



The Three Certainties of Life: Death, Taxes, and Updates From EBRI's HSA Database

EBRI Webinar

April 7, 2021

Speakers



**Paul Fronstin,
Director of the
Health Research
and Education
Program, EBRI**



**Jake Spiegel,
Research
Associate, EBRI**



**Moderator: Jody
Dietel, SVP,
Advocacy and
Government Affairs,
HealthEquity**



**Phil Mason,
Executive Vice
President, Chief
Operating Officer &
Director Healthcare
Services, UMB**



**Roy Ramthun,
President and
Founder, HSA
Consulting
Services, LLC**

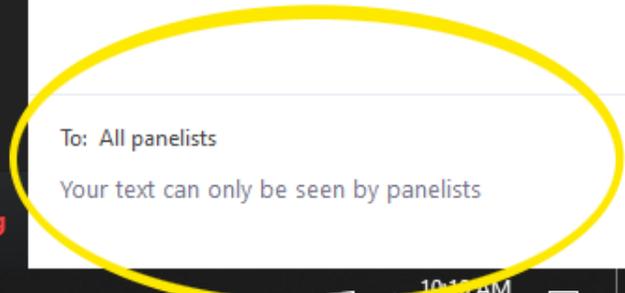
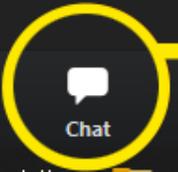
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New Feature: The After Show

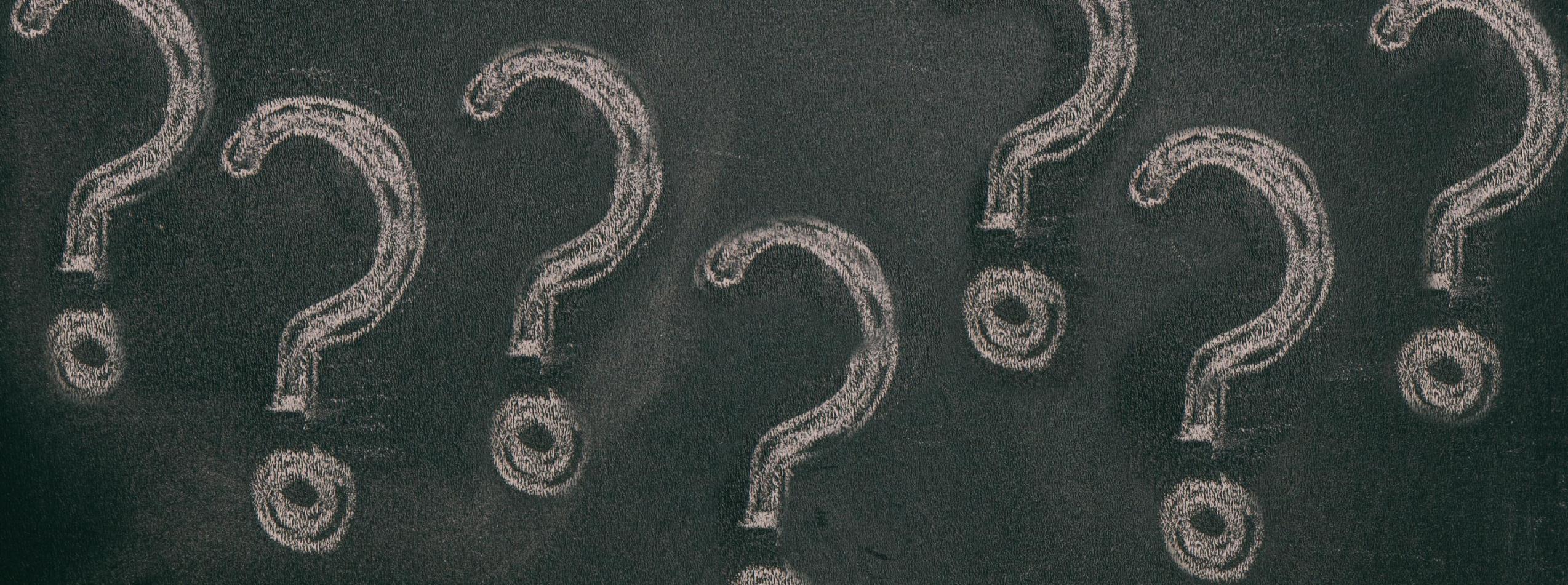


- This members-only discussion begins at 2:50 pm, immediately after Q&A.
- We kindly ask all non-members and those wishing not to participate to leave the webinar promptly at this time.
- If you are a member and did not initially register to attend the After Show, please feel free to stay for it.



The Three Certainties of Life

Death, Taxes, and Updates From EBRI's HSA Database

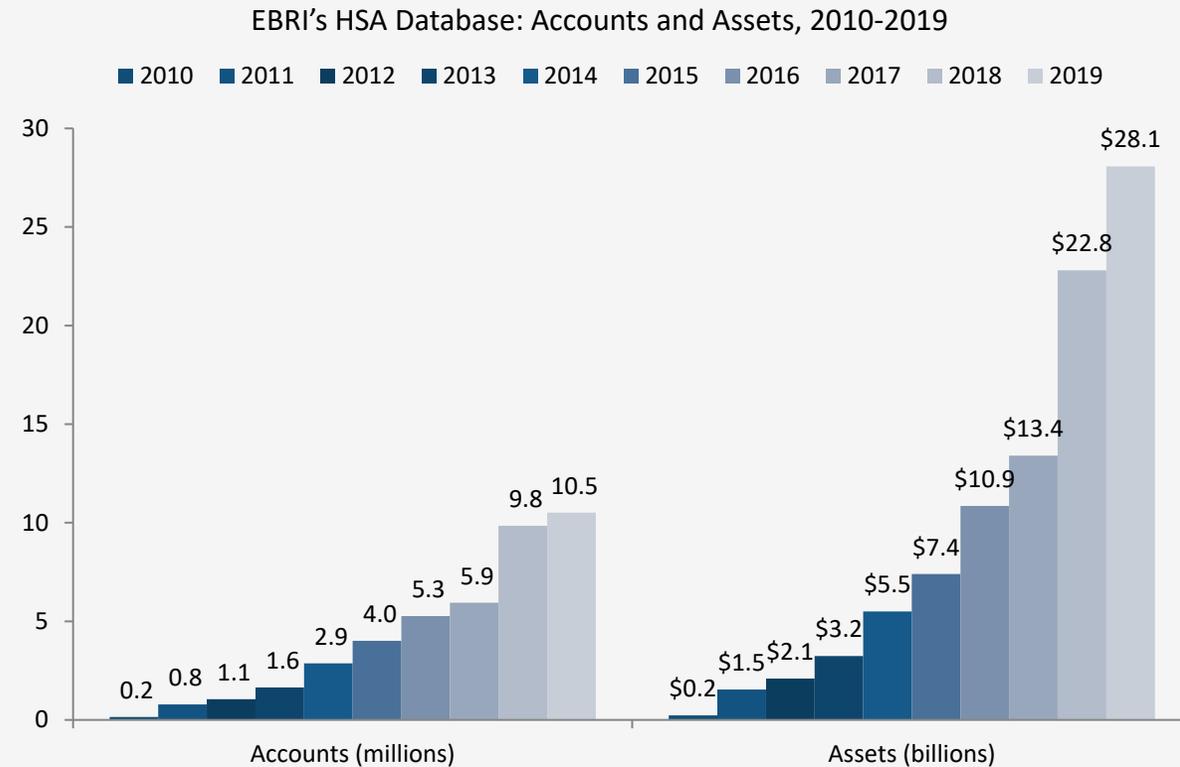


POLLING QUESTION

PLEASE SHARE YOUR THOUGHTS

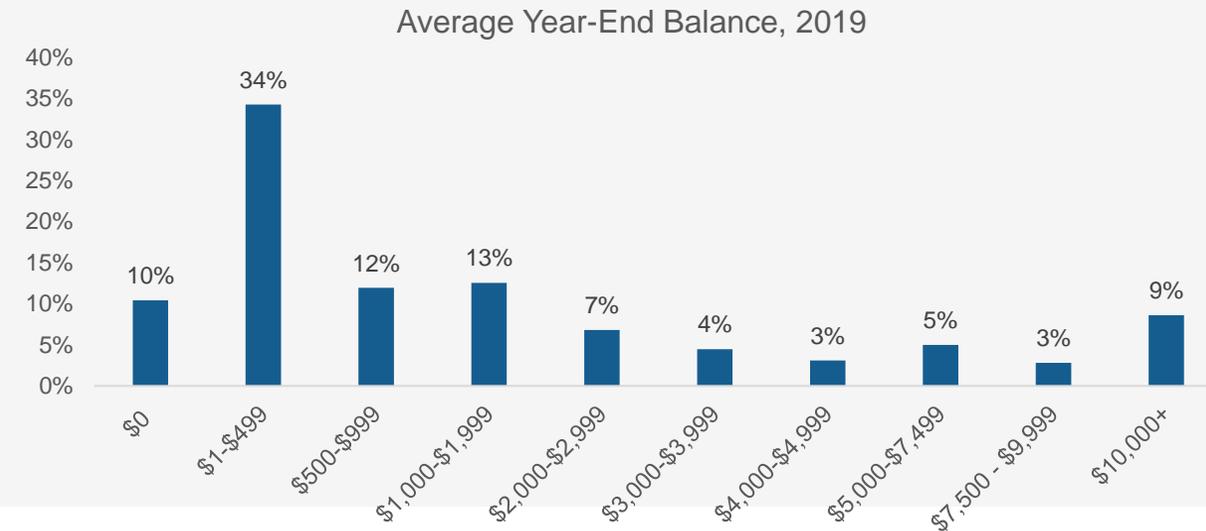
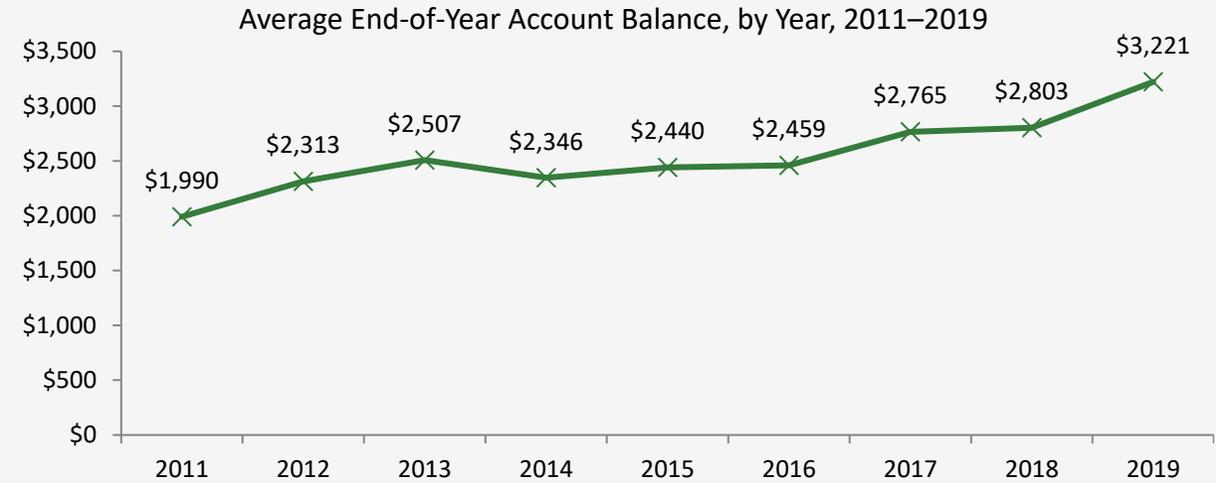
EBRI's HSA Database

- In 2019, EBRI's HSA Database grew by more than 700,000 to total 10.5 million HSAs, and total assets contained within these accounts grew by \$5.3 billion to total \$28.1 billion
- This accounts for about 40 percent of the total HSA market, both in terms of accounts and assets
- EBRI receives HSA data from a wide variety of recordkeepers, so we believe it is broadly representative of the HSA market as a whole
- This enables EBRI to conduct rich longitudinal and cross-sectional analyses, which we update yearly as EBRI receives new data



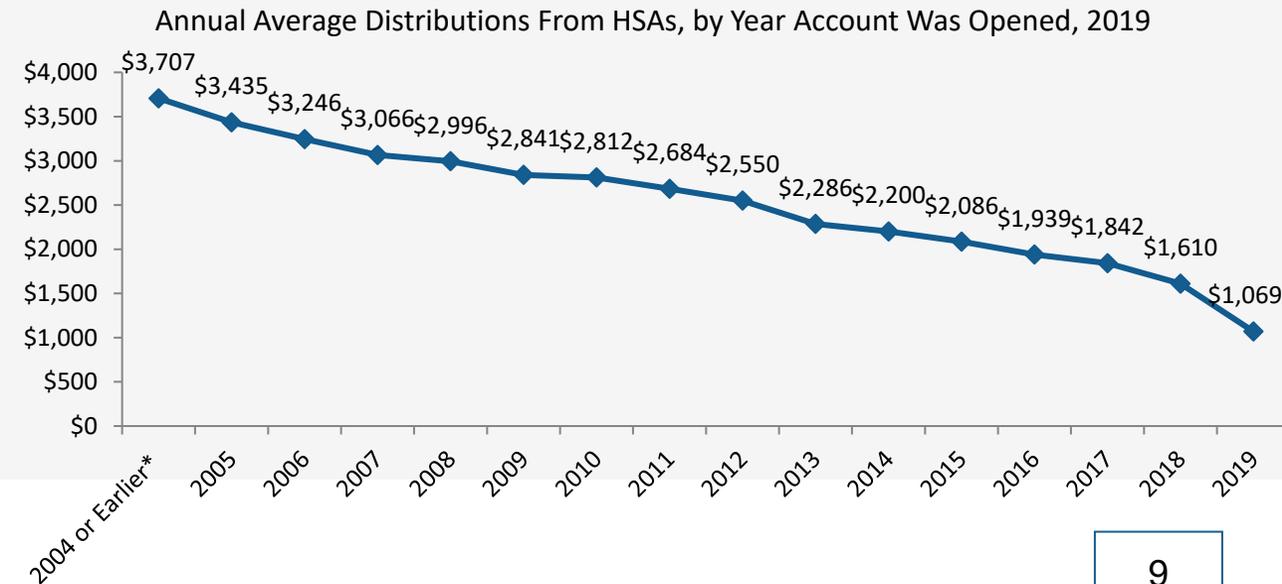
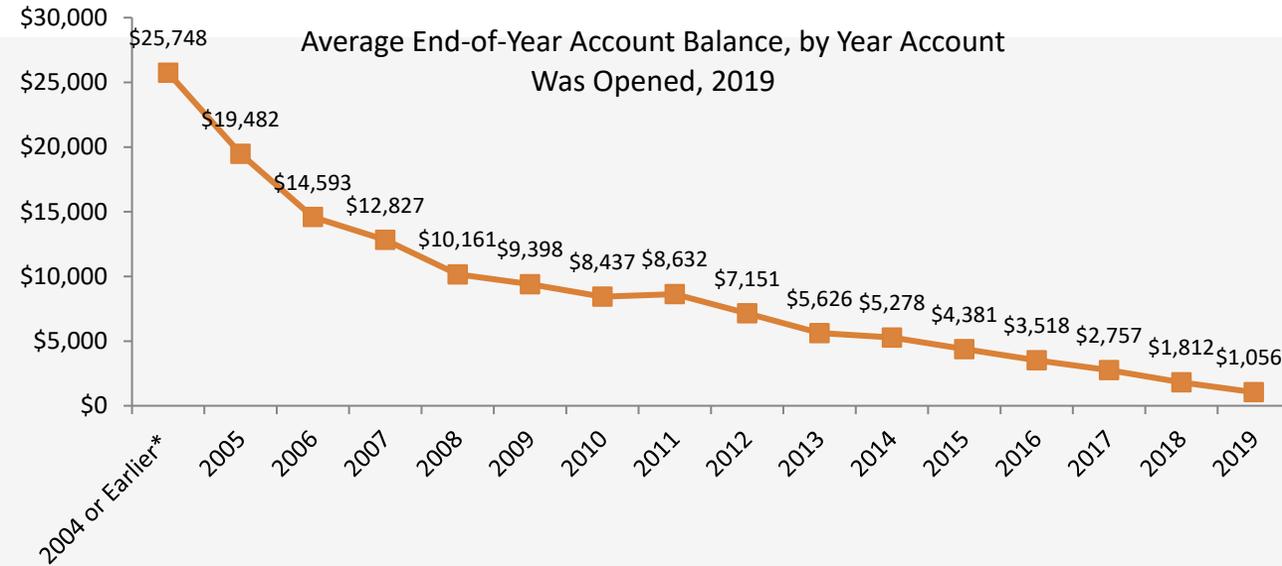
Average Account Balances Continued to Increase

- Average HSA account balances continued their upward trend from previous years, rising from an average of \$1,990 in 2011 to \$3,221 in 2019
- However, most accounts in EBRI's HSA database contained relatively small balances: the plurality of accounts contained less than \$500 in 2019



Tenure Matters

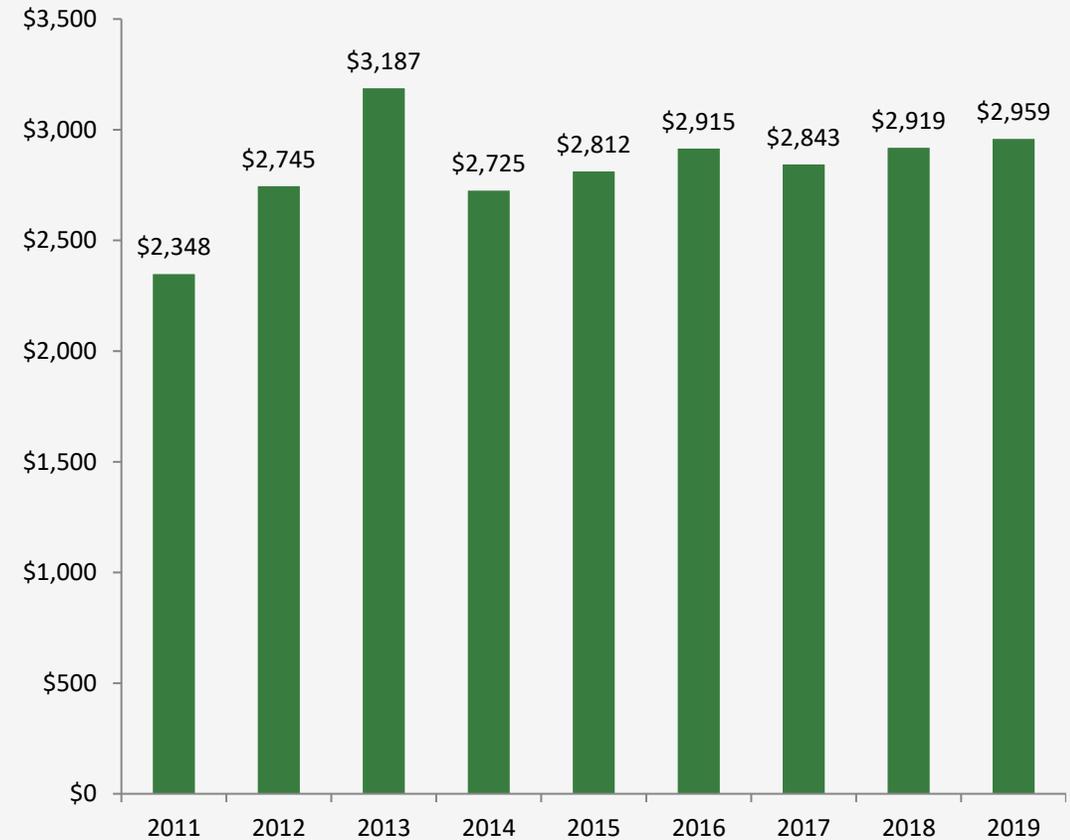
- Account balances are highly correlated with how long an account has been open; over time, account owners are able to build up progressively larger balances
- Similarly, accounts that have been open longer took larger distributions on average; as account owners build up larger balances, they are better-positioned to withdraw larger amounts for major health expenses



Average Contributions Are Relatively Low

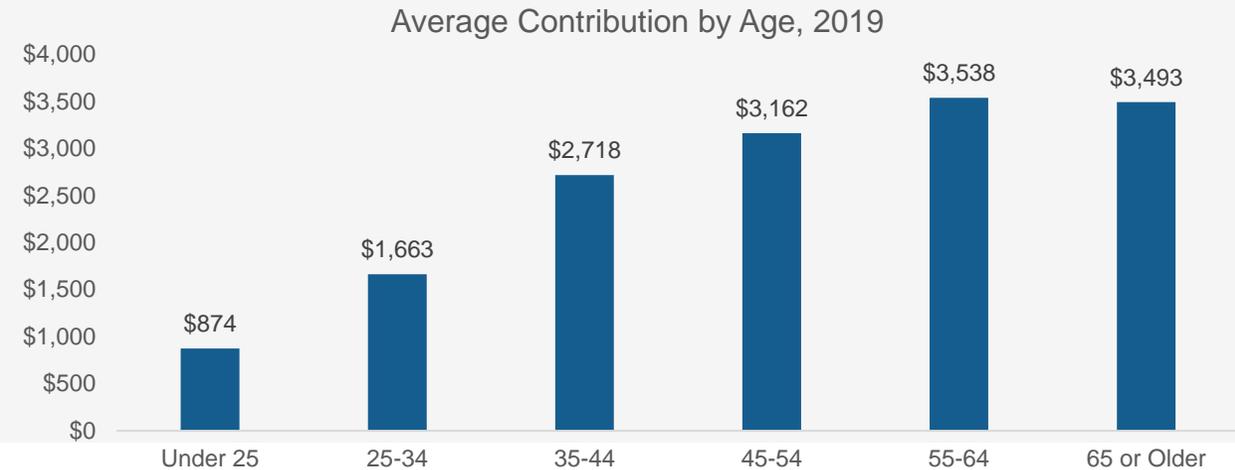
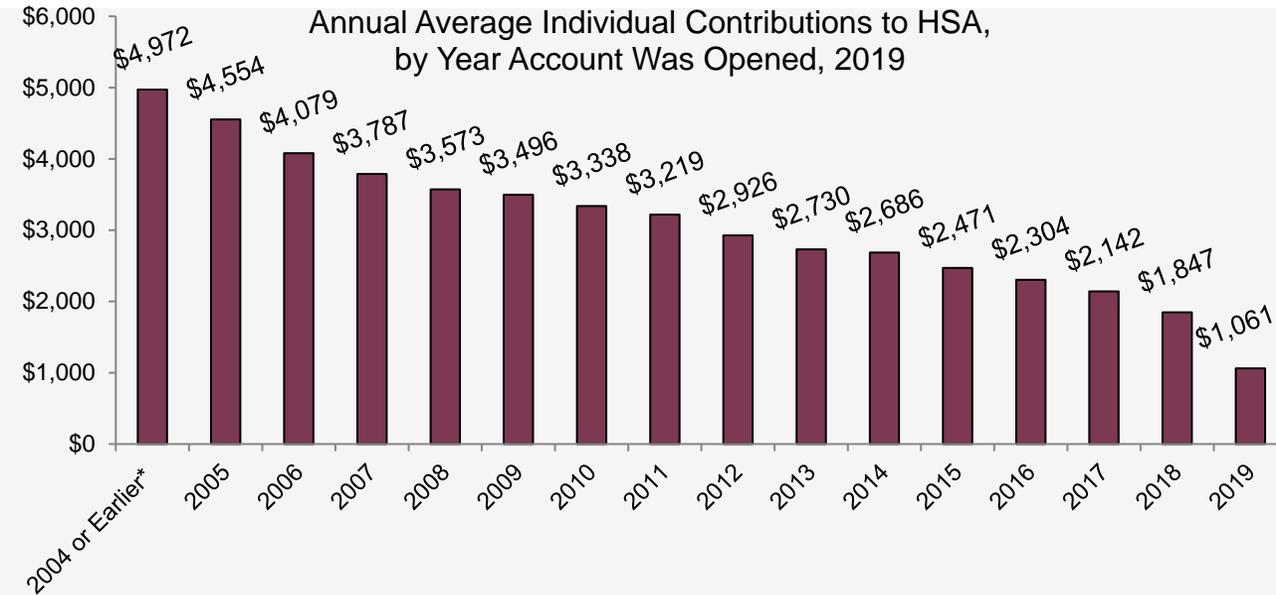
- The average contribution in 2019 was \$2,959 – well below the maximum allowed (\$3,500 for self-only coverage, \$7,000 for family coverage)
- Average contributions have risen since 2011, but have been flat for the past several years

Annual Average Total Contributions to HSAs, 2011–2019



Average Contributions are Closely Related to Account Tenure: Tenure Matters, Part 2

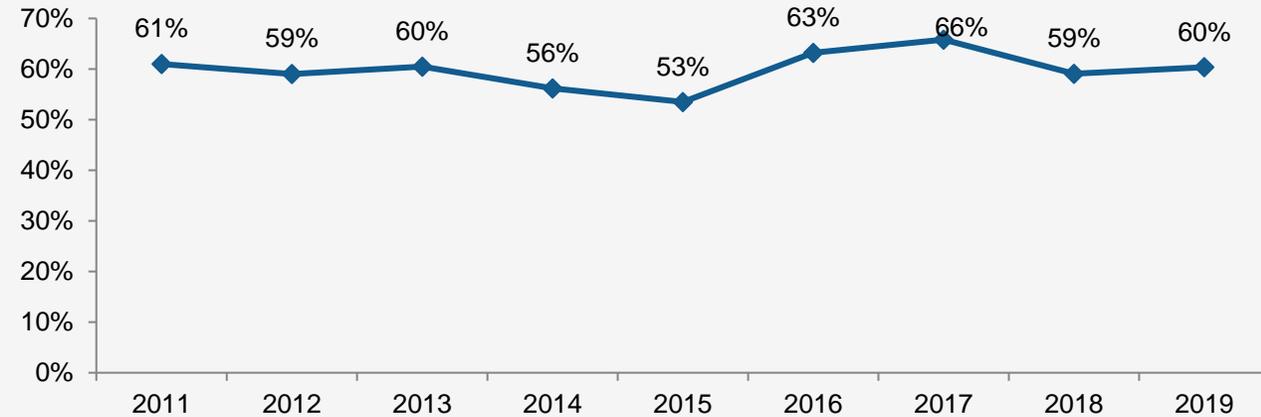
- Average HSA contributions increased with length of ownership
- Accountholders who just opened their HSA in 2019 contributed an average of \$1,061, while an accountholder who opened their HSA in 2009 contributed an average of \$3,496
- Contributions are also closely linked with age: older accountholders tended to contribute more than younger accountholders



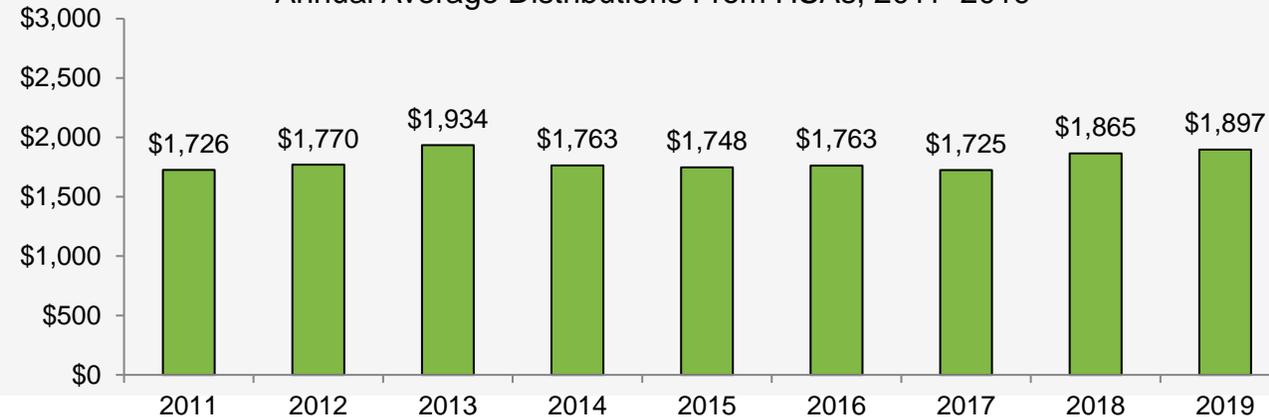
Most Accountholders Take Distributions

- About 60% of accountholders take distributions from their HSAs; this proportion has been relatively consistent for almost a decade
- Similarly, the average distribution amount has not changed significantly over the past nine years, ranging from \$1,725 to \$1,934

Percentage of Accounts With a Distribution From HSAs, by Year, 2011–2019



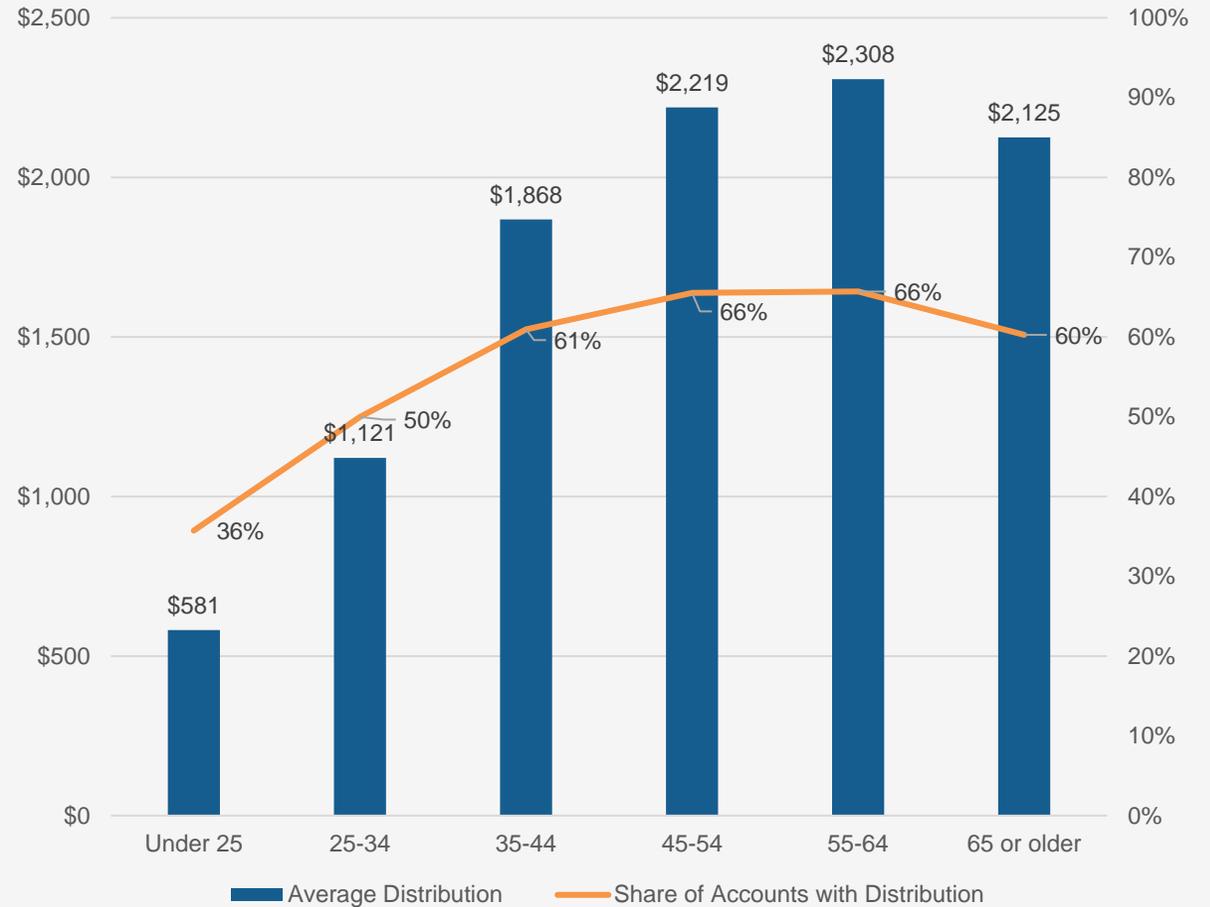
Annual Average Distributions From HSAs, 2011–2019



Distributions Are Closely Linked With Age

- There is a fairly strong correlation between age and both the size and frequency of distributions from HSAs
- Younger accountholders (who do not have particularly large balances to begin with) take smaller and less-frequent distributions than older accountholders

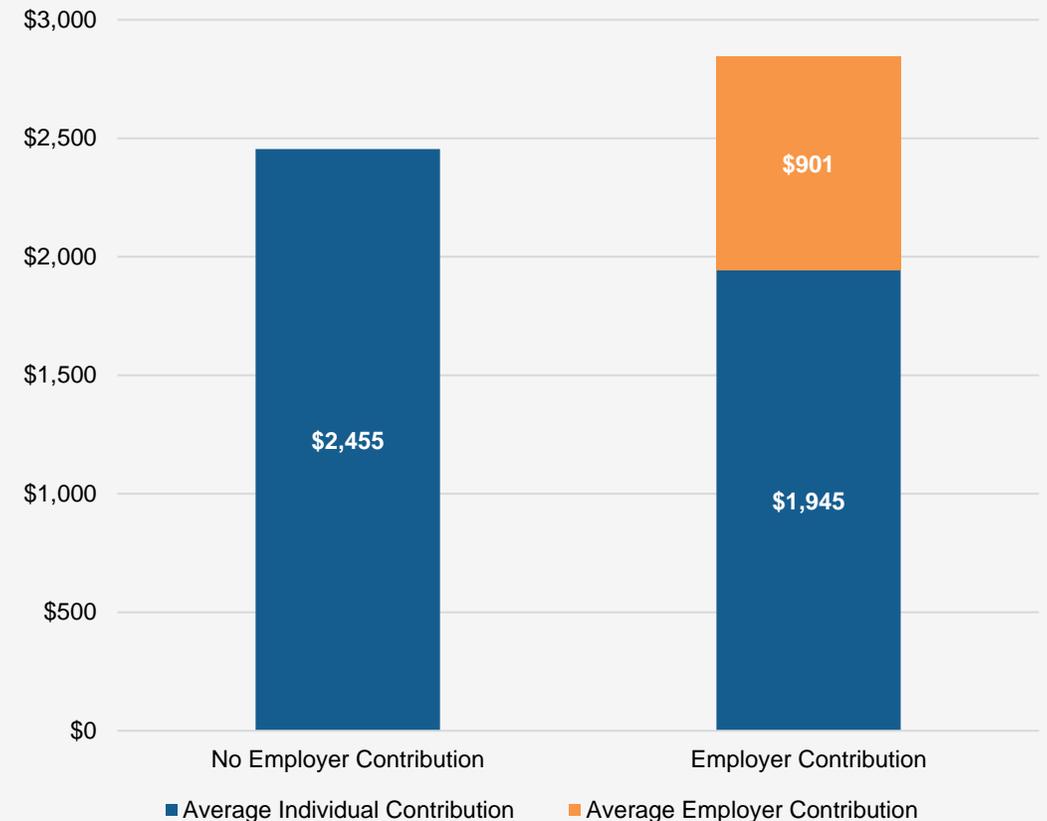
Share of Accounts taking a Distribution and Average Distribution, by Age, 2019



Employers Can Help Foster Engagement

- HSAs that received an employer contribution had larger average balances than HSAs without an employer contribution
- HSAs that received an employer contribution were also slightly more likely to invest (9%, compared to 7% for accounts without an employer contribution)
- This suggests that employers can play a role in engaging HSA owners

Average 2019 Individual and Employer Contributions, by Presence of Employer Contribution



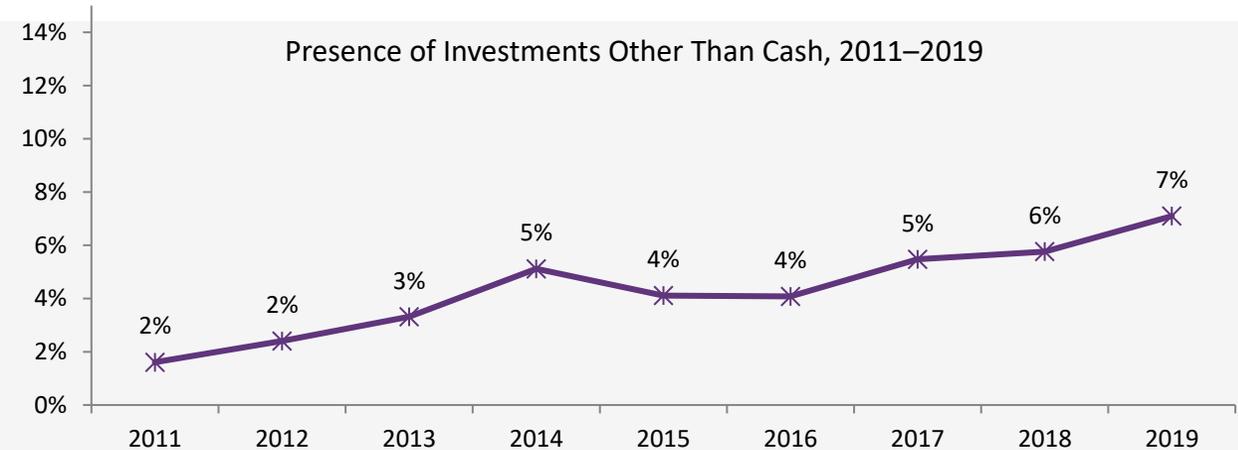


POLLING QUESTION

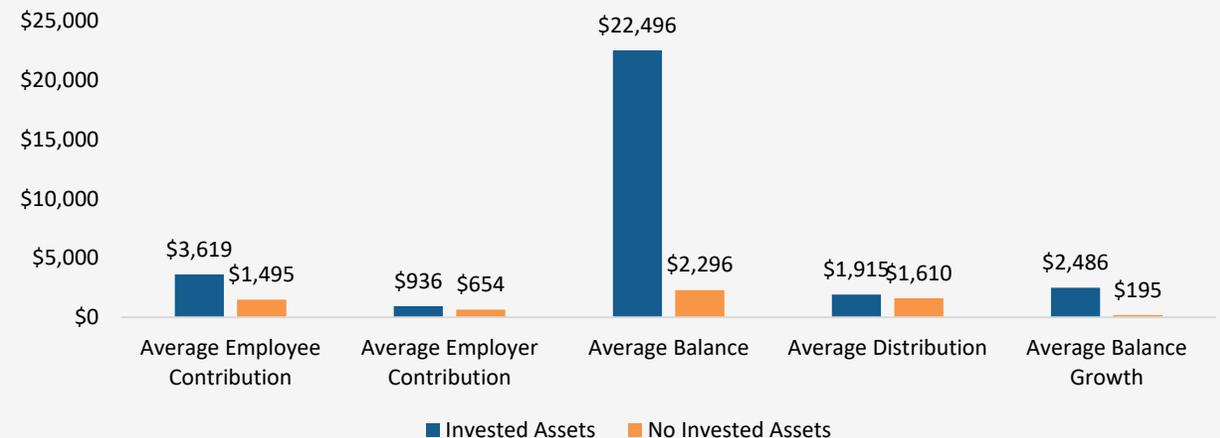
PLEASE SHARE YOUR THOUGHTS

Few Invest, and Those Who Do Are Radically Different

- Only about 7% of accountholders in our database invested in assets other than cash, although this proportion has increased over the years
- However, those who do invest are systematically different from those who do not
- Investors had significantly higher average balances, tended to receive larger employee and employer contributions, and saw their average balance grow much faster in 2019 than non-investors

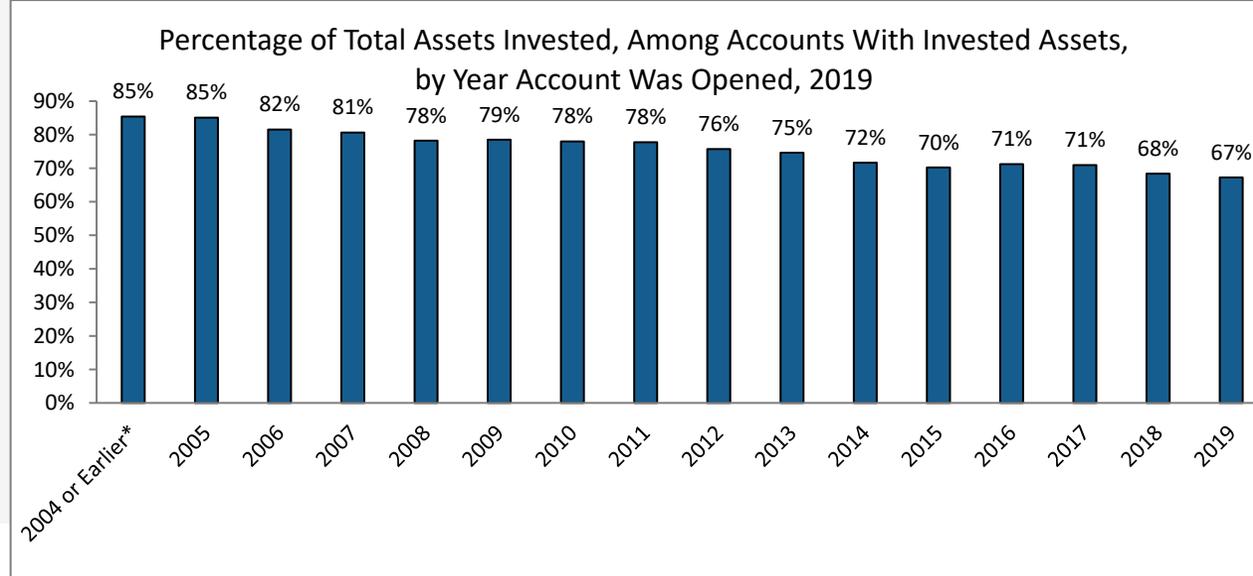
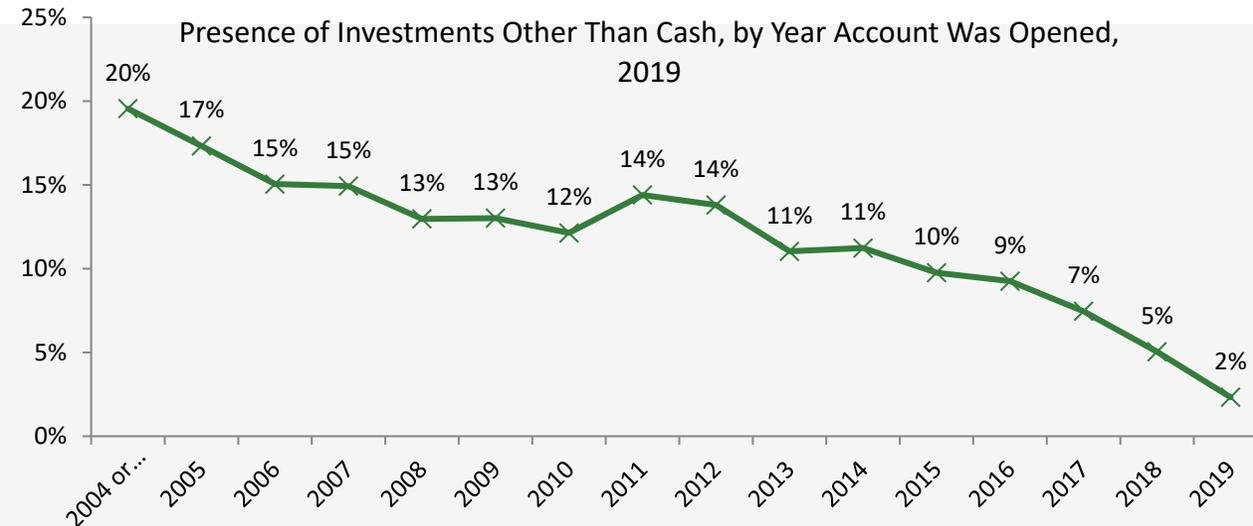


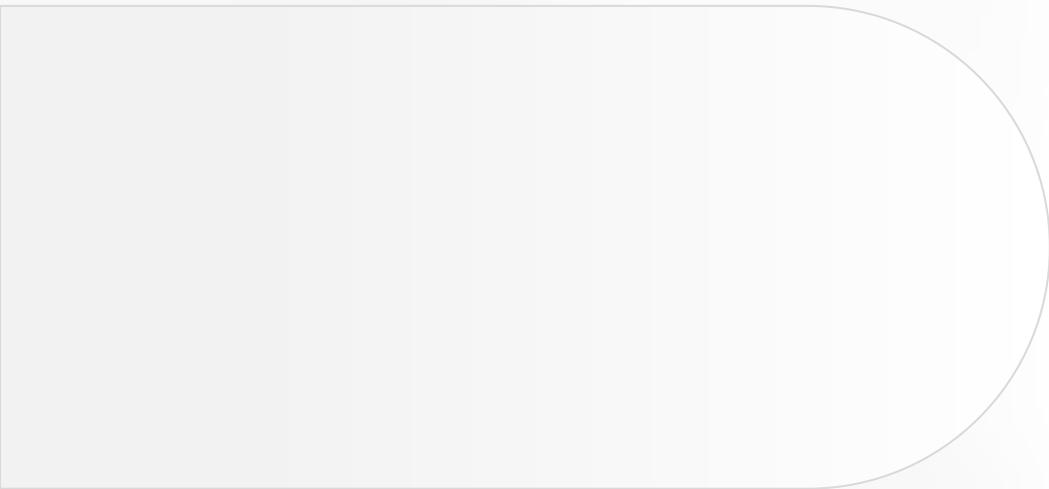
Selected Attributes of Accounts with Invested Assets and Without Invested Assets, 2019



Older Accounts are More Likely to Invest: Tenure Matters, Part 3

- The longer an account has been open, the more likely it is to contain investments other than cash
- Among accounts with investments, the longer the account has been open, the larger the percentage of the balance is invested in non-cash investments





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Phil Mason, Executive Vice President, Chief Operating Officer & Director Healthcare Services, UMB

What's the world look like right now?

- Pandemic winding down but lasting effects?
- Stock market at all time highs
- Healthcare has been front of mind in the past 12 months for most individuals
- Employers wanting to save costs are ever more interested in pushing employees to HDHP plans
- What are we seeing happen with employers and employees?

What do employers need to consider?

- 4–5 generations
- Cultural diversity
- Socio-economic differences
- Financial literacy



The majority of employees are dealing with...

- 59%** live paycheck to paycheck
- 44%** carry a credit card balance
- 40%** have a student loan
- 74%** are hampered by student loans in meeting other financial goals
- 38%** have an emergency fund
- \$500** average monthly spend on non-essentials

* Source for information is <https://www.aboutschwab.com/modernwealth2019> with the exception of the student loan statistics which are sourced from <https://www.pwc.com/us/en/industries/private-company-services/images/pwc-9th-annual-employee-financial-wellness-survey-2020.pdf>.

How Employers Can Support Their People



1. Communicate: frequently, authentically, transparently
2. Provide financial education and training
3. Offer a holistic financial wellness program

HSAs can be a big part of the solution!

- Spending and savings account
- Investment earning potential
- Triple tax advantage*
- Reduces taxable income
- Portable
- Can be used to pay for family members' medical expenses
- Expanded use after 65, without penalty



Investments in securities through the HSA investment account are:
Not FDIC Insured • May Lose Value • No Bank Guarantee

*All mention of taxes is made in reference to federal tax law. States can choose to follow the federal tax-treatment guidelines for HSAs or establish their own; some states tax HSA contributions. HSA distributions used to pay for non-qualified medical expenses are subject to income taxes on the amount and a possible additional 20% penalty, if you are under age of 65.



The Three Certainties of Life: Death, Taxes, and Updates From EBRI's HSA Database

Roy Ramthun, President and Founder, HSA Consulting Services, LLC

Democrat Legislative Priorities

- Get COVID under control and vaccinate the country
- COVID relief (including COBRA subsidies)
- “Fixing” / improving the Affordable Care Act
- “Public Option” or alternatives

Regulatory Issues

- New flexibility for health FSAs which creates potential issues with HSA eligibility if not smart about implementation
- IRS proposed rule on direct primary care and HSAs, HRAs, and FSAs
- Permanent extension of telemedicine flexibility for HSA-qualified plans
- Use HSAs, FSAs, and HRAs to pay for PPE for COVID prevention
 - Narrower than people may realize
 - CDC guidelines paramount

Opportunities for Improvement

- Eliminate HSA barriers
 - All plans have high deductibles
 - All consumers have high out-of-pocket costs
 - Most Americans have costs for chronic illnesses they should be able to manage
- Allow HSAs to work with any ACA-compliant minimum essential coverage

HSA Expansion Proposals

- H.R. 295 -- Rep. Ted Budd [R-NC-13]
- H.R. 725 / S. 153 -- Rep. Chip Roy [R-TX-21] & Sen. Ted Cruz [R-TX]
- S. 380 -- Sen. Marco Rubio [R-FL]

Targeted HSA Proposals

- S. 128 -- Sen. Bill Cassidy [R-LA]
 - Would allow direct primary care service arrangements to be compatible coverage with HSAs, and allow HSA funds to pay monthly fees up to \$150/month for singles or \$300/month for families

- H.R. 341 -- Rep. Roger Williams [R-TX-25]
 - Would make permanent telehealth flexibilities in response to COVID-19

Targeted HSA Proposals

- H.R. 1166 -- Rep. Gary Palmer [R-AL-6] & S. 275 – Sen. Ted Cruz [R-TX]
 - Would allow individuals to choose to opt out of the Medicare Part A benefit so they can participate in HSAs
- H.R. 259 -- Rep. Barbara Lee [D-CA-13] & S. 304 -- Sen. Tammy Duckworth [D-IL]
 - Would allow HSA funds to be used tax-free to pay for “medically necessary” diapers and diapering supplies
- H.R. 53 -- Rep. Andy Biggs [R-AZ-5]
 - Would allow tax-free distributions from HSAs during family or medical leave

Key Assumptions

- Health coverage will remain largely employer-based
 - Employers care about the cost of health care over coverage
 - HSAs, FSAs, and HRAs well-suited to fill in gaps
- Incremental expansion of public safety net to fill coverage gaps
 - HSAs well-suited to fill in gaps
 - This will rival but not replace employer coverage in short-term, but will make coverage for employers more expensive via provider cost-shifting
 - Americans confuse coverage continuity with portability
- CDH accounts will remain highly relevant no matter who provides the insurance

History Suggests Incrementalism

- CDH accounts enjoy support on both sides of the aisle, but meaningful HSA expansion is not a priority for Democrats
- There may still be room to advance incremental HSA improvements, such as allowing working seniors and people receiving care under the VA, Tricare, and the Indian Health Service to fund an HSA, but bipartisan support needed
- While we don't anticipate meaningful expansion opportunities in either the legislative or regulatory arenas, our solutions enjoy bipartisan support.

Q&A



Upcoming Events

Wednesday, April 21 — [Location, Location, Location: The Impact of Site of Treatment on Health Care Costs](#)

Save the Dates:

American Savings Education Council Partners' Meeting

Savings Considerations for Minorities in America

April 29

Spring Virtual Policy Forum: May 10, 11, and 13

It's Time for the After Show!

