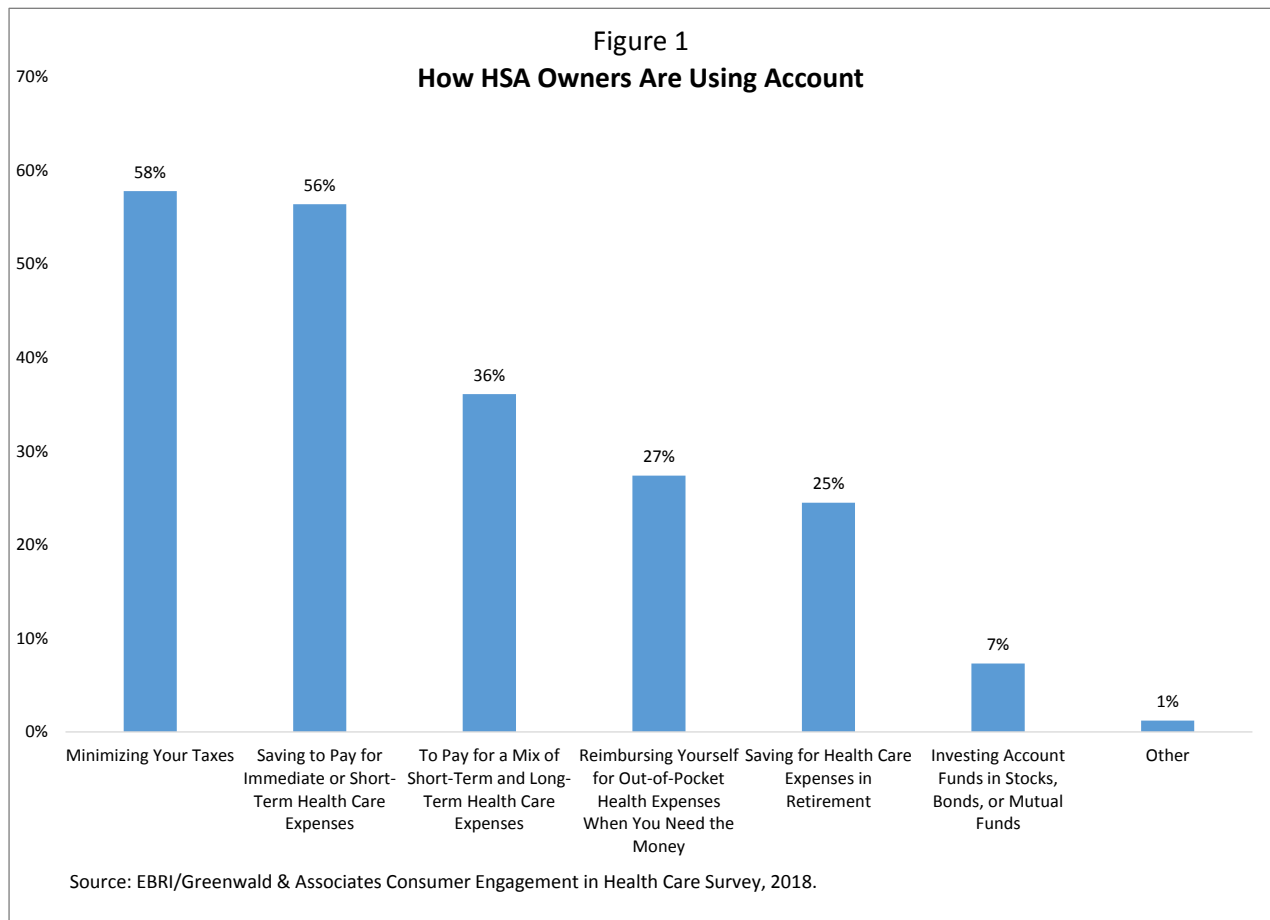


A Possible Disconnect Between Perception and Utilization of HSAs

There may be a disconnect between how Health Savings Accounts (HSAs) are perceived and how they are used, according to findings from the EBRI/Greenwald & Associates 2018 Consumer Engagement in Health Care Survey. While more than one-half of HSA owners report that they view their HSA as a long-term savings vehicle, few are using their account as an investment vehicle.

The survey finds that more than one-half of HSA owners are using their account to minimize taxes (58 percent) or to save to pay for immediate or short-term health care expenses (56 percent). Just over one-third (36 percent) report that they are using their HSA to pay for a mix of short- and long-term health care expenses, while one-quarter are using it to reimburse themselves for health care expenses when they need the money (27 percent) or are saving for health care expenses in retirement (25 percent). However, only 7 percent report that they are investing account funds in stocks, bonds, or mutual funds (Figure 1).¹ This is consistent with research showing that only 5 percent of HSAs had invested assets (beyond cash) in 2017.²



The structure of HSAs makes them an attractive long-term investment vehicle: Contributions to an HSA reduce taxable income, earnings on the assets in the HSA build up tax free, and distributions from the HSA for qualified expenses are not subject to taxation. This is a triple tax preference. Further, expenses can be reimbursed from HSAs at any time after they are incurred — not just during the year incurred. Because of the triple tax preference and the flexibility around the timing of expense reimbursement, HSAs can serve as a long-term savings vehicle and are actually more advantageous from a tax perspective than saving in a 401(k) plan or other retirement savings plan.

About the EBRI/Greenwald and Associates 2018 Consumer Engagement in Health Care Survey

The EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey (Consumer Engagement Survey) provides reliable national data on the growth of high-deductible plans and their impact on the behavior and attitudes of health care consumers with employment-based coverage or individually purchased coverage. It also looks broadly at consumer engagement and value-based health insurance design. Now in its 14th year, it is co-sponsored by EBRI and Greenwald & Associates with support from six private organizations.

The 2018 Consumer Engagement Survey was conducted within the United States between Aug. 10 and Aug. 23, 2018, through a 15-minute internet survey, using the Ipsos consumer panel. A total of 2,010 adults with private health insurance coverage through an employer, purchased directly from a carrier, or purchased through a government exchange participated in the survey.

More information about the survey can be found in Fronstin and Dretzka (2018).

Perception Vs. Utilization

The Consumer Engagement Survey finds that three-quarters of HSA owners view the account as a savings account (58 percent), checking account (20 percent), or investment account (19 percent) (Figure 2). Among the 19 percent who view the account as an investment account, just over a third (35 percent) report that they are actually investing.

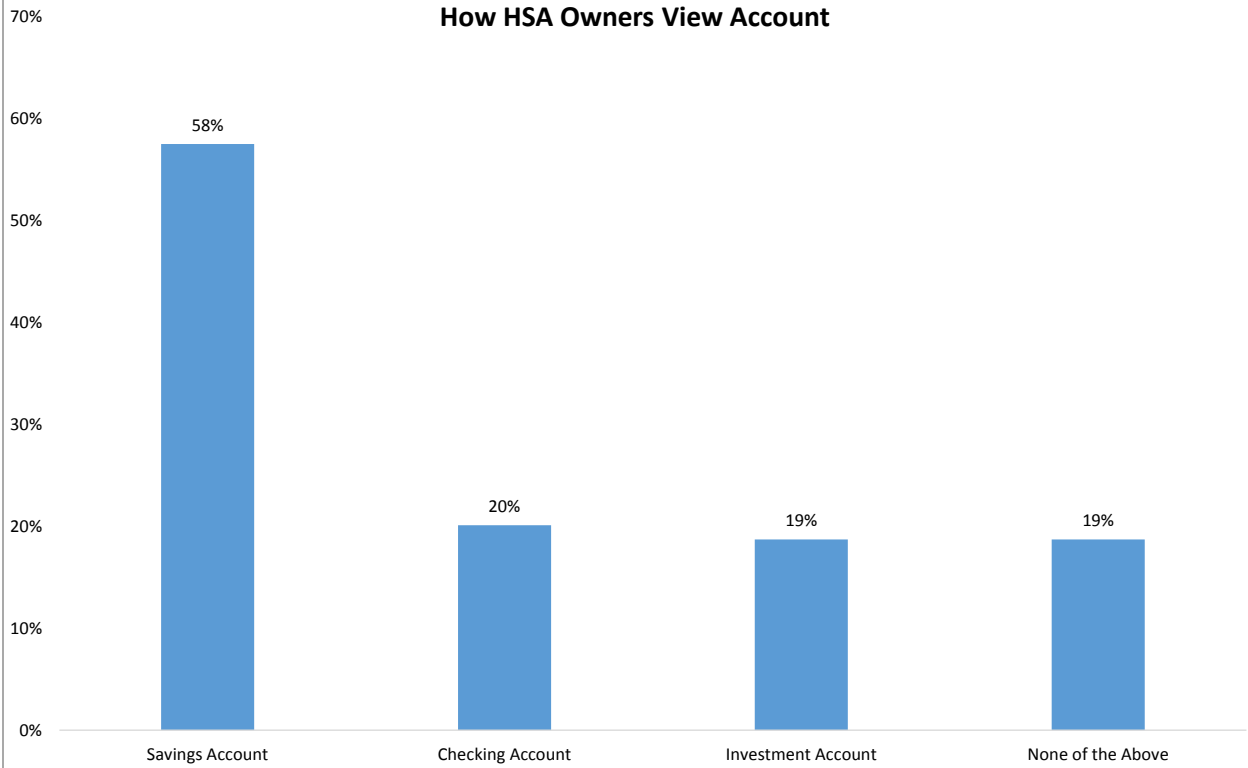
Interestingly, when asked if they view their HSA as a long-term savings vehicle that can be used for healthcare costs in retirement, over one-half of HSA owners report that they either strongly agree (21 percent) or somewhat agree (37 percent) with this statement. Similarly, one-half either strongly agree (13 percent) or somewhat agree (39 percent) that they are interested in investing some of their HSA in stocks, bonds, or mutual funds (Figure 3). Yet, of the proportion that agree that they view the HSA as a long-term savings vehicle, just 12 percent report that they are investing the account funds in stocks, bonds, or mutual funds. Of those reporting that they are interested in investing some of their HSA in stocks, bonds, or mutual funds, only 14 percent report actually doing so.

Other Attitudes, Opinions and Behaviors

The majority of HSA owners say that they either strongly (12 percent) or somewhat agree (57 percent) with the statement that having an HSA has empowered them to make better health care and financial decisions. Forty percent either strongly (11 percent) or somewhat agree (28 percent) that they save up to the amount of their out-of-pocket medical expenses rather than putting that money into other savings plans such as a 401(k) or IRA. Similarly, nearly 40 percent strongly (11 percent) or somewhat agree (27 percent) that, because of the tax advantages, they chose to maximize HSA contributions first. And only about one-third strongly or somewhat agree that they need help determining how much money they should put into their HSA vs. other investments or expenses (Figure 3).

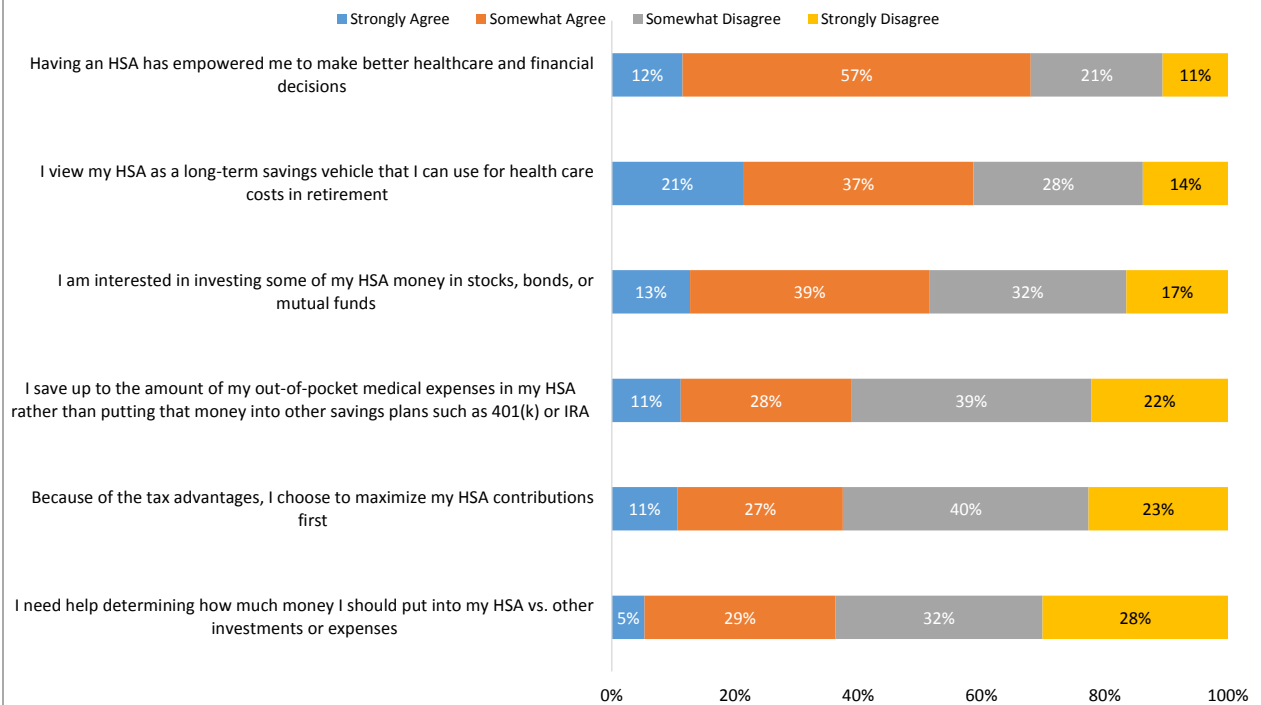
Understanding how HSAs are used and perceived is important, as enrollment in HSA-eligible health plans is estimated to be between 21.4 and 33.7 million policyholders and their dependents (Fronstin 2018a). It is also estimated that there were about 22.2 million HSAs holding \$45.2 billion in assets as of Dec. 31, 2017.³

Figure 2
How HSA Owners View Account



Source: EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey, 2018.

Figure 3
Agreement with Various Statements



Source: EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey, 2018.

The EBRI report, “Consumer Engagement in Health Care: Findings From the 2018 EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey,” is published as the December 20, 2018, *EBRI Issue Brief* and is available online [here](#).

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Endnotes

¹ All of the top 10 HSA providers (ranked by number of accounts) offer account owners the ability to invest.

² See Figure 18 in Fronstin (2018b).

³ See <http://devenir.com/wp-content/uploads/2017-Year-End-Devenir-HSA-Market-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.