

DATE: July 30, 2018
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Will an increase in HSA limits prompt additional contributions to such plans?

WASHINGTON – Last week’s passage of the *Increasing Access to Lower Premium Plans and Expanding Health Savings Accounts Act of 2018* by the U.S. House of Representatives raises the annual limits on contributions to health savings accounts (HSAs) to match the out-of-pocket deductibles of the high-deductible health plans that the accounts were implemented to support.

The new legislation would nearly double statutory limits on annual contributions to HSAs those with employee-only health coverage – from \$3,450 to \$6,550 – and, those with family coverage could contribute even more -- a new total of \$13,300, (\$6,400 more than the current \$6,900 limit for HSA account holders with family coverage). Account holders over age 55 can contribute an additional \$1,000 regardless of their health coverage level.

But, would these limit increases prompt additional funding into HSAs? Using data from the EBRI HSA Database, the Employee Benefit Research Institute (EBRI) has found that only 13 percent of account owners contributed the maximum in 2016. This, despite the fact that contributions to an HSA 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.

However, EBRI’s research also reveals that account holders who held their HSAs for a longer period of time tended to contribute more. “The longer someone has had an HSA, the more likely they are to contribute the maximum,” said Paul Fronstin, director of health research. “Only 6 percent of the HSAs opened in 2016 received the maximum annual contribution, whereas 30 percent of the accounts opened a decade earlier, in 2006, did,” he said, concluding that the longer an individual contributes to an HSA, the more they may appreciate the benefits of the accounts. “Still, more education is needed so that workers obtain the full value of HSAs when they are available to them,” Fronstin said.

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