The Three Certainties of Life: Death, Taxes and Updates From the EBRI Health Savings Account Database

EBRI Webinar
March 30, 2022
Speakers

Jake Spiegel, Research Associate, Health and Wealth, EBRI

Roy Ramthun, President & Founder, HSA Consulting Services

William Giaconia, Vice President, Strategy & Business Development, Fidelity

Moderator: Chris Byrd, Executive Vice President, WEX Health
The Three Certainties of Life: Death, Taxes, and Updates from EBRI’s HSA Database

Jake Spiegel, EBRI Research Associate – Health and Wealth
EBRI’s HSA Database

- Now in its 8th year, EBRI’s HSA Database has grown to contain data on over 11.4 million HSAs, with assets totaling over $32.9 billion as of year-end 2020
  - Our database contains HSAs stretching as far back as 2004, when HSAs were first legislated into existence (and some are converted MSAs!)
- Most accounts in EBRI’s HSA Database are relatively new, reflecting the recent proliferation of high-deductible health plans
  - About half of the HSAs in our database are less than 4 years old

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**EBRI HSA Database: Accounts and Assets, 2010–2020**

**Source:** EBRI HSA Database.

**HSAs, by Year Account Was Opened**

- **Source:** EBRI HSA Database.
Contributions

- The average individual contribution retreated slightly from the all-time high we observed in 2019
  - Employer contributions declined slightly as well

- There is a strong correlation between average individual contribution and age
  - Generally, contributions increase with age
  - Older workers are generally more likely to incur medical expenses than younger workers, and generally earn more as well
Distributions

- Average distributions declined to the lowest levels observed in EBRI’s HSA Database
  - This may be a result of the widely-documented reduction in health care services during the height of the COVID-19 pandemic

- Much like contributions, both the propensity to take a distribution and the average distribution amount generally increases with age
Continuing the upward trend observed the past few years, average HSA balances increased once again to $3,622

- Account balances are highly correlated with tenure, so this result, while encouraging, is expected.

- New accounts had relatively smaller balances – less time to contribute, less time for investments to grow – while older accounts had much higher balances.

Source: EBRI HSA Database.
Investments

• The share of accountholders who invest has been steadily increasing over the past several years, reaching 9% in 2020.

• HSAs with invested assets look very different from HSAs without invested assets:
  • They have higher average contributions, significantly higher balances, and higher net contributions.
A DEI Lens on HSAs

• Recently, EBRI examined the extent to which accountholder behavior – contributions, distributions, and investments – varied along demographic lines

• The results will be published in an upcoming Issue Brief

• In general, we found that HSA attributes, such as average contributions, balances, and the propensity to invest, varied significantly along racial, ethnic, gender, and income lines
A DEI Lens on HSAs

- Accountholders living in disproportionately White or Asian ZIP codes, for instance, had higher average balances and higher average contributions than their counterparts living in disproportionately Black or Hispanic ZIP codes.

- Similarly, male accountholders made larger contributions and had higher balances on average than their female counterparts.
The Present & Future State of Health Savings Accounts

Roy Ramthun
March 30, 2022
HSA Consulting Services

Roy Ramthun – Founder & President, HSA Consulting Services

- 30+ years experience in health care
- Led the U.S. Treasury Department’s implementation of HSA program from 2003-2005
- Health care advisor to President Bush from 2005-2006
- Leading consultant, speaker and author in HSA industry
- Consultant to ABA HSA Council

HSA Expert (HSAe) Certification Training
Current Political Climate

- Ongoing debate between government vs. private sector control of health care
  - Conservatives want HSAs to be the health reform
  - Replace employer-sponsored health coverage and its tax preferences
  - Insurance would be individually-owned, portable, and not job dependent just as HSAs are
  - HSA contributions would be increased and funds could be used to pay for premiums and out-of-pocket expenses
  - HSAs would be offered in Medicare, Medicaid, VA, Tricare, etc.
  - Consumers would drive competition, lower costs & increase quality
Current Political Climate

- Ongoing debate between government vs. private sector control of health care
  - Liberals want the government to provide universal coverage in a system like or built on Medicare
  - Replace employer-sponsored coverage and use tax savings to subsidize coverage
  - Insurance would be individually-owned, portable, and not job-dependent, just as Medicare is
  - Progressive tax policies would fund the remaining cost
  - The government would regulate cost and quality of health services
Current Political Climate

- Would universal health coverage provided by the government mean the end of HSAs?
  - They don’t have to be mutually exclusive
  - In Singapore, HSAs are compatible with government-run health care, and contributions are compulsory
  - Would a similar model be acceptable in the US?
Current Political Climate

- Does this mean the end of employer-sponsored health insurance anytime soon?

- There are various flavors in play here including:
  - Increased subsidies for private insurance
  - Defend the status quo and improve it

- Divided control of the federal government means that neither liberals or conservatives will likely get what they ultimately want
Current Political Climate

- Unclear whether either side will settle for incremental change

- Political battle will happen in “the middle” and changes will probably be incremental

- Large changes are difficult to achieve except once every so many years
Possible Incremental Changes to HSAs

- Changes to eligibility (who can have an HSA)
  - Medicare
  - Tricare
  - VA
  - Indian Health Service
  - Direct primary care
  - Healthcare Sharing Ministries
  - Dependents (children/parents/grandparents)
Possible Incremental Changes to HSAs

- Changes that make HDHPs more “attractive”
  - Change “high deductible health plan” to “HSA-qualified plan”
  - Expand first-dollar coverage below the deductible
    - Telehealth
    - Primary care visits
  - Expand “Preventive care”
    - Care for people with chronic conditions
  - Options for allowing more plans to be paired with HSAs
    - Actuarial Value
    - Minimum essential coverage
    - Complete decoupling, including no insurance requirement
    - Allow HSA-qualified plans for individuals eligible for cost-sharing reductions
Possible Incremental Changes to HSAs

- Recent changes to what HSAs can pay for tax-free
  - OTC drugs
  - feminine hygiene products
  - personal protective equipment (masks, hand sanitizer)
  - at-home COVID tests

- Other possible changes (based on House/Senate bill introductions)
  - Telehealth – needs a permanent fix
  - Direct primary care
  - Fitness and exercise equipment
  - Nutritional and dietary supplements
  - Diapers and other personal expenses
  - Insurance premiums
Possible Incremental Changes to HSAs

- Allow both spouses to make catch-up contributions to the same HSA
- Federal bankruptcy protection for HSA assets
- Larger catch-up contributions
- Start catch-up contributions at age 50 (like IRAs)
- Changes to contribution limits
HSA Activity in the States

- Monitoring state legislation that could impact state-regulated HSA-qualified plans
- Haven't seen much willful harm done, just unintended consequences
- Education/remediation is slow/painful but effective
- Possible “vaccine” approach
  - Permanent exemption from state mandates where they conflict with IRS rules (could be federal or state-by-state)
Contact Info

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Q&A
Upcoming Events

April 7 — Retirement Security Research Center Meeting

April 13 — Moving the Dial: Measuring and Increasing the Impact of Financial Wellbeing Initiatives Webinar

May 10 — EBRI May Policy Forum

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