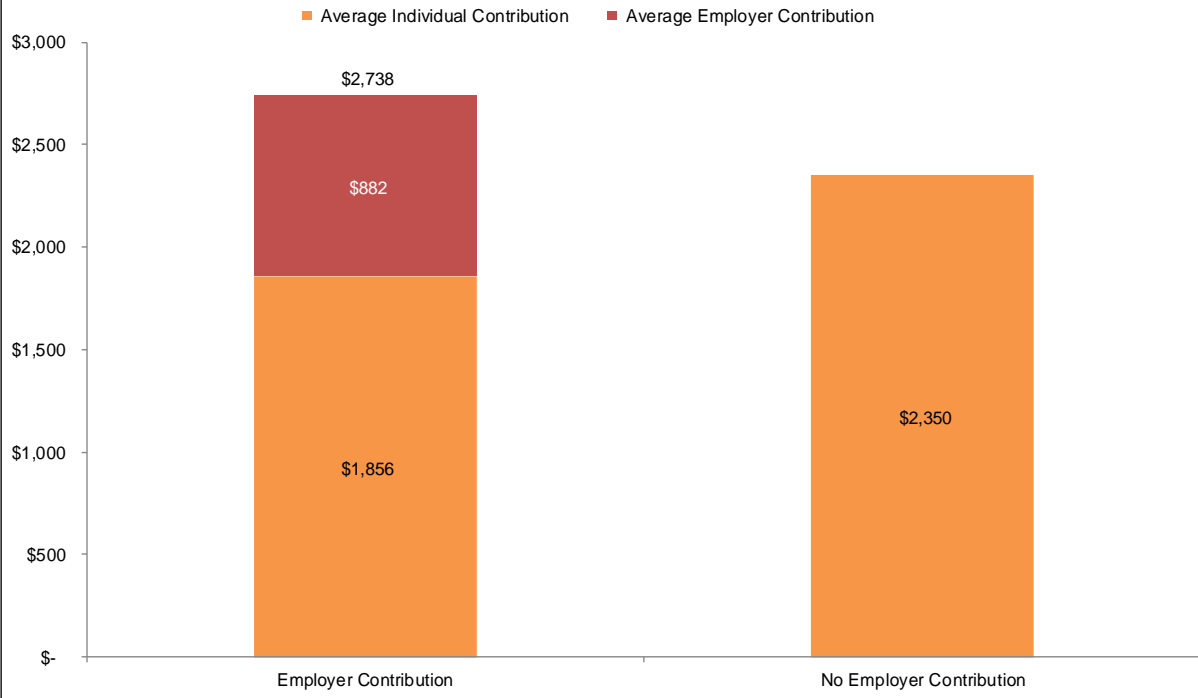
Average individual contributions were higher for HSAs that did not receive employer contributions in 2018. More specifically, for HSAs with employer contributions in 2018, individual contributions averaged \$1,856, while individual contributions to HSAs without employer contributions averaged \$2,350 (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 \$882, resulting in an average total contribution of \$2,738 among individuals with both.

Figure 5  
**Summary of Average Account Activity, 2018**

	All Open Accounts	Accounts With Contributions or Distributions	Percentage of Accounts With Contributions or Distributions
Individual Contributions	\$1,017	\$2,017	50%
Employer Contributions	417	901	46
Distributions	1,112	1,865	60

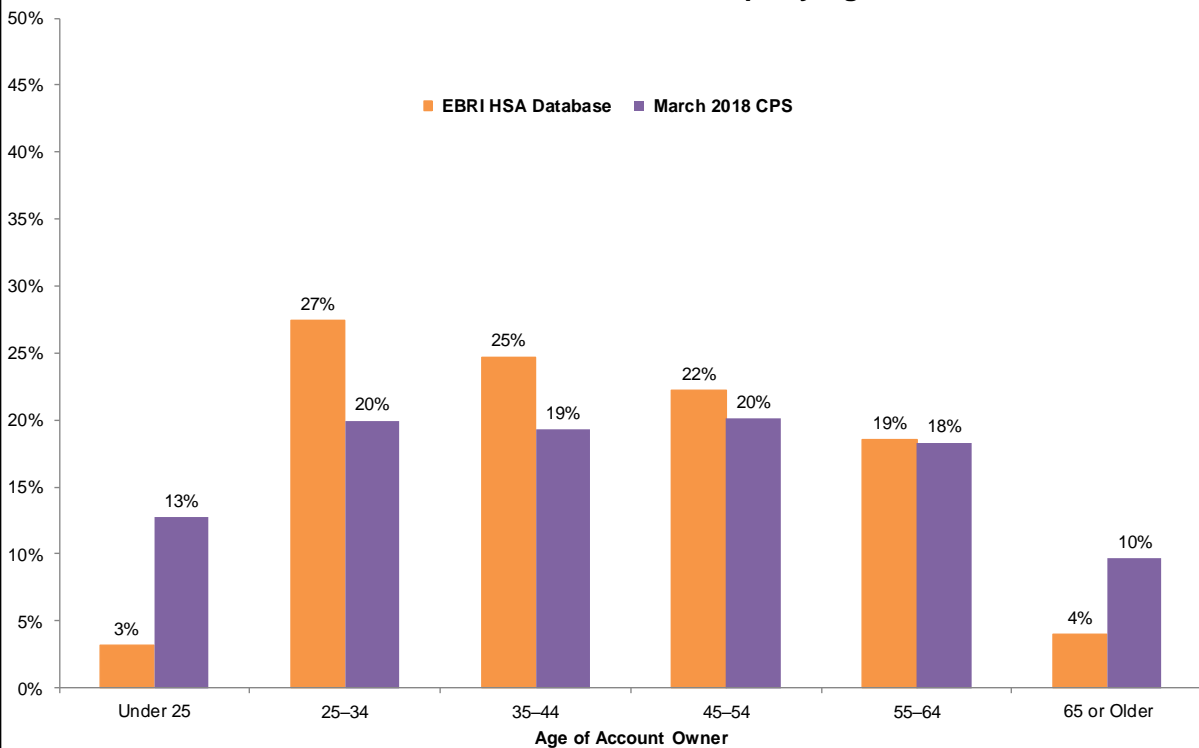
Source: EBRI HSA Database.

**Figure 6**  
**Average 2018 Individual and Employer Contributions, by Presence of Employer Contribution**



Source: EBRI HSA Database.

**Figure 7**  
**Distribution of HSA Ownership, by Age**



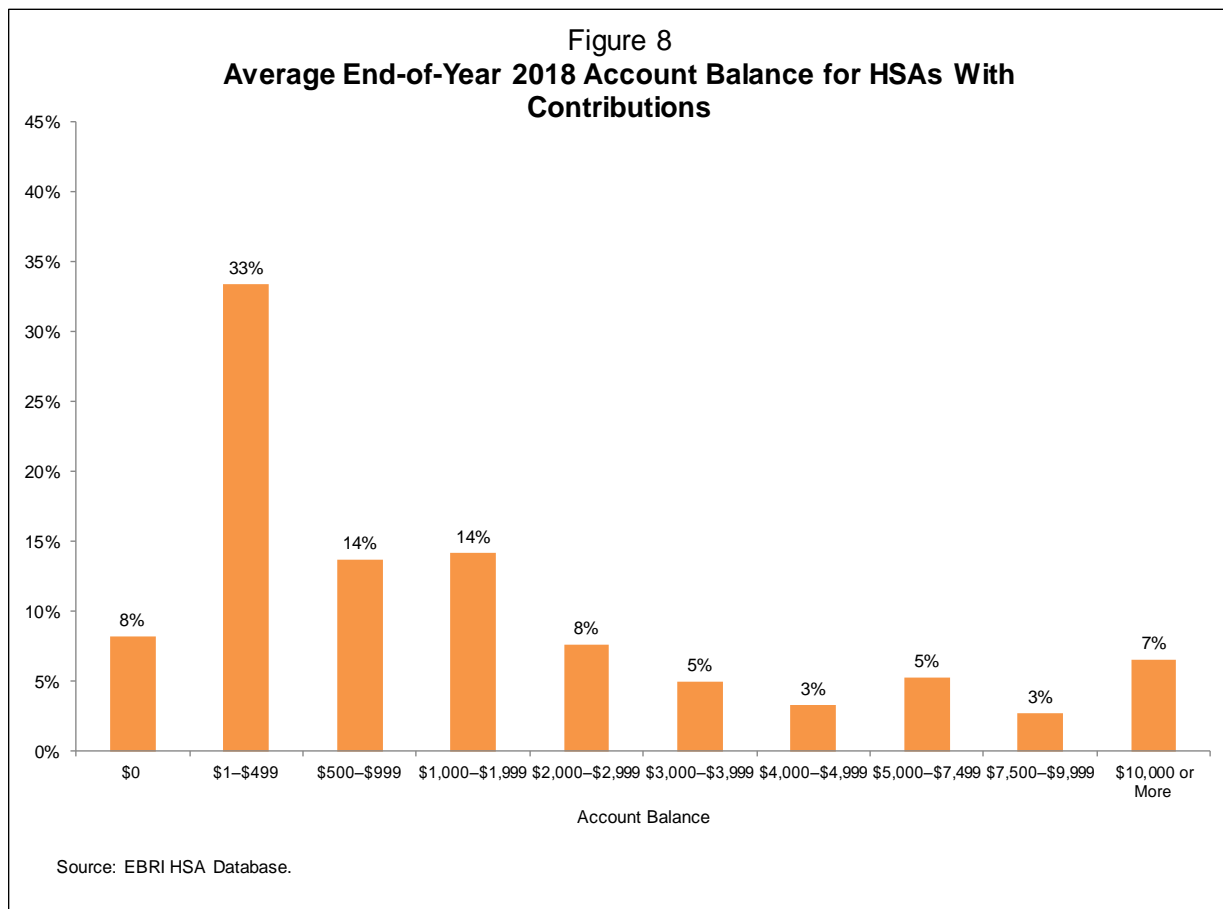
Source: EBRI HSA Database and March 2018 Current Population Survey.

## Ages of HSA Owners

HSA owners in the EBRI HSA Database in 2018 were fairly evenly distributed by age — approximately one-quarter each were ages 25–34, 35–44 and 45–54 (Figure 7). About one-fifth (19 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 43.2 years. Data from the March 2018 Current Population Survey (CPS) showed the distribution of adults with group health coverage in 2017 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 2018 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 2018 CPS was 44 years.

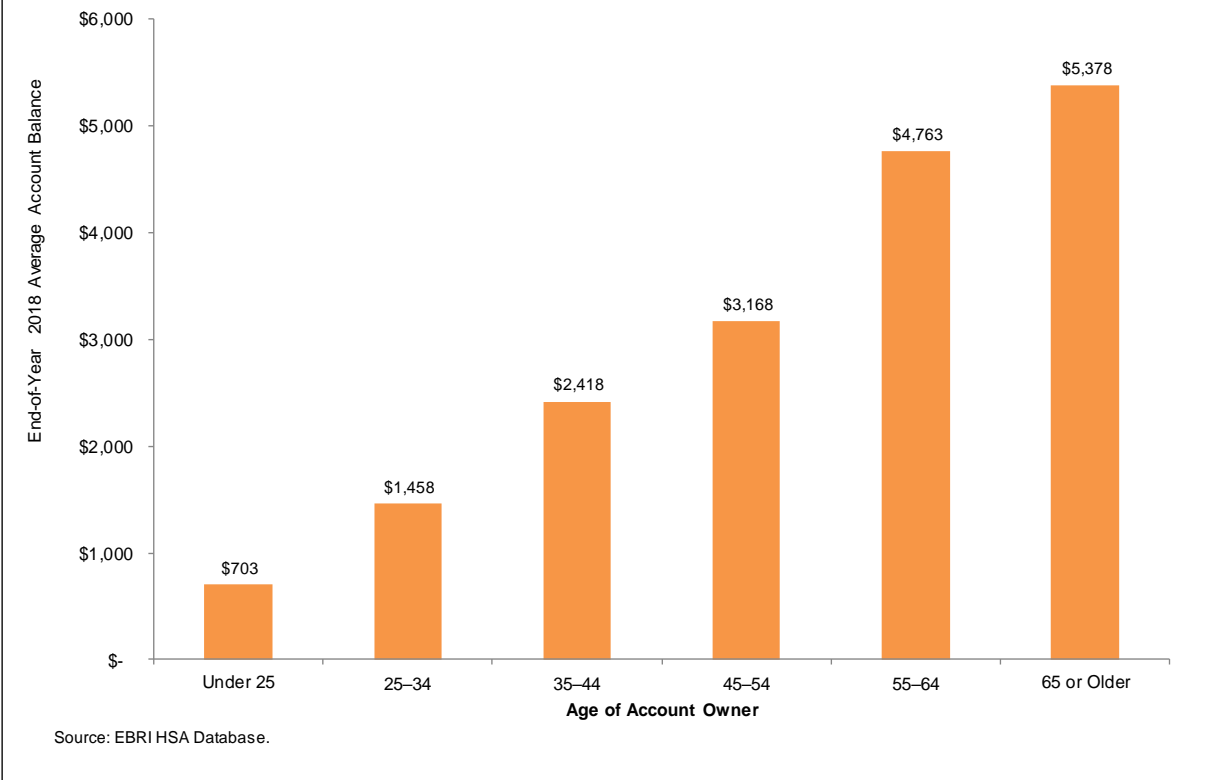
## 2018 Account Balances

Of the HSAs in the EBRI HSA Database with either individual or employer contributions in 2018, the most common account balance at the end of 2018 was between \$1 and \$499 (33 percent) (Figure 8). Only 15 percent of the accounts had \$5,000 or more, 14 percent had \$500–\$999, 5 percent had \$5,000–\$7,499, 7 percent had \$10,000 or more, and 3 percent had \$7,500–\$9,999. Eight percent had a zero balance at the end of 2018.



*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 \$703 in their HSA at the end of 2018, compared with \$4,763 among individuals ages 55–64 (Figure 9). Even individuals ages 65 and older had an average of \$5,378 in their HSA at the end of 2018.

Figure 9  
**HSA With Contributions: Average End-of-Year 2018 Account Balance, by Age**



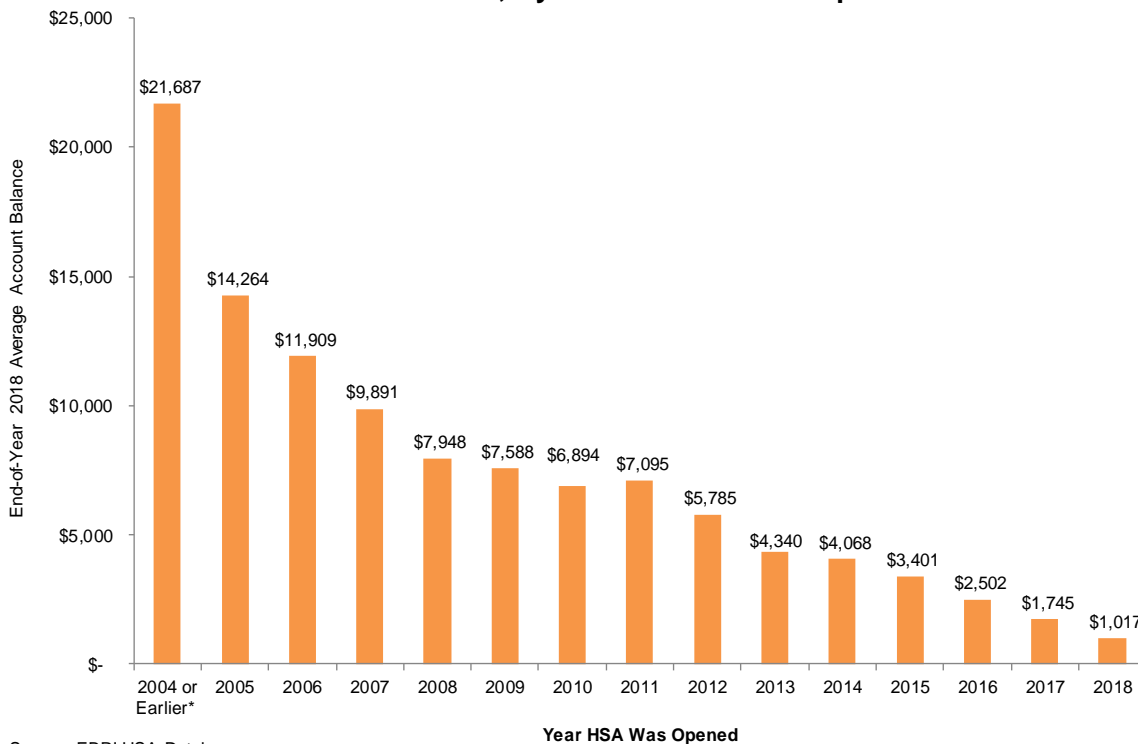
*Account Tenure* — The longer an individual has had an HSA, the higher the account balance. Individuals who opened an account in 2008 had an average of \$7,948 in their account as of the end of 2018 (Figure 10). Those whose account was opened in 2012 had \$5,785, while those who first opened the account in 2018 ended the year with a \$1,017 balance.

*Investments* — Just 5 percent of HSAs in the EBRI HSA Database had assets invested in options beyond cash at the end of 2018. Despite this, the balances in HSAs with investments accounted for 26 percent of the total assets in the EBRI HSA Database.

More specifically, HSAs with invested assets had higher balances at the end of 2018 than accounts without invested assets. Over 4 in 10 accounts (41 percent) with investments had \$10,000 or more in the account at the end of 2018 (Figure 11). In contrast, only 4 percent of accounts without investments ended 2018 with \$10,000 or more. This may be partially due to minimum investment thresholds on accounts.

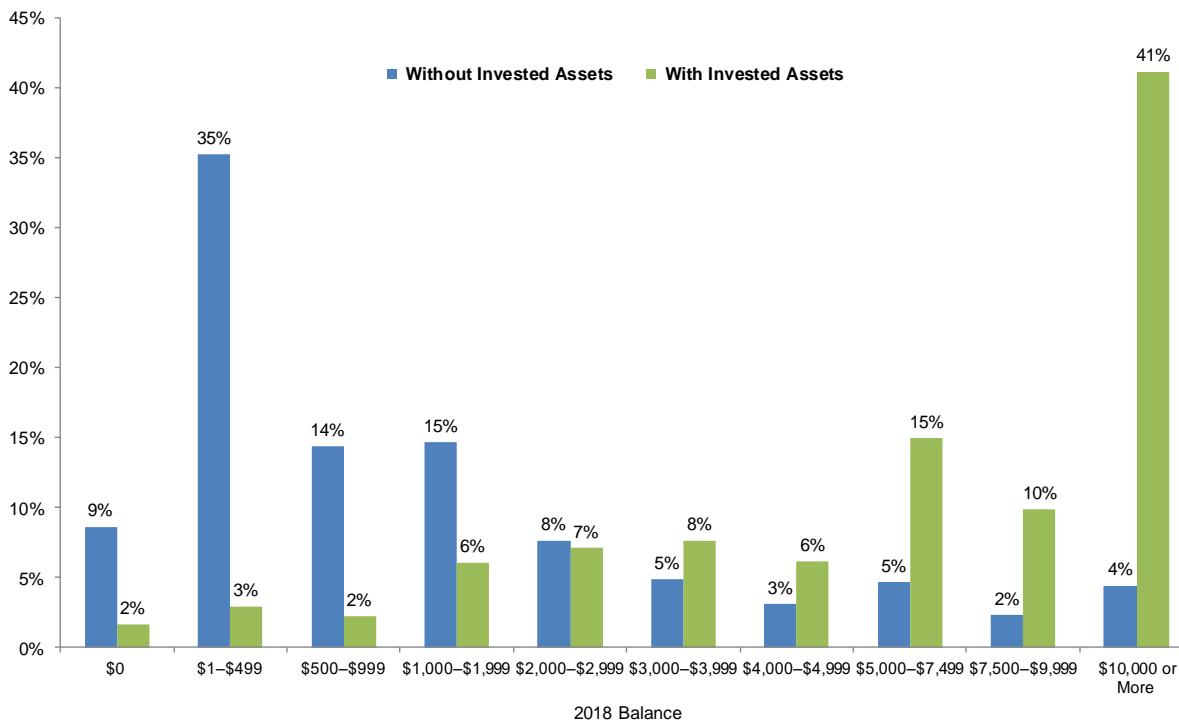
In addition, end-of-year balances were much higher in accounts with investments than in accounts that did not have investments when examining those accounts by the year in which the account was opened. Among accounts opened in 2018, end-of-year 2018 balances averaged \$6,357 in accounts with investments and \$903 in accounts without investments (Figure 12). Similarly, among accounts opened in 2008, end-of-year 2018 balances averaged \$28,212 in accounts with invested assets and \$5,667 in accounts without investments.

Figure 10  
**Average End-of-Year 2018 HSA Balance, Among HSAs With Contributions, by Year Account Was Opened**



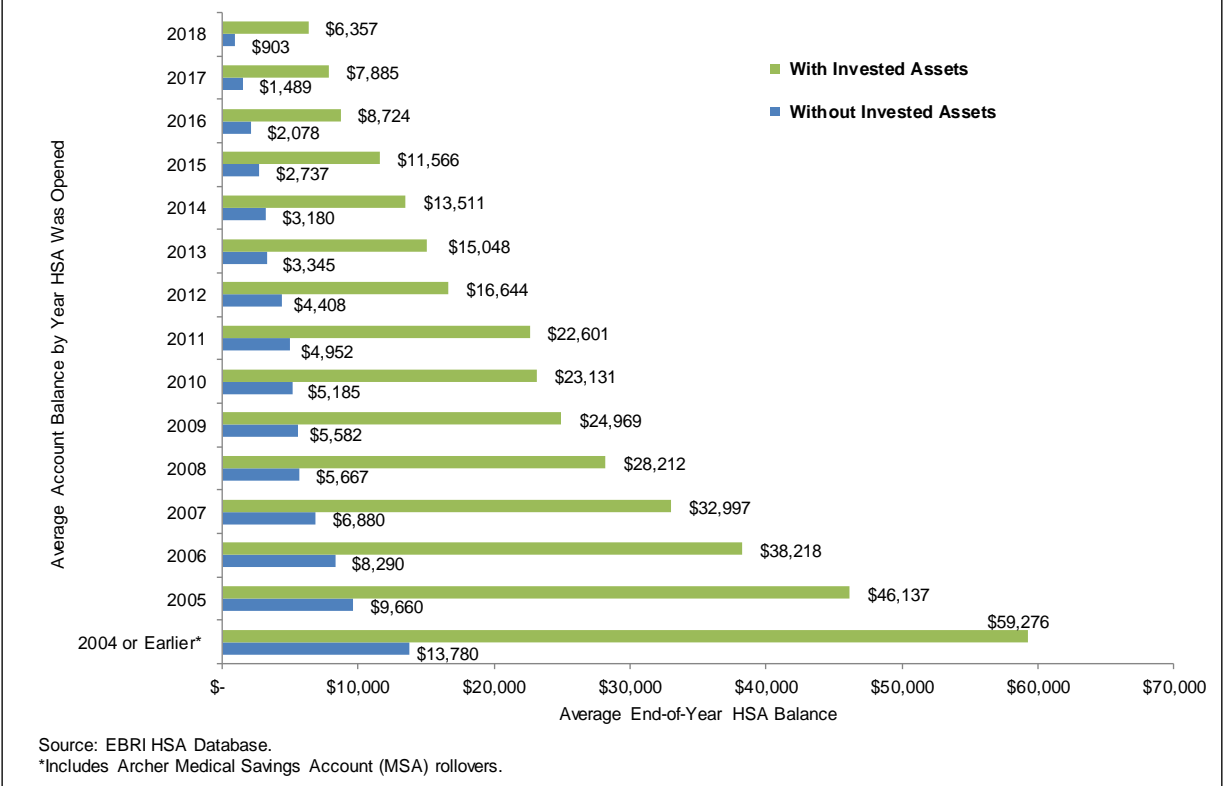
Source: EBRI HSA Database.  
 \*Includes Archer Medical Savings Account (MSA) rollovers.

Figure 11  
**Average End-of-Year 2018 HSA Balance, With and Without Invested Assets**



Source: EBRI HSA Database.

Figure 12  
**Average End-of-Year 2018 HSA Balance, Among HSAs With Contributions, With and Without Invested Assets**



## 2018 Contributions

One-half of HSA owners contributed to their account in 2018 (Figure 13). More specifically, 9 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 \$6,900 or more (the contribution limit in 2018 for HSA owners with family coverage).

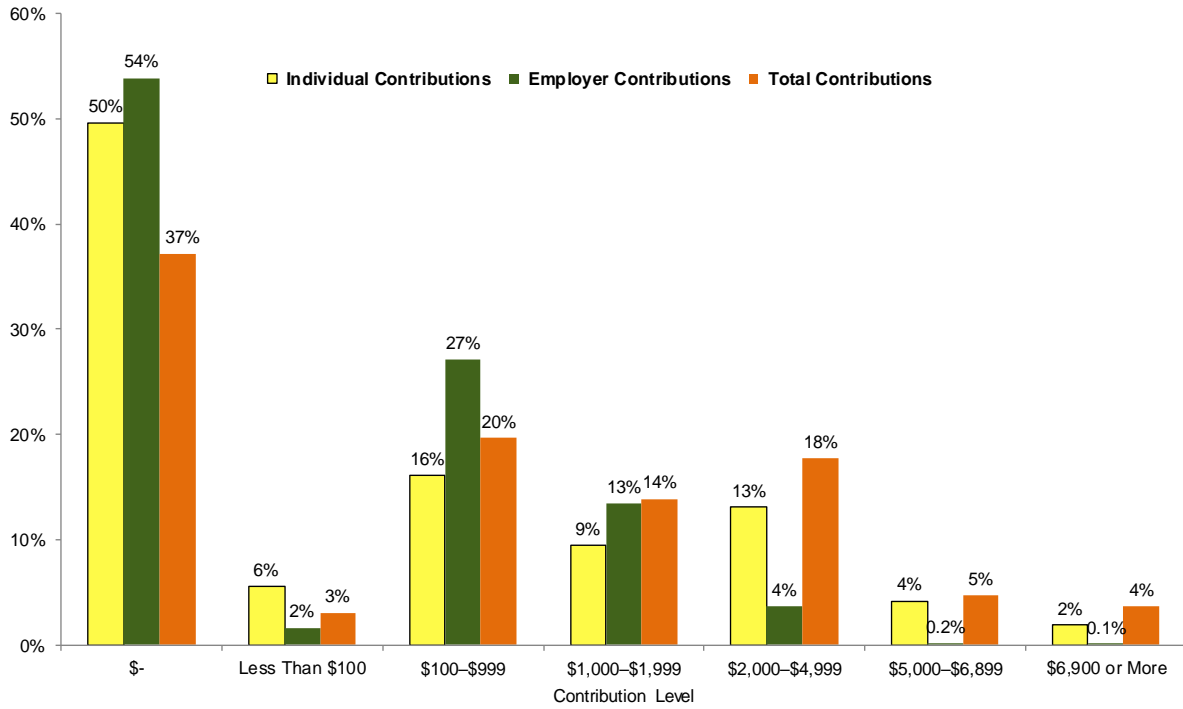
Similarly, nearly one-half of HSA owners received an employer contribution in 2018. Twenty-seven percent had an employer contribution of \$100–\$999; 13 percent received an employer contribution of \$1,000–\$1,999; and 4 percent had an employer contribution of \$2,000 or more.

Considering overall contributions, 37 percent of HSAs did not receive any contributions in 2018, while 18 percent received contributions between \$2,000 and \$4,999, and 4 percent received \$6,900 or more in contributions.

Contribution levels for 2018 were considerably higher for HSAs with investments. Among accounts with investments, 31 percent had contributions between \$2,000 and \$4,999, 16 percent received contributions between \$5,000 and \$6,899, and 9 percent had \$6,900 or more in contributions (the contribution limit in 2018 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, 4 percent received contributions between \$5,000 and \$6,899, and 2 percent had \$6,900 or more in contributions. Roughly twice as many HSAs without investments received zero contributions in 2018 compared with those with investments.

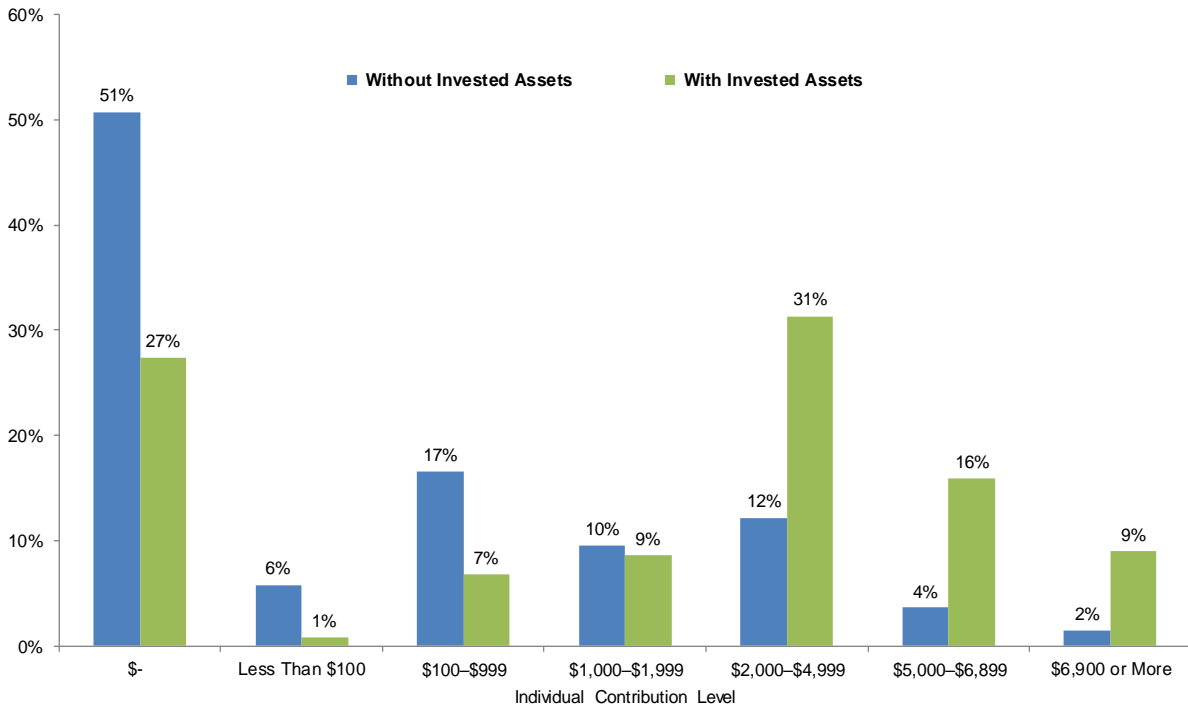
As noted above, 63 percent of the HSAs in the EBRI HSA Database received either individual or employer contributions in 2018, and the balances of these HSAs accounted for 76 percent of all assets in the EBRI HSA Database. Among HSAs with any contribution in 2018, 20 percent did not have an individual contribution and 27 percent did not have an employer contribution (Figure 15). Only 3 percent of HSAs received individual contributions at or above \$6,900. When individual and employer contributions were combined, 6 percent of HSAs had contributions of \$6,900 or more (the contribution limit in 2018 for HSA owners with family coverage).

Figure 13  
2018 HSA Contributions, by Source of Contribution



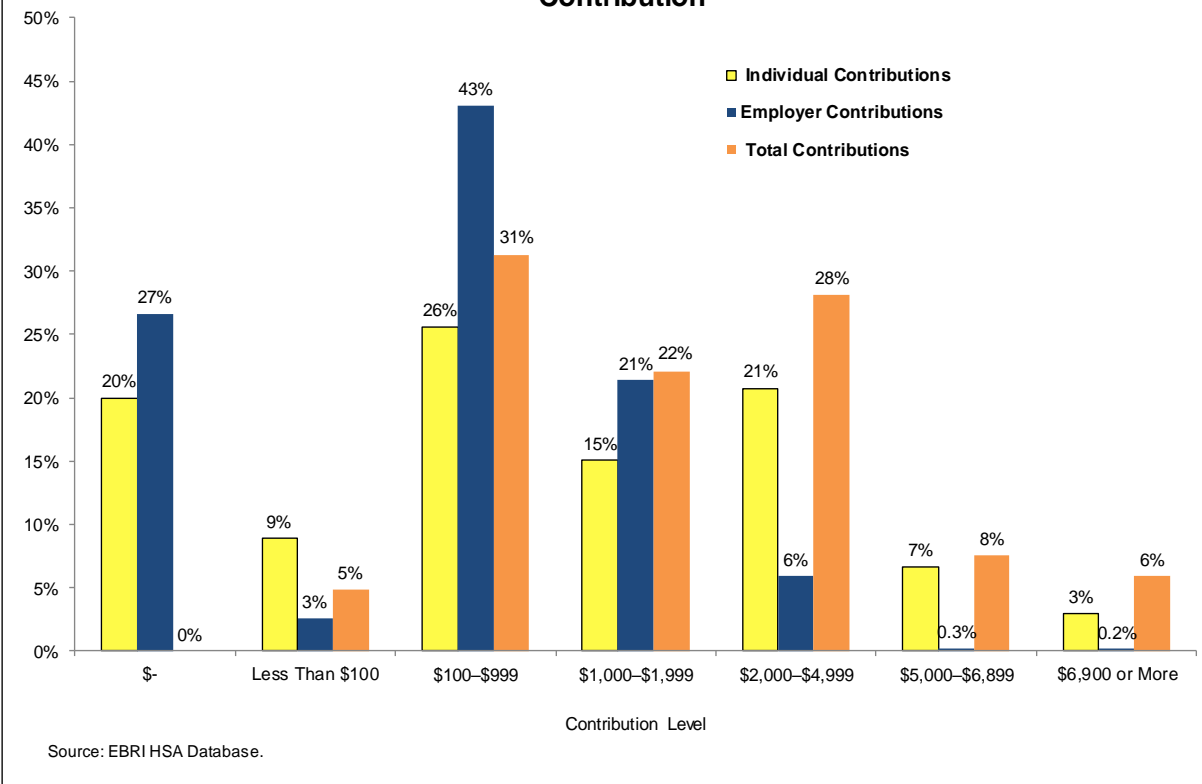
Source: EBRI HSA Database.

Figure 14  
2018 HSA Individual Contributions, With and Without Invested Assets



Source: EBRI HSA Database.

Figure 15  
**2018 Contributions for HSAs With Contributions, by Source of Contribution**



Of the 2018 individual contributions to HSAs, 35 percent were below \$1,000 (9 percent were less than \$100, and 26 percent were between \$100 and \$999); 15 percent were between \$1,000 and \$1,999; and 21 percent were between \$2,000 and \$4,999. Of the HSAs with 2018 employer contributions, 43 percent of the contributions were between \$100 and \$999, 21 percent were between \$1,000 and \$1,999, and 6 percent were \$2,000 or more.

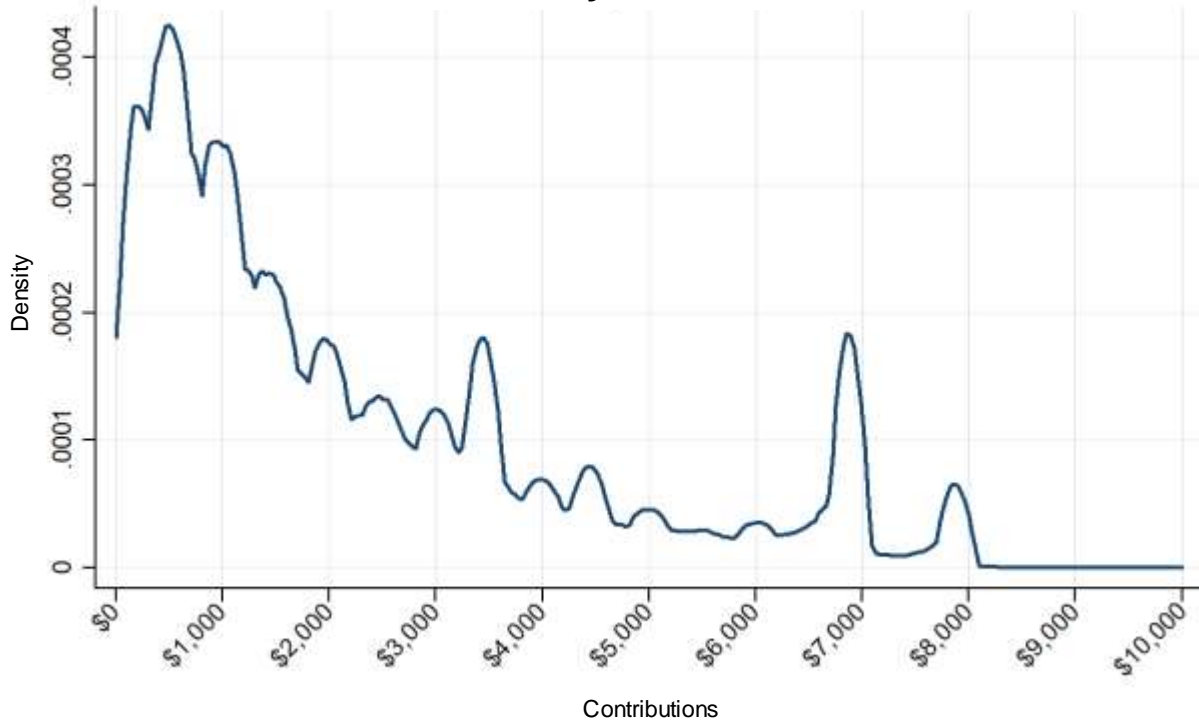
Of the HSAs that received either individual or employer contributions in 2018, 31 percent of HSAs had contributions of \$100–\$999, 22 percent received contributions of \$1,000–\$1,999, 28 percent had contributions of \$2,000–\$4,999, and only 14 percent of HSAs had contributions of \$5,000 or more (8 percent were between \$5,000 and \$6,899, and 6 percent were at \$6,900 or more).

HSA contribution behavior suggests accountholders have specific target amounts in mind when making contribution decisions. Plotting the density of HSA contributions by dollar amount reveals a clear pattern. Among accountholders who made contributions in 2018, contribution amounts are clustered around \$500 and \$1,000 increments, with another large cluster of contributions around the statutory maximums for single and family coverage (which were \$3,450 and \$6,900 in 2018, respectively) and another smaller cluster at \$7,900, which includes accountholders ages 55 or older contributing the maximum plus a catch-up contribution. (Figure 16)

*Contributions by End-of-Year Balance* — Among HSAs that received 2018 contributions, those with a zero account balance at the end of 2018 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 17). Individual contributions averaged \$1,693 for those with a balance at the end of 2018 and \$686 among those without a balance. Among those with a balance, 16 percent contributed \$1,000–\$1,999, 22 percent contributed \$2,000–\$4,999, and 10 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 2018 (Figure 18).

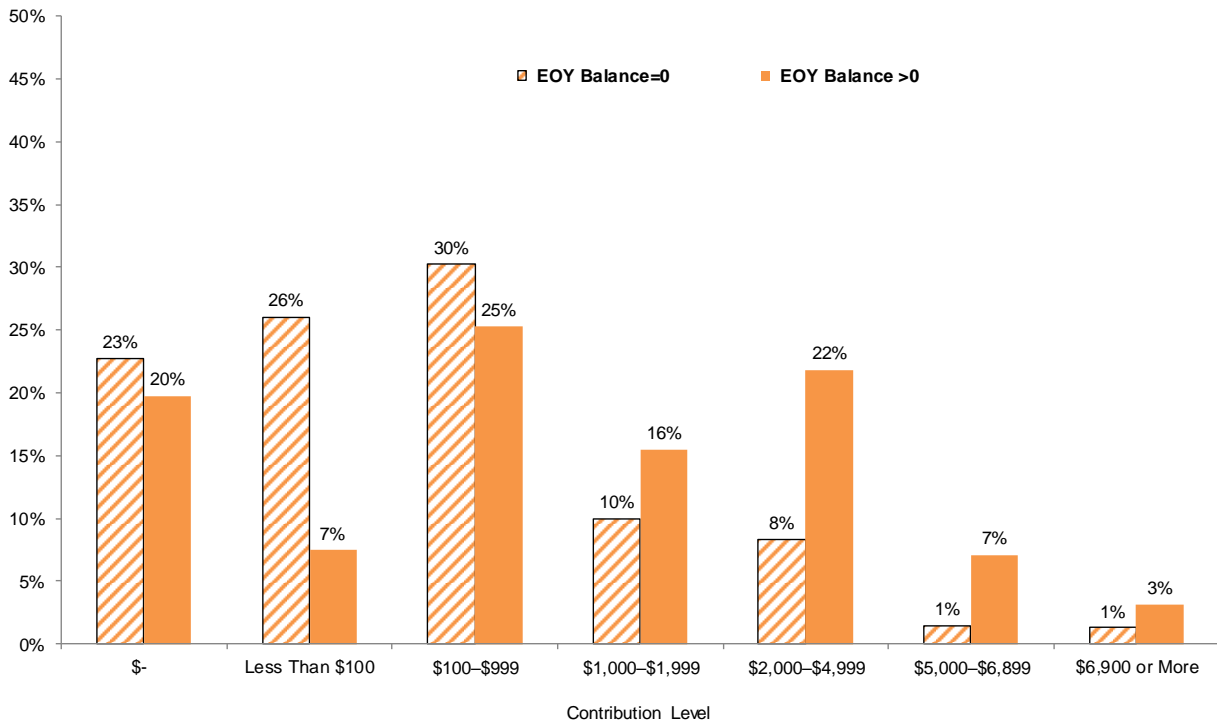


Figure 16  
**2018 Contribution Density for HSAs With Contributions**



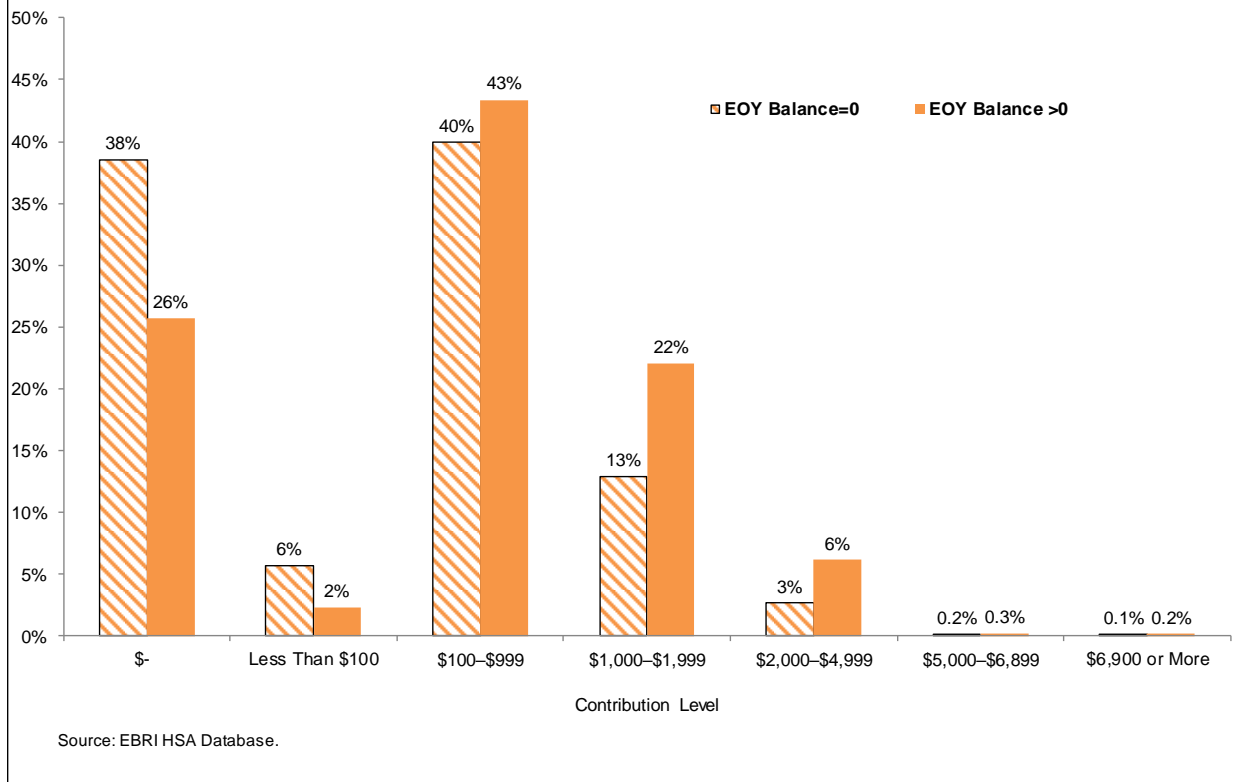
Source: EBRI HSA Database.

Figure 17  
**2018 Individual Contributions for HSAs With Any Contributions, by End-of-Year Account Balance**



Source: EBRI HSA Database.

Figure 18  
**2018 Employer Contributions for HSAs With Any Contributions, by  
 End-of-Year Account Balance**



Combined individual and employer contributions are shown in Figure 19. Among those with a zero account balance at the end of 2018, nearly one-half (42 percent) had contributions between \$100 and \$999:

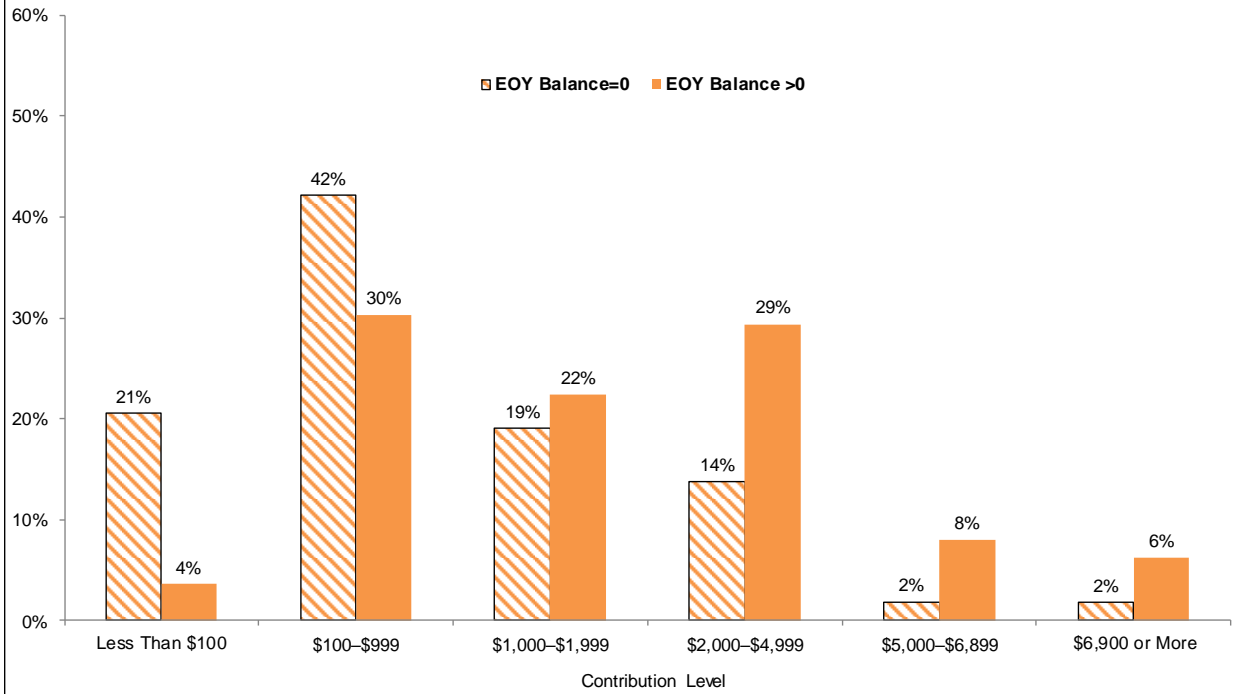
- 19 percent had contributions of \$1,000–\$1,999.
- 14 percent had contributions of \$2,000–\$4,999.
- 4 percent had contributions of \$5,000 or more.

Among those with a positive account balance at the end of the year, one-third (30 percent) had contributions between \$100 and \$999:

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

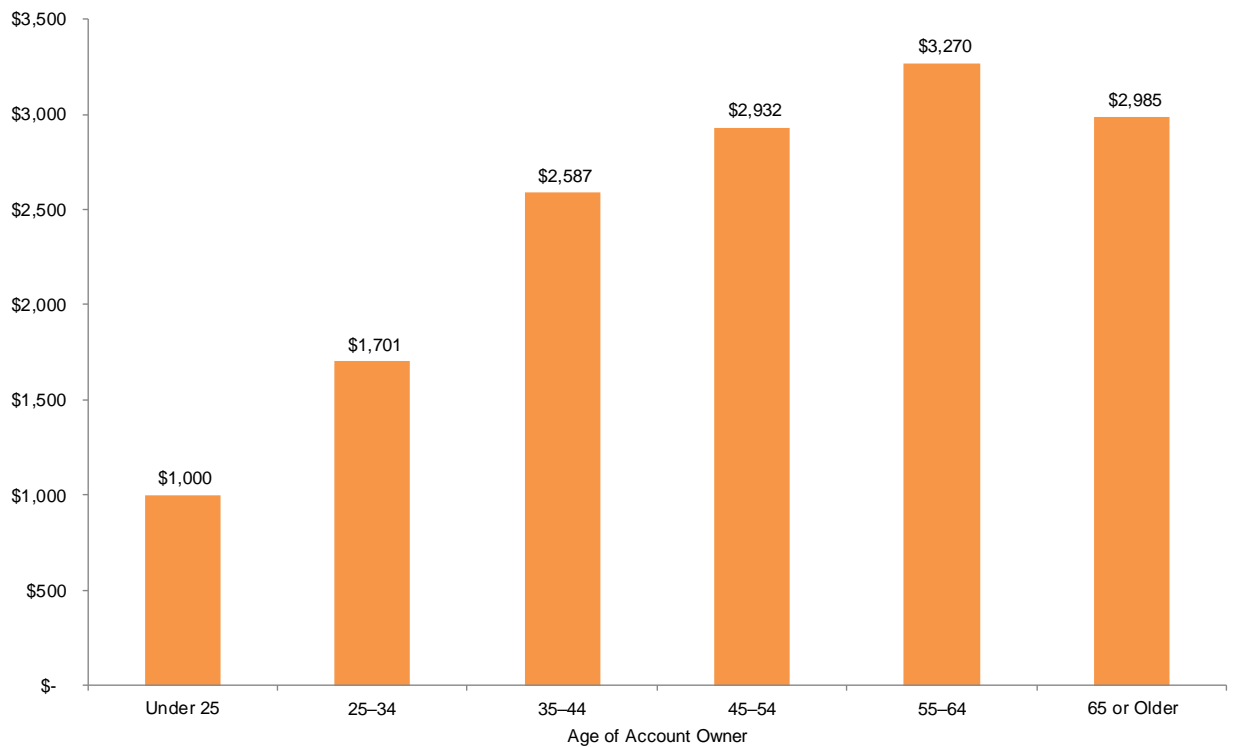
*Contributions by Age* — Average 2018 contributions generally increased with age. Contributions in 2018 averaged \$1,000 for individuals under age 25 and \$3,270 for individuals ages 55–64 (Figure 20). They were slightly lower, \$2,985, for those ages 65 and older.

Figure 19  
**Combined 2018 Individual and Employer Contributions for HSAs With Any Contribution, by End-of-Year Account Balance**



Source: EBRI HSA Database.

Figure 20  
**2018 Annual HSA Contributions, by Age**



Source: EBRI HSA Database..

## 2018 Distributions

Six in ten HSAs (59 percent) had distributions in 2018, while 41 percent did not (Figure 21). 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, 29 percent were below \$500, 17 percent were between \$500 and \$999, and 21 percent were between \$1,000 and \$1,999. Still, about one-third of 2018 distributions were at least \$2,000.

*Age* — The average annual amount distributed in 2018 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 \$618 from their HSAs in 2018, compared with an average of \$2,295 for individuals ages 55–64 and \$2,011 for individuals ages 65 and older (Figure 22). Similarly, the likelihood of taking a distribution increased from 36 percent among individuals under age 25 to between 60 and 66 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 2008 had an average distribution of \$2,841 from their account in 2018 (Figure 23). Those whose accounts were opened in 2012 had an average distribution of \$2,467, while those who first opened the account in 2018 had an average distribution of \$1,109.

The likelihood of there being a distribution was between 58 percent and 67 percent among accounts opened before 2018 (with those opened in 2004 or earlier being an exception) but was only 46 percent among accounts opened in 2018. 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.

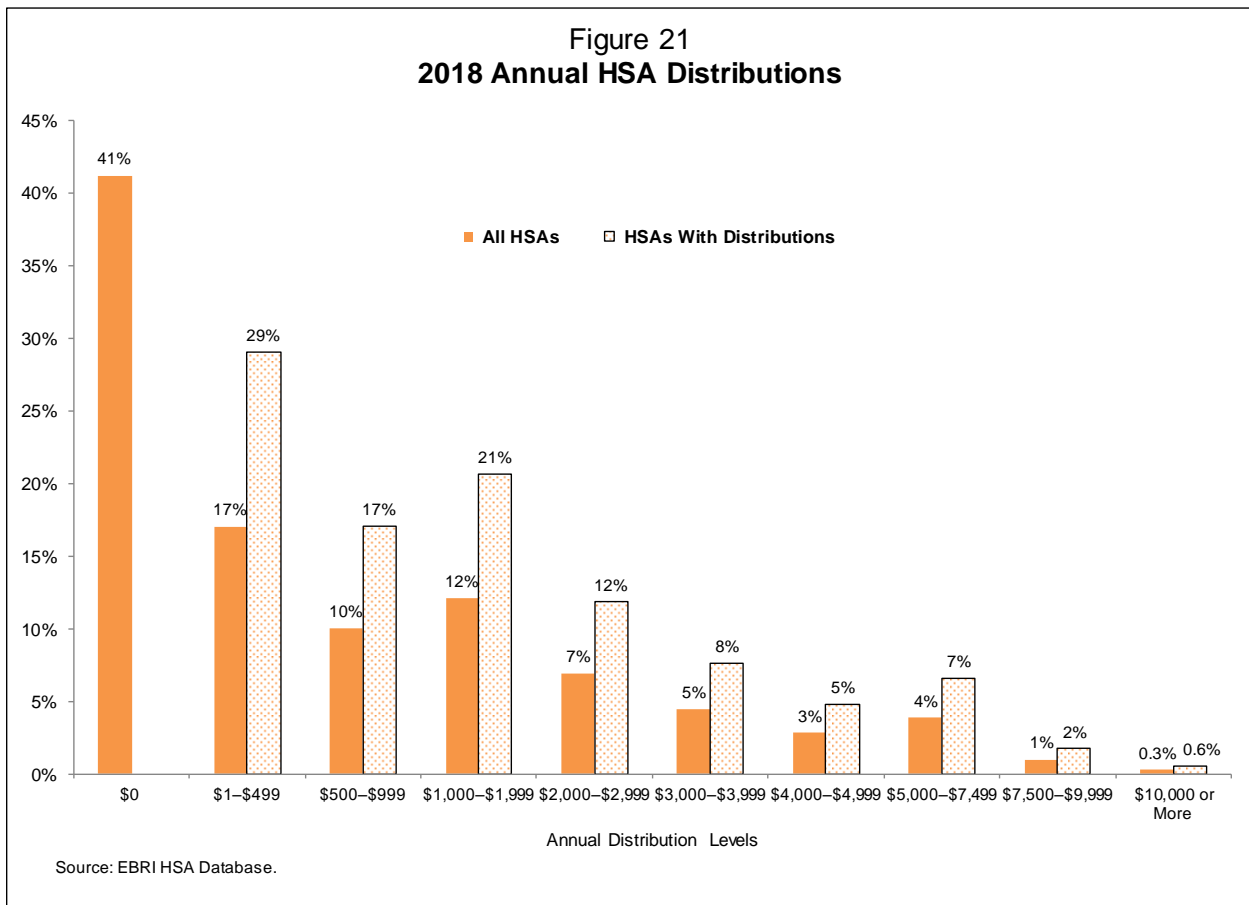
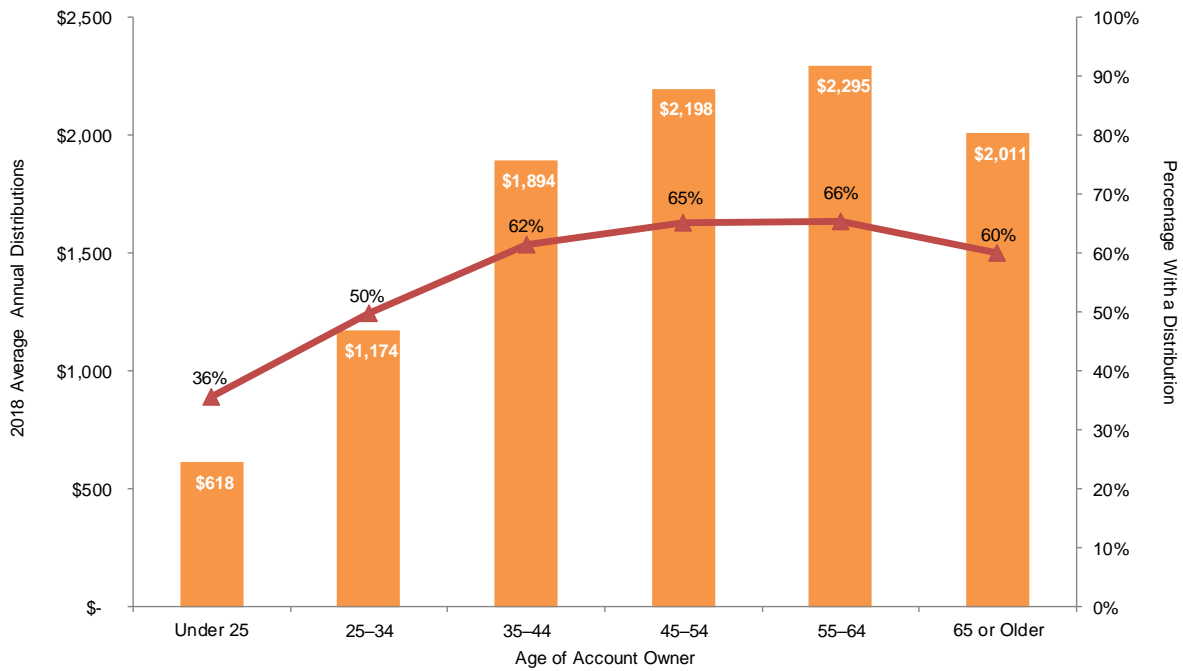
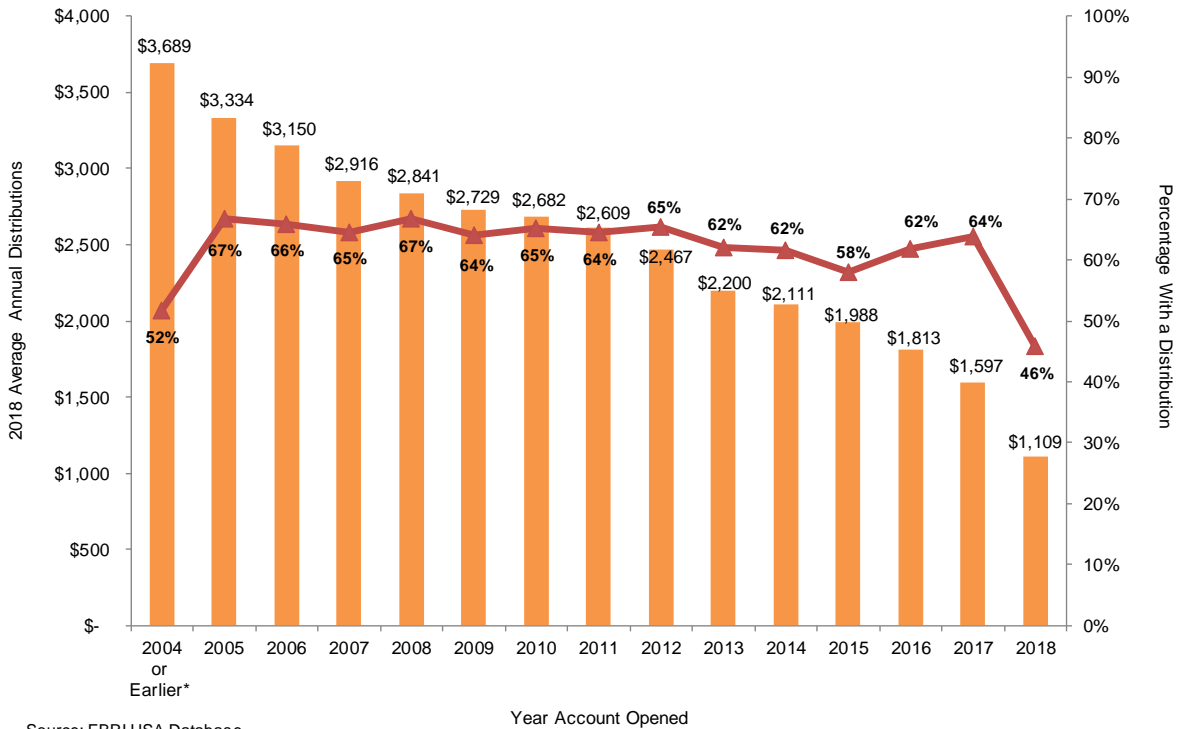


Figure 22  
**2018 Average Annual HSA Distributions Among Accounts With Distributions, by Age of Owner**



Source: EBRI HSA Database.

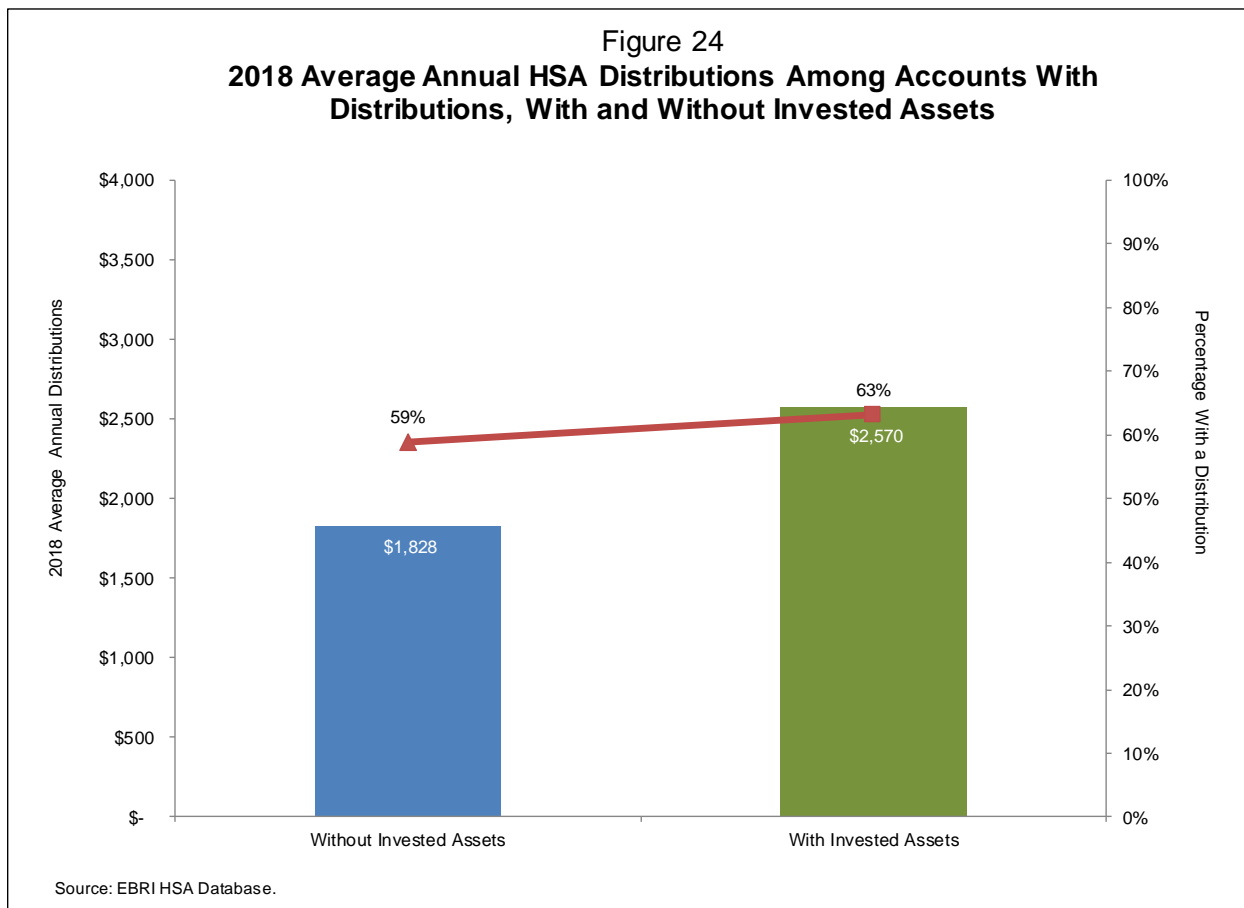
Figure 23  
**2018 Average Annual HSA Distributions Among Accounts With Distributions, by Year Account Was Opened**



Source: EBRI HSA Database.

\*Includes Archer Medical Savings Account (MSA) rollovers.

*Accounts With Investments* — The likelihood and size of distributions were higher in accounts with investments than in accounts without investments (Figure 24). In 2018, 63 percent of HSAs with investments had distributions, averaging \$2,570, compared with 59 percent of HSAs without investments, averaging \$1,828.

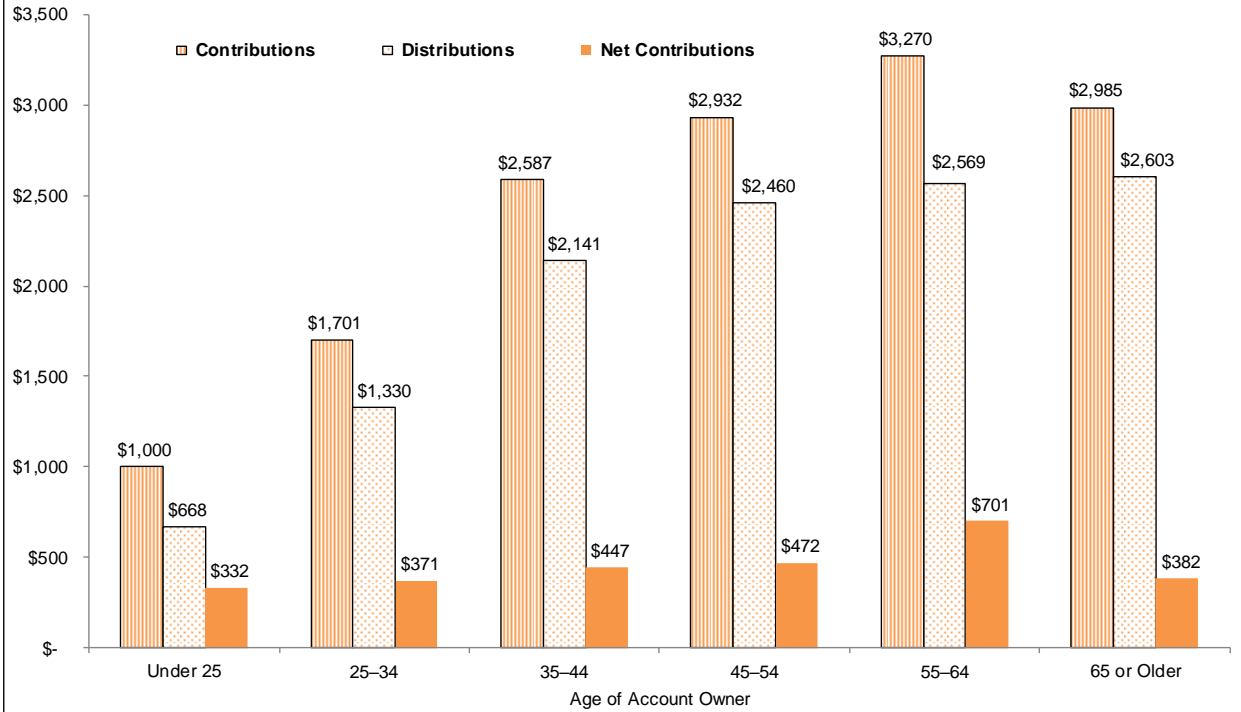


## 2018 Net Contributions

Average 2018 contributions and distributions increased with owner age — up to a point. Contributions in 2018 averaged \$1,000 for individuals under 25 and peaked at \$3,270 for individuals ages 55–64 (Figure 25). Similarly, average distributions ranged from \$668 for individuals under 25 to \$2,569 for individuals ages 55–64. Average net contributions, or the excess of 2018 contributions over distributions, also increased with age. Individuals under 25 had an average net contribution of \$332 in 2018, while those ages 55–64 had an average net contribution of \$701. Overall, two-thirds of accountholders had contributions that were larger than their 2018 distributions.

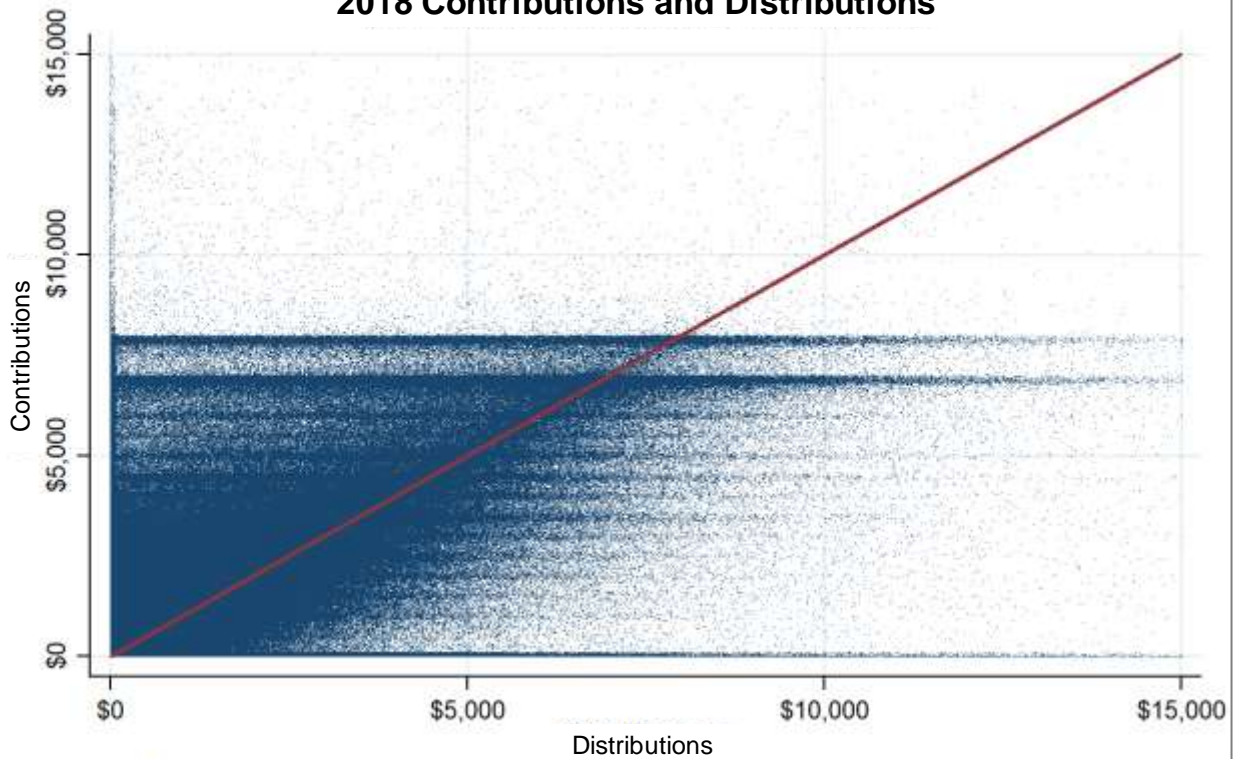
This relationship becomes apparent when plotting HSA distributions against contributions (Figure 26). The red line is drawn at a 45-degree angle and represents a 1:1 relationship between contributions and distributions. Accountholders — each represented by a blue dot — above this line contributed more than they took in distributions in 2018, and accountholders below this line took more in distributions than they contributed in 2018.

Figure 25  
**Annual 2018 HSA Activity, by Age,  
 Among Accounts With Both Contributions and Distributions**



Source: EBRI HSA Database.

Figure 26  
**2018 Contributions and Distributions**



Source: EBRI HSA Database.

## Conclusion

HSA-eligible health plans and HSAs have become a significant factor in employment-based health coverage for American workers. Enrollment in HSA-eligible health plans in 2018 was estimated to be between 21.4 and 33.7 million policyholders and their dependents, and HSA assets were estimated at \$45.2 billion as of Dec. 31, 2018. HSAs are also increasingly factoring into employers' approaches to retirement planning and even overall financial wellness.

Data from the EBRI HSA Database provides an important window into accountholder 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.

Seventy-one percent of HSAs were opened since the beginning of 2015. Even in this short window, the data show accountholders are gradually making incremental steps toward maximizing the savings potential of HSAs. Specifically, 93 percent of HSAs with 2018 contributions ended the year with funds to roll over for future expenses. This is evidence that accountholders understand the rollover feature of their HSA.

Further, in 2018, 66 percent of accountholders had positive net contributions, meaning their annual contributions were higher than their annual distributions. While it is plausible that accountholders 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 2018, the average HSA balance was \$2,803 among accountholders with individual or employer contributions, up from \$2,071 at the beginning of the year.

When working to support accountholders in self-funding uninsured medical expenses, plan sponsors and administrators should bear in mind that most accountholders 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 2019, 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 \$6,750 for individual coverage or \$13,500 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 2019, a worker with individual coverage is allowed to make an annual HSA contribution of \$3,500, while a worker with family coverage can contribute as much as \$7,000. 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.<sup>9</sup>

## **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 has 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 owner is responsible for making the investment decisions and bears 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.<sup>10</sup> 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.<sup>11</sup> "

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## Endnotes

<sup>1</sup> See <https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-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.

<sup>2</sup> See the literature review in Bundorf (2012) as well as more recent research in Brot-Goldberg, et al. (2015); Fronstin and Roebuck (2013); Fronstin, Sepúlveda, and Roebuck (2013a); Fronstin, Sepúlveda, and Roebuck (2013b); Fronstin and Roebuck (2014); Fronstin and Roebuck (2016); and Fronstin and Roebuck (2019).

<sup>3</sup> 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 are from 2012. Devenir reports trend data going back to 2006 from a survey of HSA providers, but the data are aggregated and do not provide the kind of detail available in the AHIP report. 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.

<sup>4</sup> See <https://www.fidelity.com/viewpoints/wealth-management/hsas-and-your-retirement>

<sup>5</sup> See <https://benefitplans.baml.com/publish/content/application/pdf/GWMOL/2019WorkplaceBenefitsReport.pdf>

<sup>6</sup> See <https://www.ebri.org/publications/research-publications/issue-briefs/content/a-possible-disconnect-between-perception-and-utilization-of-hsas>

<sup>7</sup> Several recordkeeping organizations have provided de-identified data on HSA owners as of year-end 2018. 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 numbers, 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.

<sup>8</sup> According to Devenir, there were 25 million accounts holding \$53.8 billion in assets as of Dec. 31, 2018. See <https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

<sup>9</sup> 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.

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

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