

Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2021

Evidence From the EBRI HSA Database

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

AT A GLANCE

Health savings account (HSA)-eligible health plans are an important part of the health benefits landscape, yet there is little empirical research on how HSAs are used by employees. Based on its unique database of more than 13 million HSAs, the Employee Benefit Research Institute (EBRI) seeks to shed light on the ways HSA accountholders contribute to, withdraw from, and invest in their HSAs. Such analyses can help not only plan sponsors but also providers and policymakers better understand strategies that can help improve utilization of HSAs and, ultimately, overall employee financial wellness.

Key findings for 2021 include:

- **Despite a rebound in out-of-pocket health care spending in 2021, HSA balances increased on average over the course of the year.** Patients sought health care services more frequently in 2021 — and spent more out of pocket, as well — than they did in 2020, yet the average end-of-year balance was higher than the average beginning-of-year balance. And the average balance increase was even larger when analyzing only accounts that had received a contribution in 2021.
- **Accounts that received an employer contribution saw higher total contributions and were more likely to invest.** This may be a sign that employer contributions can play a pivotal role in fostering accountholder engagement with their HSAs. Our analysis also indicates, however, that these accountholders were more likely to take more frequent and larger distributions.
- **Most accountholders took a distribution in 2021.** More than half of HSAs in EBRI's database saw a distribution in 2021, and the average distribution was \$1,786.
- **Still relatively few HSAs are invested.** One of the largest advantages HSAs offer is the ability to invest assets within the account. However, our analysis reveals that only 12 percent of accountholders invested their HSAs in assets other than cash.
- **Age and tenure play a major role in HSA utilization.** As accountholders age, we find systematic differences in how they use their HSAs. Older accountholders tended to have higher average contributions and higher average balances than younger accountholders. Similarly, accountholders who have had their HSAs for a longer period of time tended to have higher average contributions, higher average balances, and invested their balances in assets other than cash more frequently.

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Introduction

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the landmark legislation that created health savings accounts (HSAs) will be celebrating its 20th anniversary in 2023. Nearly 10 years ago, EBRI's inaugural analysis using its newly established HSA Database captured the spending and savings behavior of just 1.4 million HSAs. Since then, EBRI's HSA Database has grown to account for 13.1 million open HSAs in 2021 across \$39.5 billion in assets. EBRI's HSA Database is estimated to represent 40 percent of the whole market.¹ To better understand HSA accountholder behavior, this *Issue Brief* focuses on the HSAs in EBRI's HSA Database that were open for at least some part of 2021, and we exclude all accounts that were closed prior to 2021 from analysis.

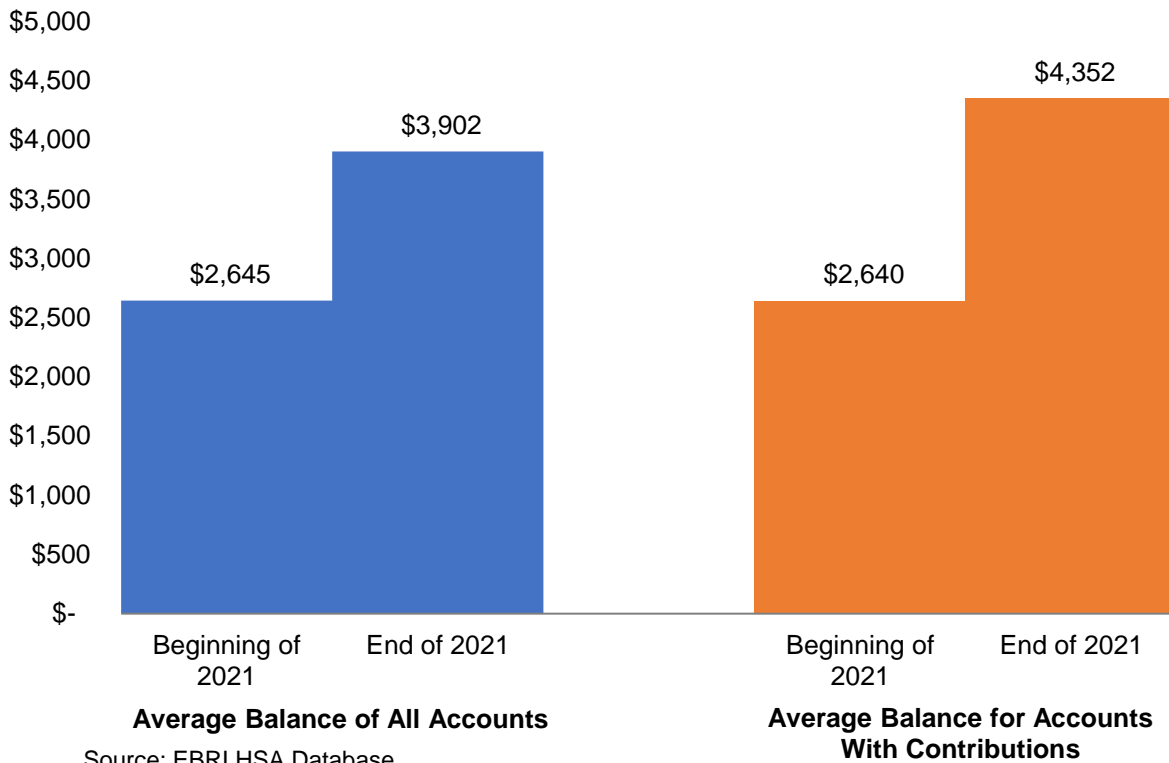
The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) allows individuals enrolled in high-deductible health plans meeting certain requirements to open and fund a health savings account (HSA), a tax-exempt trust or custodial account that is funded with contributions and assets 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. 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. For 2023, contributions are limited to \$3,850 for people with individual coverage and \$7,750 for those with family coverage (Appendix Figure 2).

Account Balances

The average HSA balance increased over the course of 2021. Notably, this is in the face of rising health care expenditures; while fewer health care services were sought in 2020 on account of the COVID-19 pandemic, and spending by patients enrolled in private health insurance decreased accordingly alongside out-of-pocket spending, this trend reversed in 2021 (Mehrota et al. 2021, Centers for Medicare and Medicaid Services 2022). Out-of-pocket spending increased by more than 10 percent in 2021, yet the average HSA balance increased over the course of the year.

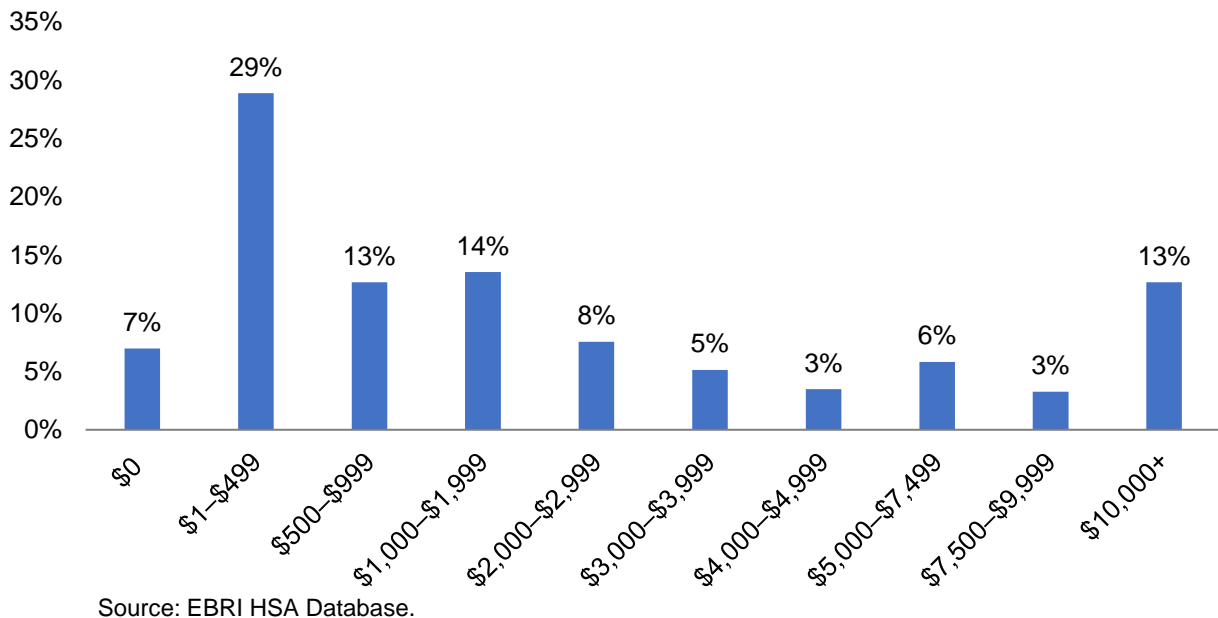
The average HSA balance increased over the course of 2021, rising from \$2,645 at the beginning of the year to \$3,902 by the end of the year. An increasing average balance indicates that many accountholders are better prepared to handle an unexpected medical emergency than they were at the beginning of the year. Next, we restrict our analysis to accounts that received either employee or employer contributions in 2021, as their presence is a strong indicator that the account is being actively used. Perhaps not surprisingly, the average account balance growth is driven by actively used accounts that had received either an employee or an employer contribution in 2021. Specifically, the average balance of these accounts grew more than 50 percent in 2021, from \$2,640 at the beginning of 2021 to \$4,352 at the end of 2021 (Figure 1).

Figure 1
Average Account Balance, by Contribution Status



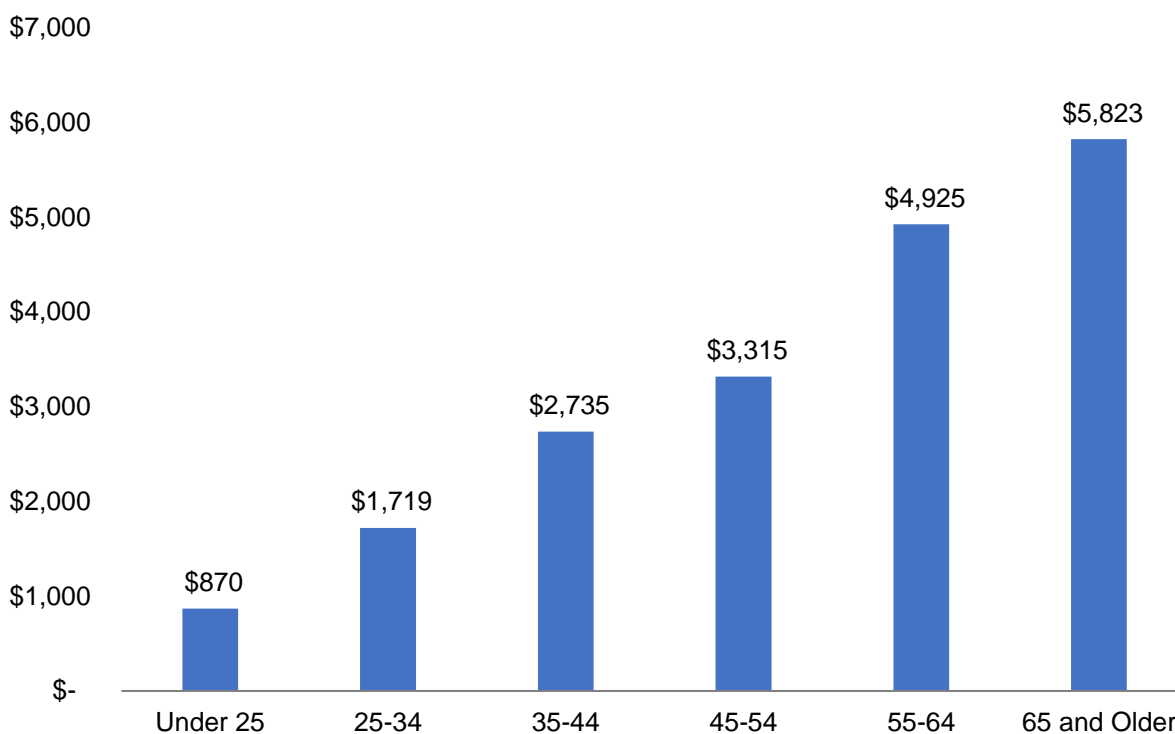
Similar to previous editions of EBRI’s cross-sectional analysis, and dovetailing with expectations given the recent proliferation of HSAs, the majority of accounts in EBRI’s HSA Database contained relatively small balances by the end of 2021. Roughly 36 percent of accounts finished the year with less than \$500 (Figure 2). Meanwhile, 13 percent of accounts finished the year with balances larger than \$10,000.

Figure 2
Year-End Account Balance for Accounts With Contributions



EBRI’s analysis reveals two predominant mechanisms that were strongly associated with higher average account balances. First, age is strongly associated with higher HSA balances: The older the accountholder, the higher the average balance. This result is not particularly surprising, as older workers tend to earn more than younger workers just starting their career, and older workers tend to have had their HSAs for longer, which helps them accumulate larger balances. Each year of experience with HSAs also helps accountholders better see how HSAs fit into their personal finances. Additionally, older workers are more likely to incur health care expenses than younger workers. We see this phenomenon reflected in plotting account balances by age group (Figure 3), where young accountholders under the age of 25 had an average balance of \$870, compared with middle-aged and mid-career accountholders aged 35–44, who had an average balance of \$2,735, and older accountholders aged 65 or older, who had an average balance of \$5,823. Older accountholders were also slightly more likely to make contributions to their accounts: 48 percent of accountholders under 25 made a contribution in 2021, compared with 62 percent of accountholders aged 55–64.

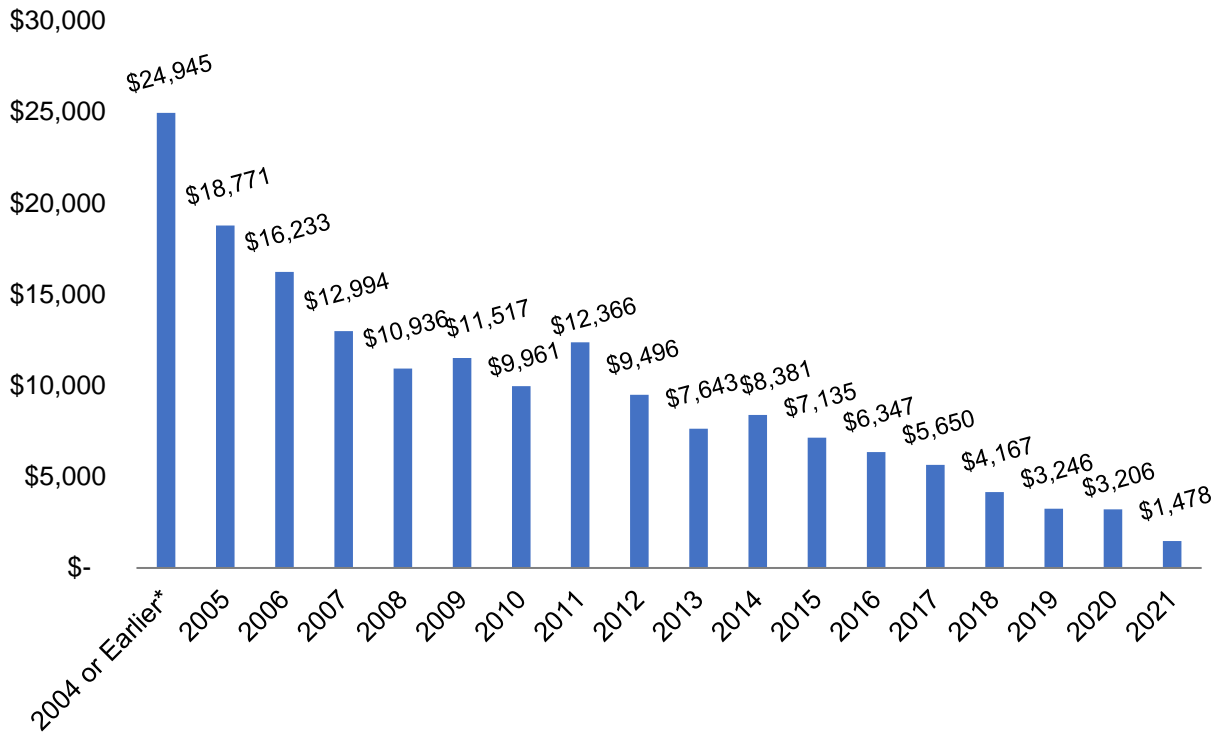
Figure 3
Year-End Account Balances for Accounts With Contributions, by Age



Source: EBRI HSA Database.

Second, EBRI’s analysis indicates that account tenure is strongly associated with higher account balances. The longer someone has had their account, the more contributions they and their employer are likely to have made. While some accountholders spend down much of their balance each year, most do not, and as a result, accountholders are well-positioned to build up progressively higher balances year after year. Unsurprisingly, HSAs that had been open for 15 years had, on average, a significantly higher balance than accounts open for only five years (\$16,233 and \$6,347, respectively), as shown below in Figure 4.

Figure 4
Year-End Account Balances for Accounts With Contributions, by Year Opened



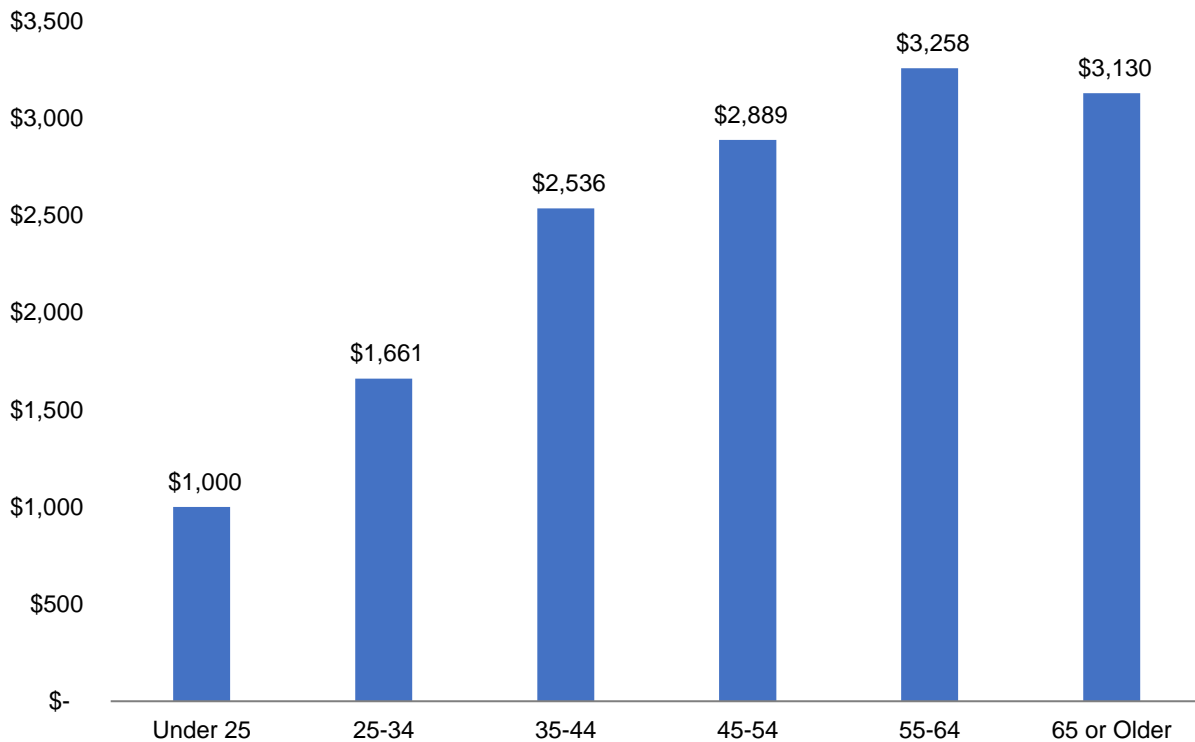
Source: EBRI HSA Database.

*Includes Archer Medical Savings Account (MSA) rollovers

Contributions

Nearly 8 million accounts, representing roughly 60 percent of all accounts in EBRI’s HSA Database, received either an employee or an employer contribution in 2021.² As with account balances, contributions tended to increase with age. Younger workers just starting their careers tend to have fewer discretionary dollars to divert to HSAs, and this results in lower average HSA contributions. Indeed, accountholders under the age of 25 contributed just an average of \$1,000. On the other hand, older accountholders tend to earn more and are therefore better positioned to contribute more to their HSAs. The average contribution increased as accountholder age increased, peaking in the 55–64 age group at \$3,258 before decreasing slightly among accountholders 65 or older (Figure 5).³

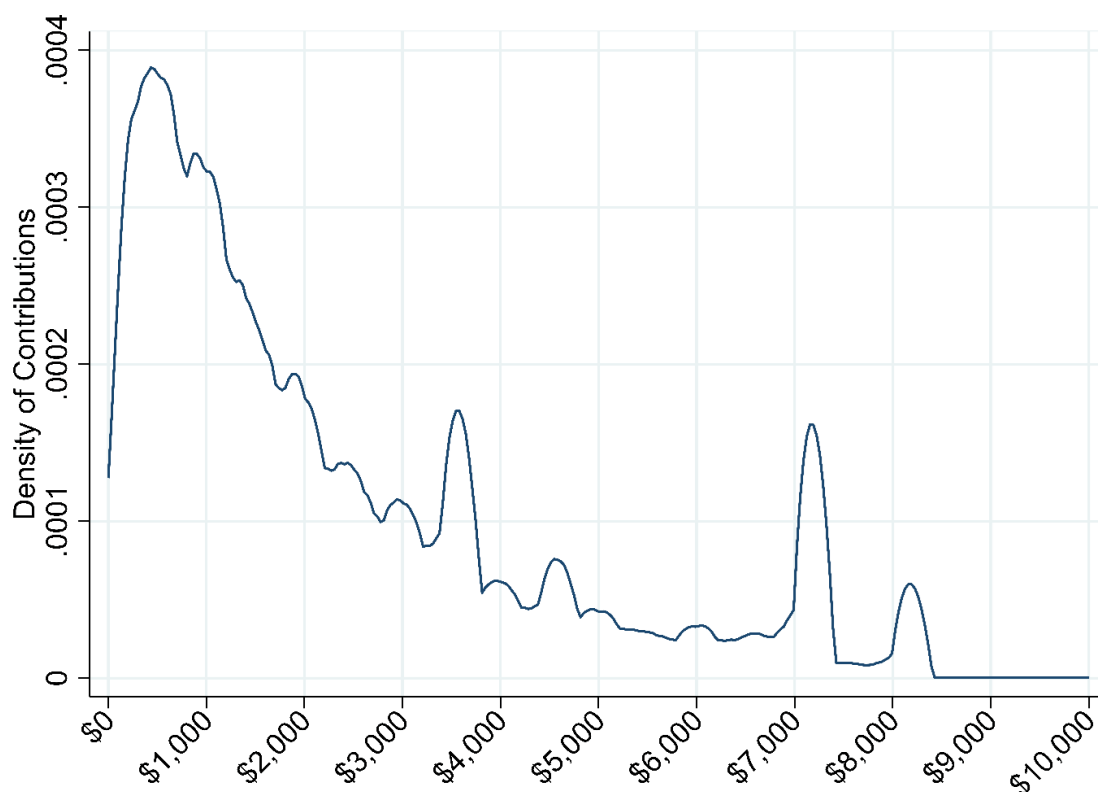
Figure 5
Average HSA Contributions, by Age



Source: EBRI HSA Database.

As EBRI's analyses have found in years past, there is some degree of lumpiness in HSA contributions, which we interpret as an indication that some accountholders target specific amounts to contribute to their HSAs. Plotting how frequently HSA contribution amounts appear in EBRI's HSA Database reveals a few interesting patterns (Figure 6). The largest cluster of contributions was at the \$500 level, with a slightly smaller cluster at the \$1,000 level. Contributions then cluster at roughly \$500 increments thereafter. The spike in contributions around \$3,600 is consistent with the statutory maximum contribution amount for accountholders enrolled in a health care plan with individual coverage. There is also a spike in contributions at the \$7,200 level, which is the statutory maximum contribution amount for accountholders under the age of 55 with family coverage in 2021. Another spike in contributions is centered around \$8,200, which represents the maximum amount that accountholders over the age of 55 with family coverage can contribute.

Figure 6
Distribution of Contribution Amounts for HSAs With Contributions



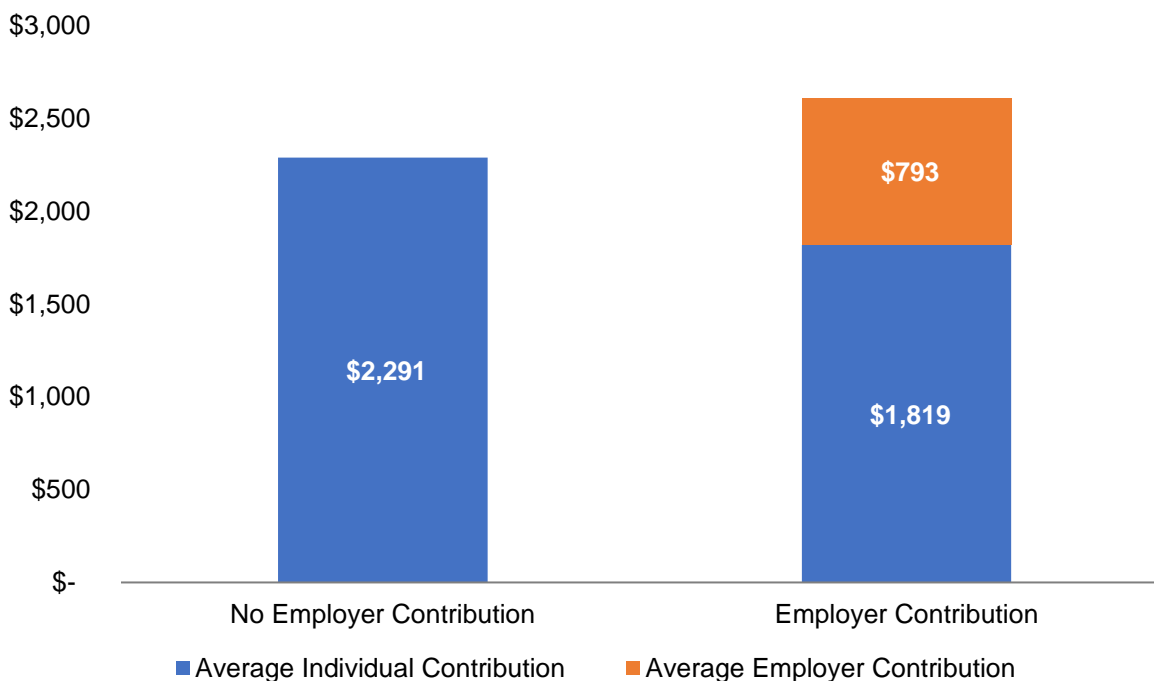
Source: EBRI HSA Database.

As Figure 6 above indicates, we find that a minority of accountholders contribute the statutory maximum to their HSAs.⁴ We find that only about 15 percent of accountholders contributed the statutory maximum in 2021. This share is smaller than the share who contributed the statutory maximum for other tax-advantaged savings vehicles. For instance, an analysis of EBRI’s IRA Database indicates that about 44 percent of individual retirement accounts (IRAs) with a contribution received the maximum allowable contribution in 2017 (Copeland 2020).

Additionally, we find evidence that accounts with an employer contribution differed systematically from accounts without an employer contribution. Employer contributions to HSAs can take several forms. Some employers may provide an initial seed contribution on the employee’s behalf to help them kickstart their accounts. Others may provide a recurring matching contribution, much like an employee contributing to a 401(k) plan, and others may provide a monthly contribution regardless of the employee’s contribution. While EBRI’s HSA Database does not allow us to conduct differential analyses based on employer contribution types, we can examine whether accountholders use their HSAs differently based on whether or not they receive employer contributions.

Accounts that had received employer contributions were systematically different from accounts that did not receive employer contributions in several important ways. The average account with an employer contribution received 14 percent more in total contributions — \$2,612 in 2021 vs. \$2,291 for the average account without the benefit of an employer contribution (Figure 7). Interestingly, accounts with an employer contribution had lower average individual contributions. Employer contributions may nudge employees to allocate their discretionary dollars elsewhere, such as emergency savings accounts or retirement savings accounts, knowing that they could count on their employer’s contribution to hit their HSA savings target. Another interesting phenomenon is that accounts that received employer contributions more frequently contained investments in assets other than cash — 12 percent, compared with 9 percent of all accounts.

Figure 7
Average 2021 Individual and Employer Contributions, by Presence of Employer Contribution



Source: EBRI HSA Database.

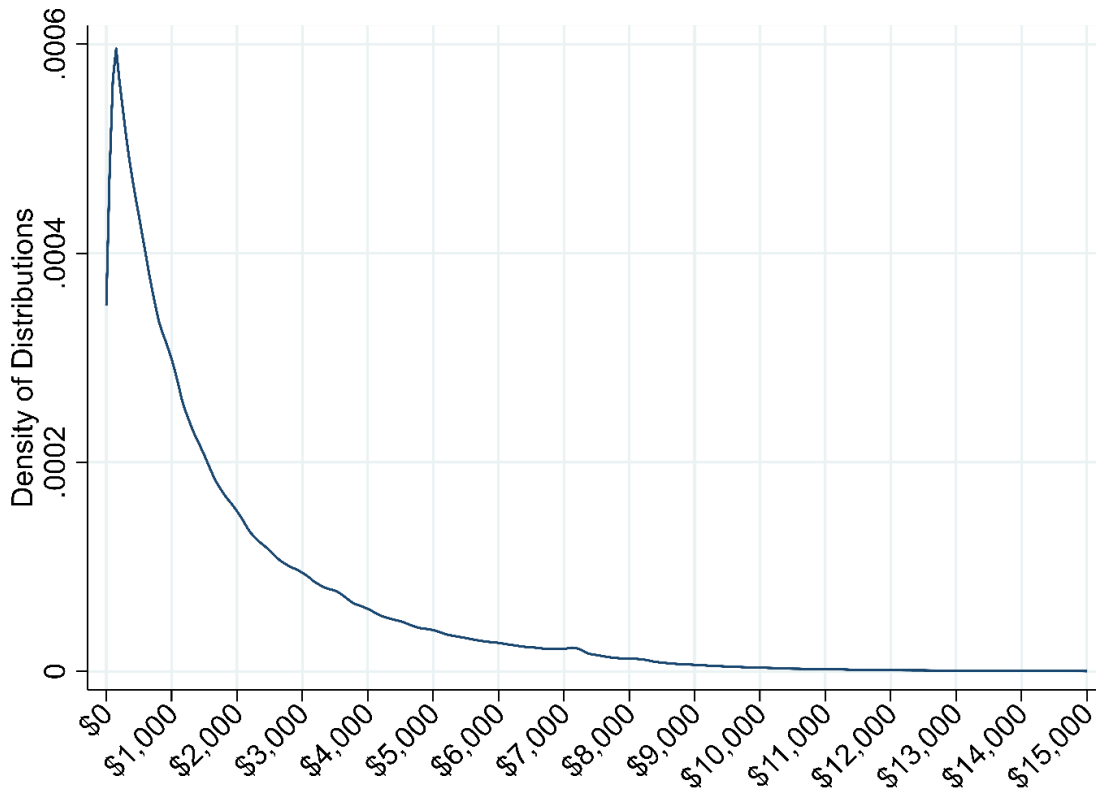
Perhaps as a result of their higher contributions and higher balances, accounts that had received contributions from an employer tended to see different distribution behavior. Accountholders who received an employer contribution were more likely to have taken a distribution than accountholders who did not receive an employer contribution (69 percent vs. 47 percent), and they took larger distributions on average (\$2,009 vs. \$1,677). Accountholders who received an employer contribution may have been emboldened to take larger distributions knowing that their employer’s contribution padded their account balances. Or this may be related to a phenomenon frequently observed in behavioral economics known as the endowment effect, causing accountholders with a balance built solely from their own contributions to be less willing to take a distribution than accountholders who also receive an employer contribution.

Distributions

HSAs help accountholders offset higher deductibles found in high-deductible health plans (HDHPs). This feature is particularly useful for households that lack the cash flow or emergency savings to pay for large (and potentially unexpected) medical expenditures out of pocket. As a result, many accountholders in EBRI’s HSA Database withdraw money from their HSAs. Taking distributions could be counterproductive if an accountholder’s goal is to maximize wealth at retirement, assuming they have sufficient liquidity to pay for medical expenditures out of pocket. That said, roughly 53 percent of accountholders withdrew money from their HSAs at some point in 2021. Among those who took a distribution, the average amount withdrawn was \$1,786, and the median distribution — less sensitive to large outliers — was \$976.

Most accountholders who did take distributions from their HSAs withdrew small amounts. Of the accountholders who took a distribution, a plurality — about 34 percent — withdrew less than \$500. Meanwhile, a vanishingly small minority — only 0.5 percent — withdrew more than \$10,000. A graph of the distribution of withdrawals is strongly skewed toward zero, reflecting that the most common amount withdrawn among accountholders with distributions was less than \$500 (Figure 8).

Figure 8
Distribution of Withdrawals From HSAs With Withdrawals



Source: EBRI HSA Database.

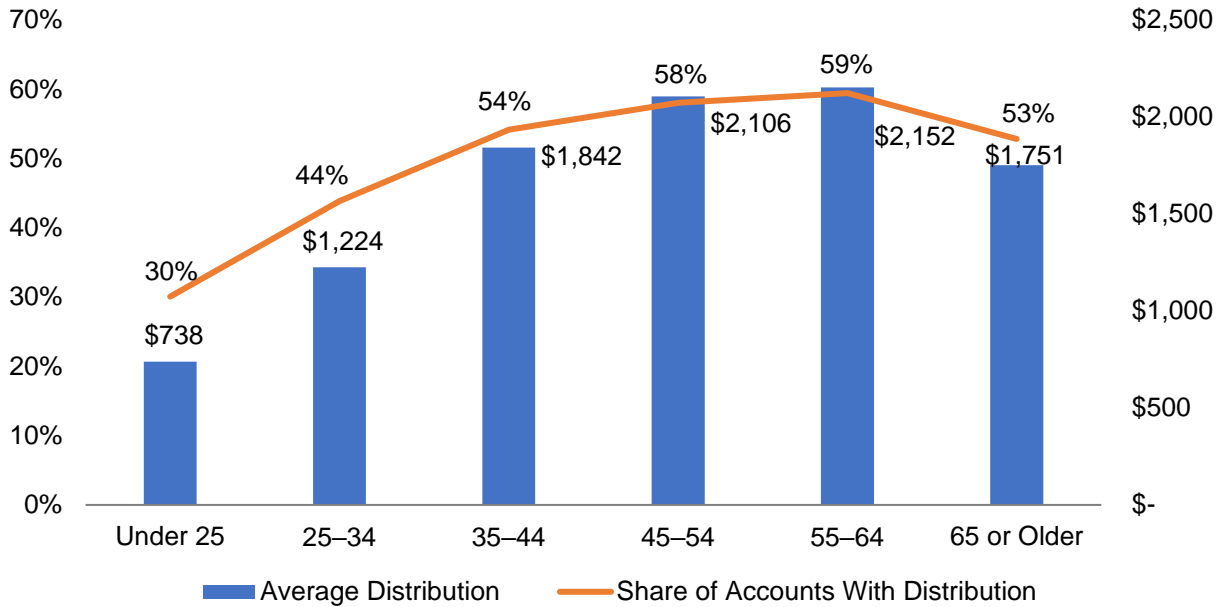
A majority of accountholders either did not take a distribution in 2021 or took a distribution smaller than \$500. Notably, accountholders’ deductibles were at least \$1,400 in 2021 for single coverage and \$2,800 for family coverage (and potentially higher). As such, the low amounts withdrawn could be an indication that healthier people who do not expect to have large medical expenditures are self-selecting into HDHPs or that most people do not incur large medical expenses (Fronstin and Roebuck 2019). This could also reflect that these accounts are owned by people who have multiple HSAs or are owned by people who have opted into a traditional health care plan and can no longer contribute to their HSA.

Among accountholders who took distributions, EBRI’s analysis finds several factors that are strongly associated with larger withdrawals. On average, older accountholders took higher distributions from their HSAs than younger accountholders. To illustrate, accountholders under 25 who took distributions withdrew \$738 on average, while their counterparts aged 55–64 withdrew an average of \$2,152 (Figure 9). They also took distributions less frequently (30 percent compared with 59 percent). This dovetails with expectations, as younger accountholders are likely healthier and therefore spend less on health care needs than older workers. Also, as indicated earlier, older accountholders tend to have higher account balances and contribute more to their HSAs and thus are better positioned to take larger distributions.

Accountholders with longer account tenures also took larger distributions. New accounts that were opened in 2021 were less likely to have a distribution taken from them than older accounts. For instance, 41 percent of new accounts took a distribution, compared with 50 percent for accounts three years old, shown below in Figure 10. Newer accounts also took smaller distributions than accounts three years old (\$982 and \$1,626, respectively). As is the case with accountholder age, accountholders who have had their HSAs for a longer period of time build up larger balances over

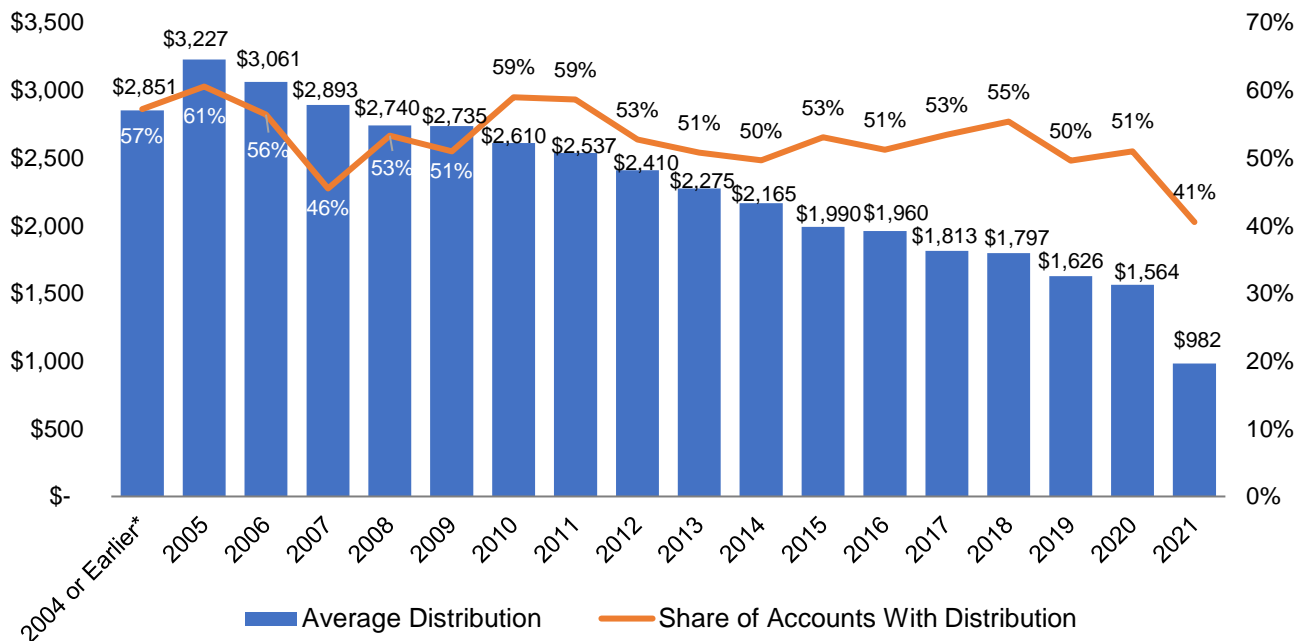
time and are therefore better positioned to take larger distributions when necessitated by their health care spending and personal finance situations.

Figure 9
Average HSA Distributions Among Accounts With Distributions, by Age of Owner



Source: EBRI HSA Database.

Figure 10
Average HSA Distributions Among Accounts With Distributions, by Year Account Was Opened



Source: EBRI HSA Database.

*Includes Archer Medical Savings Account (MSA) rollovers

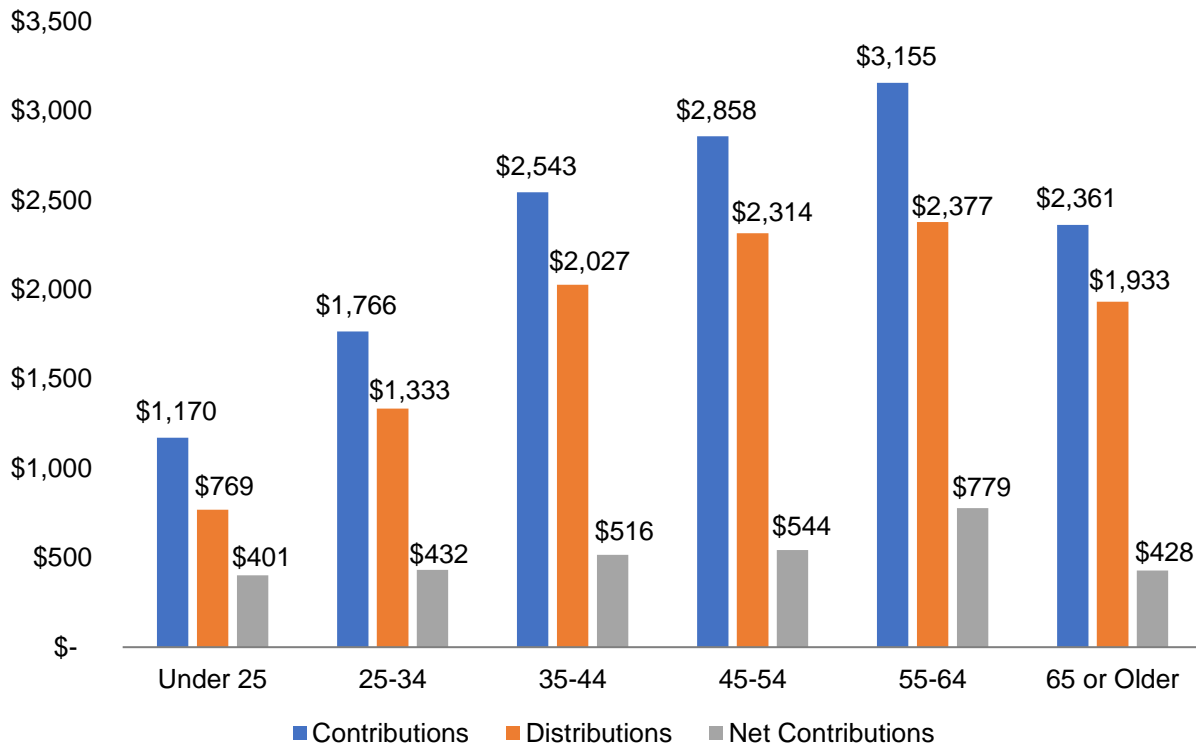
In an encouraging sign that most accountholders are willing and able to build up larger account balances, relatively few accountholders spent down the entirety of their HSA balances. Among accounts that had received either employee contributions or employer contributions, about 270,000 accounts, or about 2.8 percent of all accounts in EBRI’s HSA Database, finished the year with a balance of precisely zero. We restricted this analysis to accountholders with at least some contributions by either the employee or employer to isolate accounts that were actively used over the course of 2021.

That relatively few accountholders spent down their entire accounts — or close to it — is a positive sign that accountholders are reaping the tax advantages that HSAs offer. Since HDHPs feature higher deductibles by definition, HSA accountholders are well-served to keep a buffer that can cover their liabilities in case they incur unexpected health care expenses that they cannot cover with traditional checking or savings accounts. Also worth noting is that vanishingly few accountholders — about 0.2 percent — who drew down their balances at the end of the year had some portion of their accounts allocated to investments other than cash. The evidence suggests these accountholders treated their HSAs more as spending vehicles and less as long-term savings vehicles, but these accountholders comprise a small minority of the accounts in EBRI’s HSA Database.

Net Contributions

Our analysis finds that contributions and distributions alike tended to increase with accountholder age. Among accounts with both contributions and distributions, younger accountholders had the smallest average contributions and distributions, at \$1,170 and \$769, respectively (Figure 11). As accountholders aged, both their contributions and withdrawals increased — although their net contributions tended to be higher. In fact, net contributions increased with owner age until the oldest age group. Net contributions were lowest for younger accountholders, at \$401, and highest for accountholders aged 55–64, at \$779.

Figure 11
2021 HSA Activity, by Age, Among Accounts
With Both Contributions and Distributions

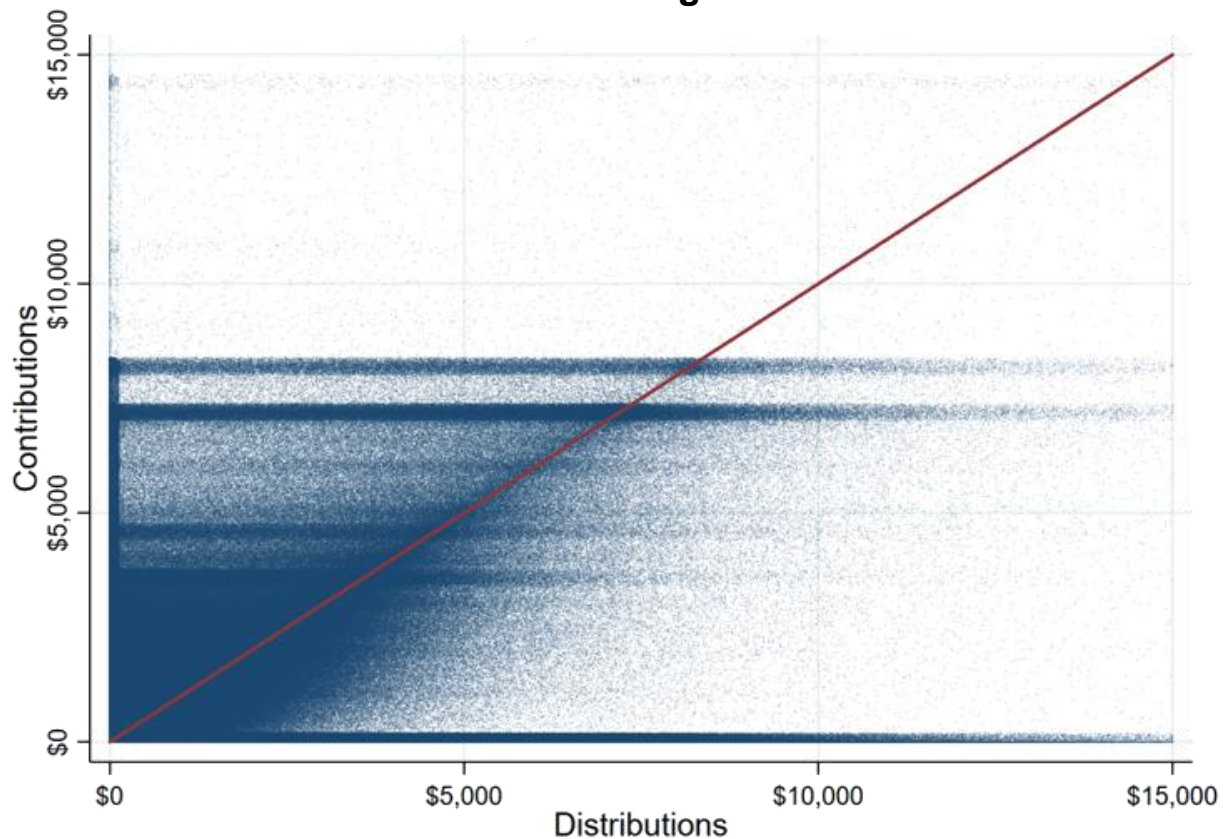


Source: EBRI HSA Database.

The average account balance at the end of 2021 was higher than at the start of the year, owing to the fact that the majority of accounts saw more money deposited than withdrawn. Our analysis finds that for 60.2 percent of the HSAs in EBRI’s HSA Database, accountholders contributed more than they withdrew. The average net contribution for accountholders who contributed more than they withdrew was nearly \$1,250. Meanwhile, the average net contribution for accountholders who withdrew more than they contributed was -\$839. Accounts with negative net contributions were also less likely to have invested assets; only 4 percent of these accounts contained investments in assets other than cash, compared with 8 percent of accounts that received more contributions than withdrawals.

That most accountholders contributed more than they withdrew becomes clearer when plotting HSA contributions against distributions. The red line in Figure 12 is drawn at a 45-degree angle and represents a 1-to-1 ratio between contributions and distributions. Points above that line represent an accountholder who contributed more than they withdrew in 2021, and points below that line represent an accountholder who withdrew more money than they contributed in 2021. There are more outliers below the 45-degree angle, owing to the statutory limitation on HSA contributions but not withdrawals.

Figure 12
Plot of Contributions Against Distributions



Source: EBRI HSA Database.

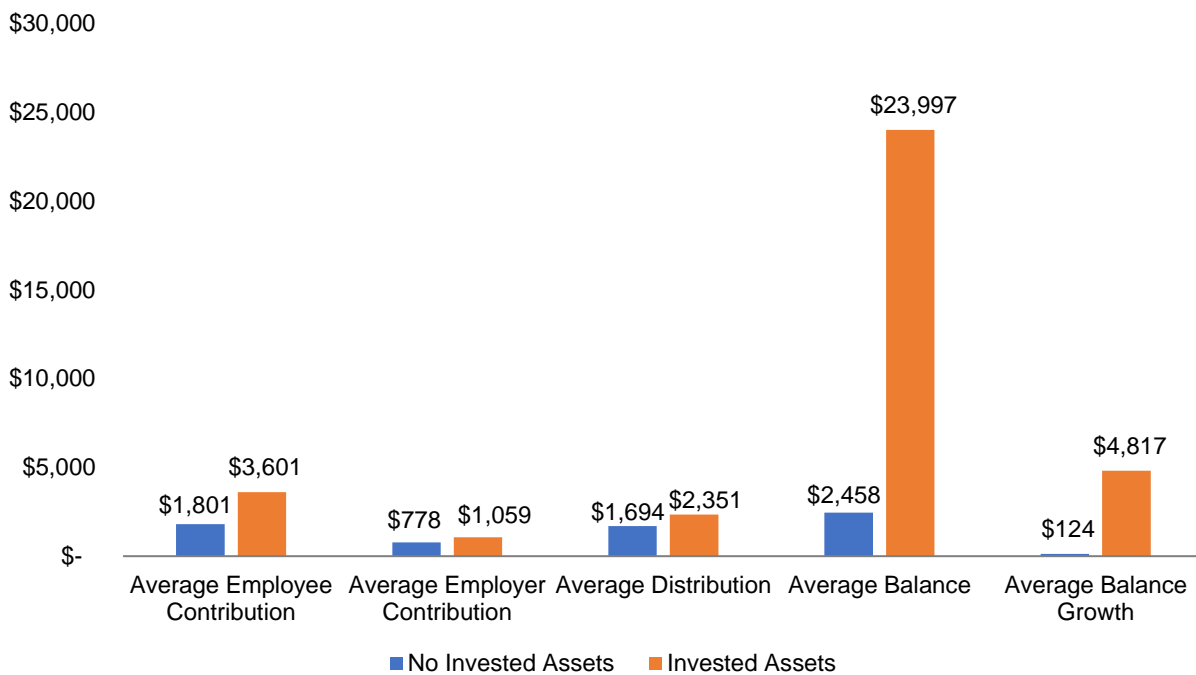
Investments

Continuing the trend observed in years past, relatively few accountholders held investments in assets other than cash in their HSAs. Only about 12 percent of accountholders invested at least some portion of their balance in 2021. Of course, there are valid reasons to not invest assets in an HSA: Accountholders should not invest their HSA balances in risky asset classes if they expect to use them in the short term, for instance. Inertia may also play a role; some HSA providers require accountholders to reach a certain threshold before they are given the option to invest, which may weed out marginally engaged accountholders. However, if accountholders have a large enough buffer in liquid accounts

to weather a large, unexpected health care expense, then they could be better off at retirement by investing some portion of their HSAs.

Accounts with invested assets looked very different than accounts without invested assets. Accountholders with invested assets tended to have much higher employee contributions than accounts without invested assets. Among accounts that received either an employee or employer contribution in 2021, accounts with invested assets saw an average employee contribution of \$3,601, compared with \$1,801 for accounts without invested assets (Figure 13). That accountholders who invest contribute more than accountholders who do not invest is not entirely surprising; accountholders with invested assets may be in a better position to invest precisely because they are able to contribute more, and so the correlation between employee contributions and investing likely does not indicate causality.

Figure 13
Selected Attributes of Accounts With Invested Assets and Without Invested Assets



Source: EBRI HSA Database.

Interestingly, accounts with invested assets also had higher employer contributions. Unlike with employee contributions, where employees who are motivated to invest are also likely to contribute more to their HSAs, employer contribution levels should be, in theory, exogenous to the employee’s decision to invest. We find that accounts with invested assets had an average employer contribution of \$1,059, compared with accounts without invested assets, which had an average employer contribution of \$778. This result suggests that having an employer contribution could make accountholders feel more comfortable investing at least some portion of their HSAs, or that account owners with higher balances are more engaged because they have more at stake. This could also indicate that these employers are more engaged with helping employees see the value of using HSAs as longer-term savings vehicles.

Accountholders with invested assets saw their balances rise faster than accounts without invested assets. Many asset classes enjoyed a bull market in 2021 — the S&P 500 returned over 26 percent, for instance — which further fueled the growth of accounts with invested assets.⁵ The average account containing investments other than cash grew by \$4,817, compared with the average account without, which grew by \$124. Not all accounts were invested as aggressively as a 100 percent allocation to an S&P 500 index fund, and accounts that invested tended to have higher contribution amounts. However, the average balance growth — and average total balance — of accounts with invested

assets demonstrates the benefit of investing HSA funds.

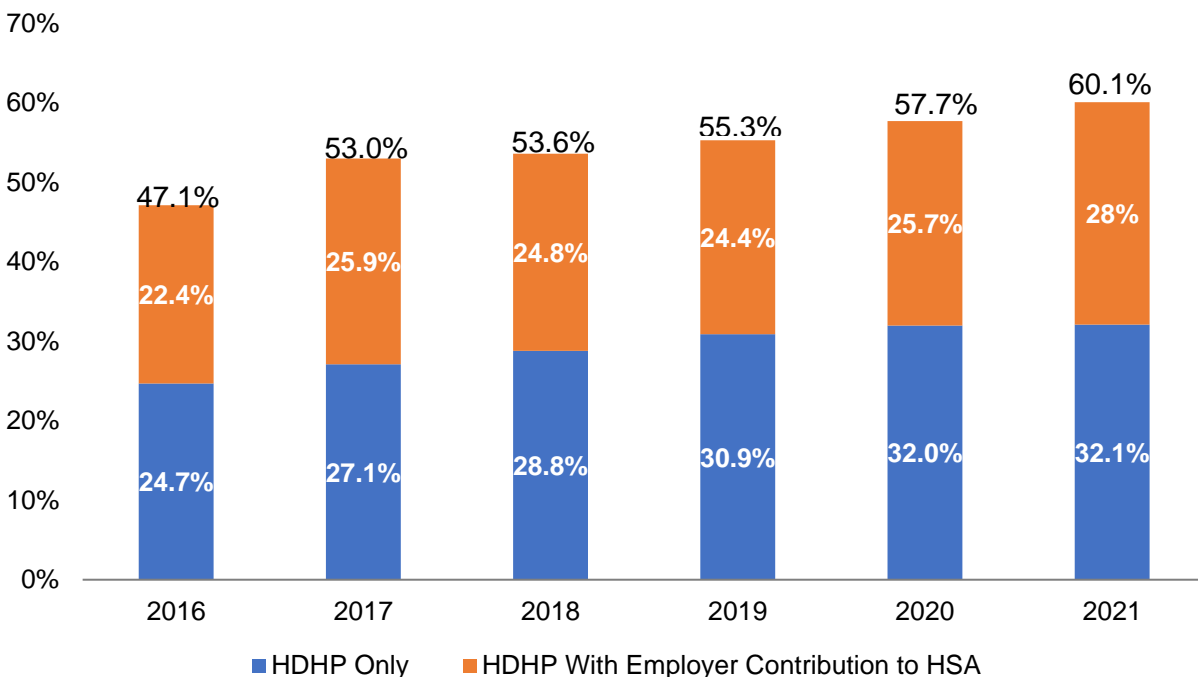
Conclusion

As high-deductible health plans — and HSAs alongside them — become further entrenched as an employee benefit offering, it is important for employers and policymakers alike to develop a full understanding of how they are used. This year, EBRI’s analysis of its HSA Database finds that, despite health care expenditures increasing in the wake of the COVID-19 pandemic, average account balances increased over the course of 2021. A majority of accountholders contributed more than they withdrew, which may help to improve workers’ financial wellness and better prepare accountholders to weather unexpected medical costs. Further, our analysis finds evidence that accounts with employer contributions tended to have higher total contributions and more frequently contained investments other than cash.

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.

Appendix Figure 1
Percentage of Persons Enrolled in a High-Deductible Health Plan (HDHP), by Employer Contribution to HSA or HRA,* Among Those With Private-Sector Health Coverage and Employee-Only Coverage, 2016–2021



* Note: HSA = health savings account; HRA = health reimbursement arrangement.

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 2021, the plan must have had an annual deductible of at least \$1,400 for individual coverage and \$2,800 for family coverage, and the plan's out-of-pocket maximum may not have exceeded \$7,000 for individual coverage or \$14,000 for family coverage with the deductible counting toward this limit. (These minimum allowable deductibles and maximum out-of-pocket limits are indexed to inflation. See Appendix Figure 2 for historical deductibles and maximum out-of-pocket limits). 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). Furthermore, IRS Notice 2019-45 now classifies certain health care services and items purchased for certain chronic conditions as preventive care for those people with those chronic conditions.⁶ Otherwise, all health care services must be subject to the HSA's deductible, though there is an exemption for telemedicine services, as discussed below.

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.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020, to provide economic relief related to the COVID-19 pandemic and economic downturn affecting millions of families and businesses in the United States, contains two sections that are pertinent to HSAs. First, Sec. 3701 includes a provision that allows HSA-eligible health plans to provide access to telemedicine services prior to meeting the annual deductible. This provision was temporary and ended on Dec. 31, 2021. Second, Sec. 3702 allows HSAs to be used to purchase over-the-counter (OTC) medical products without a prescription from a physician including pain relievers, cold medicines, bandages, feminine hygiene products, and more. This provision is permanent and was retroactive to Jan. 1, 2020.

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.

**Appendix Figure 2
Statutory HSA Limits, 2004–2023**

	Minimum Deductible		Maximum Contribution		Maximum Out-of-Pocket		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
2020	\$1,400	\$2,800	\$3,550	\$7,100	\$6,900	\$13,800	\$1,000
2021	\$1,400	\$2,800	\$3,600	\$7,200	\$7,000	\$14,000	\$1,000
2022	\$1,400	\$2,800	\$3,650	\$7,300	\$7,050	\$14,100	\$1,000
2023	\$1,500	\$3,000	\$3,850	\$7,750	\$7,500	\$15,000	\$1,000

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 2022, a worker with individual coverage was allowed to make an annual HSA contribution of \$3,650, while a worker with family coverage could contribute as much as \$7,300. These dollar limits are indexed for inflation. Additionally, individuals who reached age 55 and were not yet enrolled in Medicare were able to 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.⁷

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.⁸ 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.⁹

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Endnotes

¹ See <https://www.devenir.com/wp-content/uploads/2021-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

² There are several valid reasons for accountholders to not contribute to an HSA recorded by EBRI's HSA Database. For instance, the accountholder may have more than one HSA as a result of leaving a job and joining another firm that uses a different HSA provider, the accountholder lacking the liquidity to contribute to an HSA and choosing to spend down their accumulated balance, or the accountholder switching away from a high-deductible health plan (HDHP) and no longer being able to contribute to their HSA (HSAs can remain open after an accountholder switches out of an HSA-eligible health plan, and the accountholder can still take distributions, but the accountholder can no longer make contributions to the HSA). For that reason, HSAs that received employee or employer contributions are more likely to be representative of a typical accountholder who is engaged with their HSA, as these capture HSAs that receive regular payroll contributions. Accordingly, we focus the bulk of our analyses on these accounts.

³ The average may decrease among older accountholders, since some may no longer be eligible to contribute to an HSA.

⁴ It is difficult to distinguish accountholders with family plans, so this analysis assumes that any account with a \$3,550 contribution or \$7,100 contribution, if the accountholder is under 55 (\$8,100 if the accountholder is over 55), is contributing the maximum.

⁵ See <https://markets.businessinsider.com/news/stocks/sp-500-2019-annual-return-for-year-best-since-2013-2019-12-1028790061>.

⁶ See <https://www.irs.gov/newsroom/irs-expands-list-of-preventive-care-for-hsa-participants-to-include-certain-care-for-chronic-conditions>.

⁷ 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.

⁸ See <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/field-assistance-bulletins/2004-01>.

⁹ See <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/field-assistance-bulletins/2006-02>.

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