

Balances Are up, Especially for Investors: Evidence From EBRI's HSA Database

Health savings accounts (HSAs) are a type of savings account that can accompany high-deductible health plans (HDHPs), which continue to proliferate. It is estimated that 46 percent of small employers offer an HSA-eligible health plan, alongside 66 percent of medium-sized employers and 79 percent of large employers.¹ Accordingly, there are an estimated 28 million HSAs holding nearly \$66 billion in assets, according to an estimate of the industry size.²

Still, there are very few data sources on HSA usage. For instance, the Survey of Consumer Finances, a large survey conducted by the Federal Reserve that is critical to understanding the personal finances of households, does not specifically track HSAs. This dearth of data has resulted in a lack of empirical research on — and therefore understanding of — usage of HSAs.

This is where EBRI's database of 10.5 million HSAs comes in. With the goal of helping employers, plan sponsors, and policymakers alike understand how HSAs are (or are not) used, [each year, EBRI publishes updated statistics on accounts captured within EBRI's HSA Database](#). This year, key findings from EBRI's HSA database are that average balances continue to increase and that there are some systematic differences between account holders who invest some portion of their HSAs and those who do not.

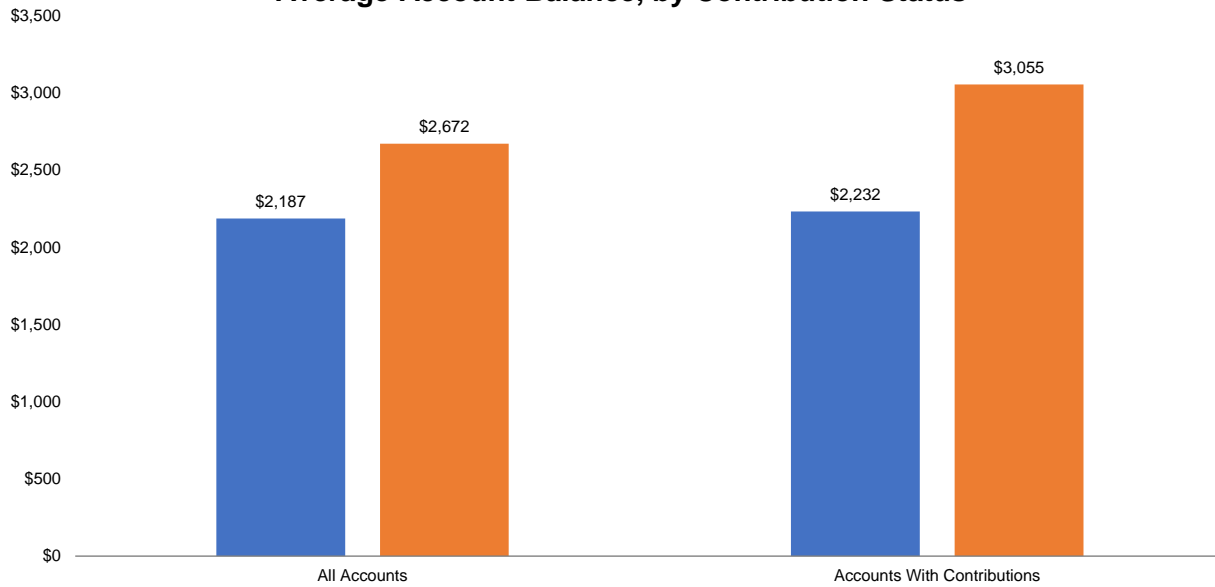
Increasing Average Balances

The average balance of HSAs increased over the course of 2019, which is a continuation of the trend from previous years. The average account started the year with \$2,187 and ended the year 22 percent higher, at \$2,672. The picture was even better for accounts with either an employee or employer contribution, which helps to isolate accounts that are being actively used by people still enrolled in an HDHP. Those accounts started the year with an average balance of \$2,232 and finished with an average balance of \$3,055 (Figure 1), a 37 percent increase.

¹ See Mercer's National Survey of Employer-Sponsored Health Plans.

² See <https://www.devenir.com/wp-content/uploads/2019-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

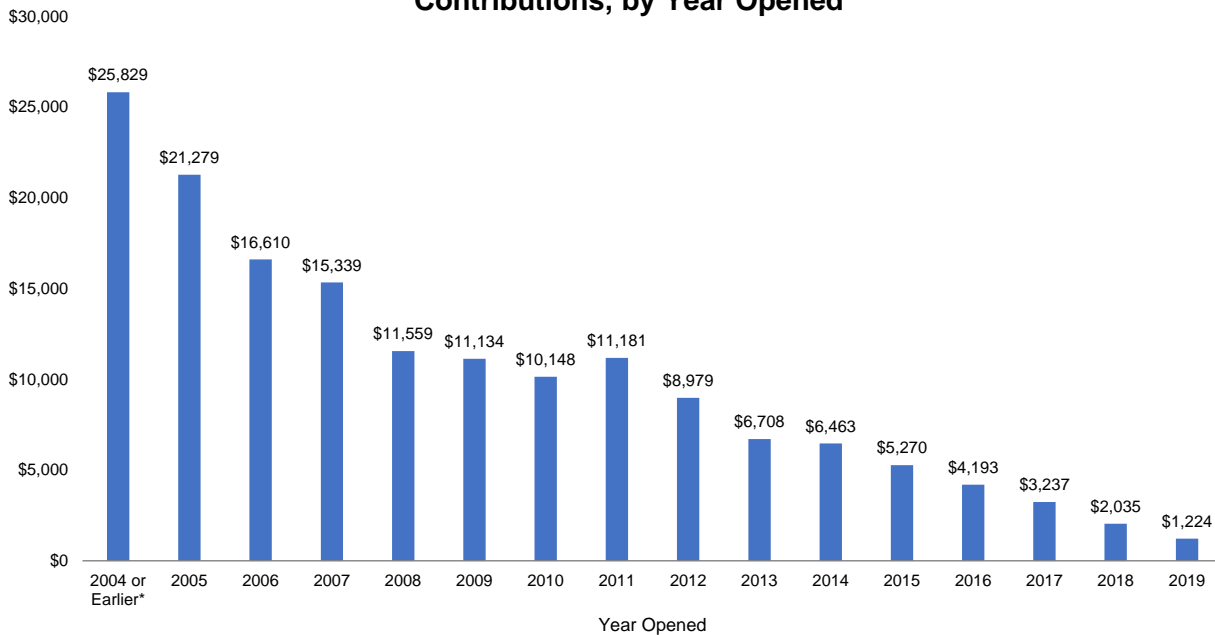
Figure 1
Average Account Balance, by Contribution Status



Source: EBRI HSA Database.

Building up a larger HSA balance allows accountholders to better weather unexpected medical expenditures. EBRI’s analysis of its HSA Database indicated that as time passes, accountholders build up progressively larger balances. Accounts that were opened in 2019, for instance, had an average balance of \$1,224, compared with \$6,463 for accounts opened in 2014 and \$11,134 for accounts opened in 2009. Older accounts had even higher balances: HSAs that were opened in 2004 had an average balance of \$25,829 (Figure 2).

Figure 2
Year-End Account Balances for Accounts With Contributions, by Year Opened



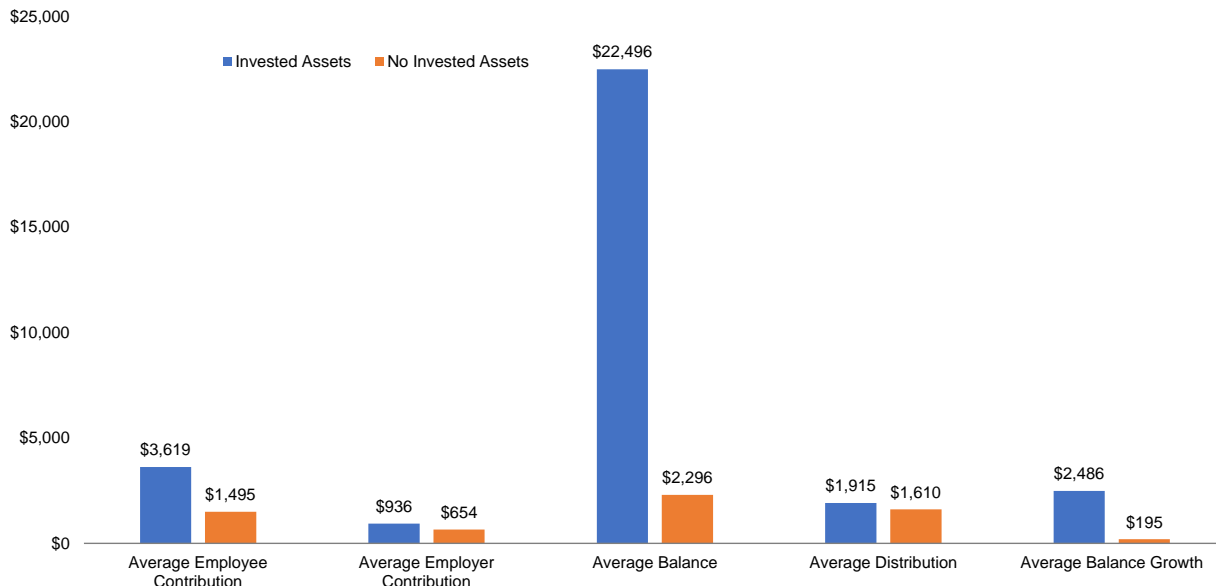
Source: EBRI HSA Database.
*Includes rollovers from Archer Medical Savings Accounts.

HSA Investors vs. Non-Investors

EBRI’s analysis also examined accountholders who invested at least some portion of their balances. Investing HSA balances can be an excellent strategy for accountholders looking to maximize wealth over a long time horizon. Since investment gains in HSAs are untaxed, an “optimal” strategy espoused by personal finance experts is to pay for medical expenditures out of pocket, invest HSA balances, and only begin withdrawing that money at retirement (or, as cash flow needs dictate).

The evidence from EBRI’s HSA database suggests that few accountholders are either able or willing to invest. Indeed, only seven percent of accountholders in EBRI’s HSA database invested at least some portion of their balances in assets other than cash. Those who *did* invest, however, tended to have significantly higher balances than those that did not (\$22,496, compared to \$2,296 for non-investors). In part, that’s because their accounts grew more over the course of the year than those of non-investors (\$2,486 and \$195 respectively). But, investors also had higher contribution amounts than non-investors (\$3,619 and \$1,495 respectively).

Figure 3
Selected Attributes of Accounts With Invested Assets and Without Invested Assets



Source: EBRI HSA Database.

Conclusion

By understanding how accountholders use their HSAs, policymakers, employers, and providers are better equipped to identify the strengths and weaknesses of the current system. One evident strength is that over time, HSA accountholders are building up balances within their HSAs. A possible weakness, however, is the low incidence of investment by HSA accountholders who are leaving increasingly large sums of money in low-yielding cash accounts.

About the EBRI HSA Database

The EBRI HSA Database is a representative repository of information about individual HSAs. The database is unique because it includes data provided by a wide variety of account recordkeepers and, therefore, represents the characteristics and activity of a broad range of HSA owners.

As of Dec. 31, 2019, the EBRI Database includes:

- 10.5 million health savings accounts.
- \$28.1 billion in assets.

Since 2011, the database has grown from 800,000 to 10.5 million accounts, and assets have grown from \$1.5 billion to \$28.1 billion. Most HSAs in the EBRI HSA Database were initially opened within the past few years. Overall, 77 percent of the accounts were opened between 2015 and 2019.

See <https://www.ebri.org/health/hsa-database> for more information about the EBRI HSA Database.

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