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Few Treat Health Savings Accounts as Retirement Savings Vehicles, Yet Balances Rise

Washington, D.C. – November 1, 2018 – A new study conducted by EBRI, a private, nonpartisan, nonprofit research group, finds that while more Americans are using Health Savings Accounts (HSAs) to save and pay for medical expenses, few are investing the funds, maxing out contributions, or otherwise using it as a retirement savings tool. The research, “*Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2017: Statistics from the EBRI HSA Database*,” is the fifth annual report examining account balances, individual and employer contributions, distributions, invested assets, and account-owner demographics. It is informed by cross-sectional data from nearly six million HSAs with \$13 billion in assets from the EBRI HSA Database.

More HSAs, Bigger Balances

Since being created in 2004, HSAs have become 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. More than three-quarters of HSAs, 77 percent, were created since 2014.

HSA balances have been growing even as HSA owners use accounts to fund medical expenses. Seventy-seven percent of HSAs with a 2017 contribution also had a same-year distribution. Of the HSAs with distributions, the average amount distributed was \$1,724, less than the average contribution, resulting in balance increases. Two-thirds of account holders ended 2017 with positive net contributions.

Nearly all (95 percent) of HSAs with individual or employer contributions in 2017 ended the year with funds to roll over for future expenses. By 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.

Despite HSA Popularity, Owners not Maximizing Contributions or Investments

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.

Investment potential was even less realized. A mere four percent of HSA owners had invested assets beyond cash. Those who did invest had much higher account balances than non-investors. But the investors did not use the account solely as a long-term savings vehicle. Both investors and non-investors used the HSA to self-fund current medical expenses. In fact, investors were more likely than non-investors to take a distribution (69 percent and 31 percent, respectively). When distributions were taken, investors took larger distributions (\$2,293) than non-investors (\$1,696) during 2017.

“The rise of HSAs is an encouraging sign for future financial wellness for individuals who have and contribute to HSAs,” said Paul Fronstin, Ph.D., Director of the Health Research and Education Program at EBRI and author of the study. “Over time, balances increase, contributions increase, and the percentage of accounts investing rises. However, plan sponsors and administrators will need to support and educate account holders about tactics for self-funding uninsured medical expenses, including the benefits of moving beyond cash when investing HSA assets and explaining how contributing closer to the maximum allowed by law will increase the likelihood of being able to cover uninsured medical expenses in the future. With health care costs comprising such a large percentage of retirement expenses, the HSA should be viewed as an important retirement savings vehicle.”

About EBRI:

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