

NEWS FROM THE EMPLOYEE BENEFIT RESEARCH INSTITUTE

Analysis of Health Savings Account Database With Over 13 Million Accounts Finds Accountholders Paying Health Care Expenses, Not Fully Taking Advantage of Tax Benefits

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(Washington, D.C.) – A new research report by the Employee Benefit Research Institute (EBRI) that examined a database containing information on over 13 million health savings accounts (HSA) found that most accountholders use their HSAs to pay for current expenses and do not take complete advantage of the tax benefits HSAs offer. The average accountholder has a modest balance, contributes far less than the maximum and does not invest their HSA. However, the longer someone owned an HSA, their balance tends to be larger, contributions tend to be higher, and they are more likely they are to invest their HSA in assets other than cash.

The study, “Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2021,” reported these strategies can better position accountholders to withdraw larger sums when unexpected major health expenses occur and can leave accountholders more prepared to cover their health care expenses in retirement.

In general, HSAs offer a triple tax advantage to accountholders -- enabling a person to stretch money earmarked for health care expenses even further. The tax benefits of HSAs are maximized when accountholders contribute the statutory maximum and minimize withdrawals for current medical expenditures and invest their HSA balances in assets other than cash. “Average contributions are well below the statutory maximum, most accountholders take a distribution from their HSA, and relatively few accountholders invest. This is not to say the picture is bleak. Despite increased health care spending in the wake of the COVID-19 pandemic, average balances in HSAs increased since 2020, rising from \$3,622 to \$4,318 in 2021. Encouragingly, the share of accountholders who invest their HSAs has steadily risen since EBRI began analyzing its HSA Database nine years ago,” explained Jake Spiegel, research associate, Health and Wealth Benefits Research, EBRI.

Key findings about HSA utilization in the report include:

- **Relatively low balances** - Since the establishment of the EBRI HSA Database, average account balances have generally trended upward. End-of-year balances increased in 2021, but overall, average balances are still modest.
- **Contributions below the maximum** - Both the average employee and employer contributions decreased relative to 2020. The average combined HSA contribution in 2021 was \$927 less than the statutory maximum contribution for individuals and \$4,527 less than the statutory maximum contribution for accountholders with family coverage.

- **High incidence of withdrawals** - Overall, just over half of accountholders withdrew funds. The average distribution increased slightly relative to 2020, when fewer patients sought health care services due to the COVID-19 pandemic.
- **Low use of investments** - Few accountholders took advantage of the ability to invest HSA funds, as only 12% of accountholders invested in assets other than cash. However, the share of accountholders who invested their HSAs has increased five years in a row and saw its largest year-over-year increase in 2021.

In addition to tax benefits, HSAs also allow accountholders to roll over their balances from year to year to accumulate more savings for future medical expenditures, as well as medical expenditures in retirement. “Medical expenses in retirement can be substantial, with married couples potentially needing to save as much as \$383,000. On average, accountholders appear to be using HSAs as specialized checking accounts rather than investment accounts, though this behavior appears to change the longer an HSA owner holds an account. Conducting an analysis of the EBRI HSA Database, our research found evidence that the longer an accountholder had their HSA, the higher the likelihood that the accountholder invests their HSA in assets other than cash, in addition to contributing more on average and enjoying higher account balances,” said Paul Fronstin, director, Health Benefits Research, EBRI.

The EBRI HSA Database is a representative repository of information about individual health savings accounts. The database is unique because it includes data provided by a wide variety of account recordkeepers and represents the characteristics and activity of a broad range of HSA owners. As of Dec. 31, 2021, the EBRI HSA Database includes 13.1 million health savings accounts totaling \$39.5 billion in assets.

To view a summary of the research report, “Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2021,” visit www.ebri.org/hsa-long-2023.

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(MEDIA NOTE: To receive the complete 22-page research report, email dresner@ebri.org).