



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**

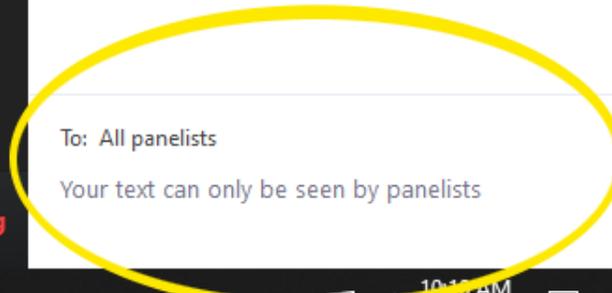
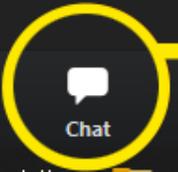
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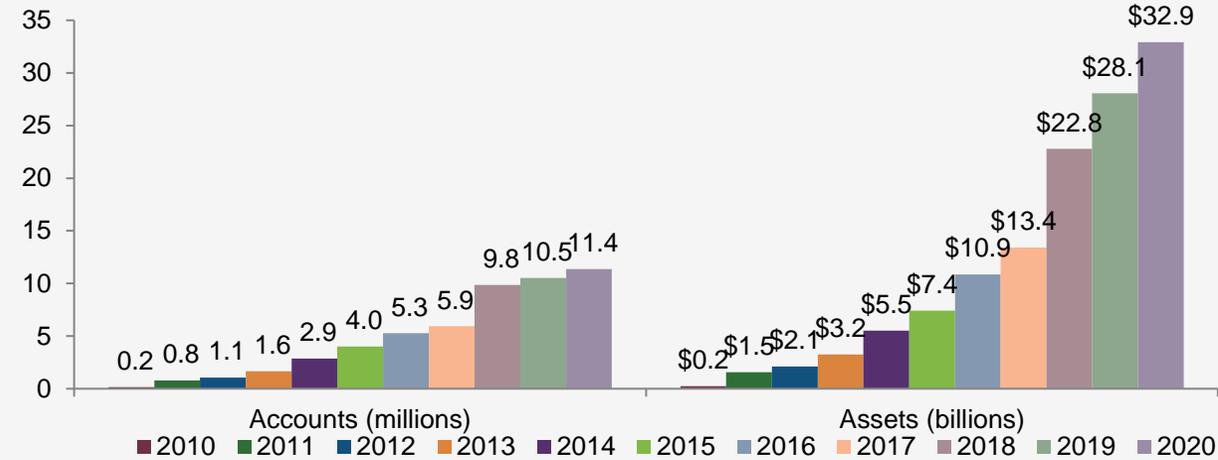
The Three Certainties of Life: Death, Taxes, and Updates from EBRI's HSA Database

Jake Spiegel, EBRI Research Associate – Health and Wealth

EBRI's HSA Database

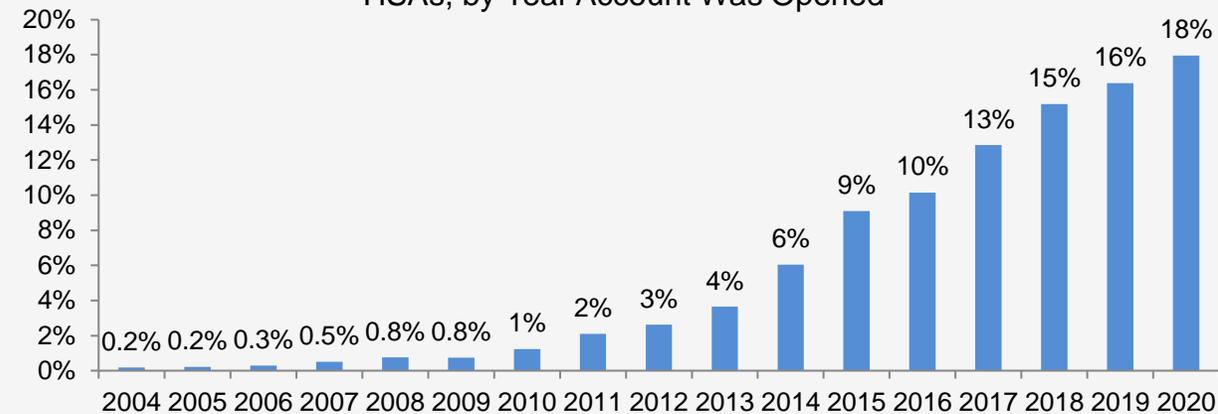
- Now in its 8th year, EBRI's HSA Database has grown to contain data on over 11.4 million HSAs, with assets totaling over \$32.9 billion as of year-end 2020
 - Our database contains HSAs stretching as far back as 2004, when HSAs were first legislated into existence (and some are converted MSAs!)
- Most 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

EBRI HSA Database: Accounts and Assets, 2010–2020



Source: EBRI HSA Database.

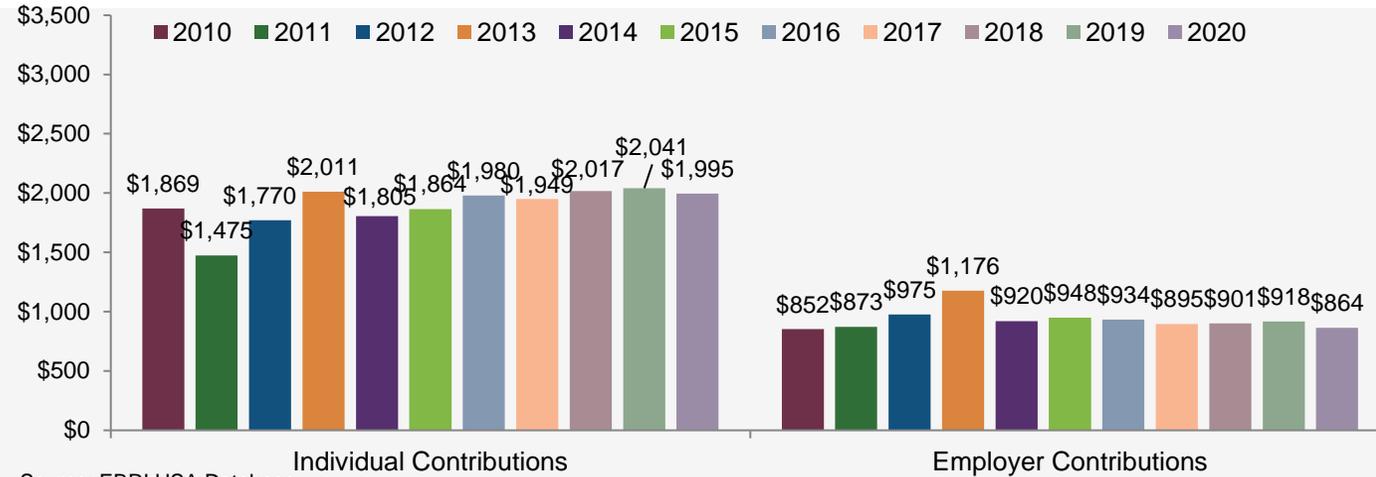
HSAs, by Year Account Was Opened



Contributions

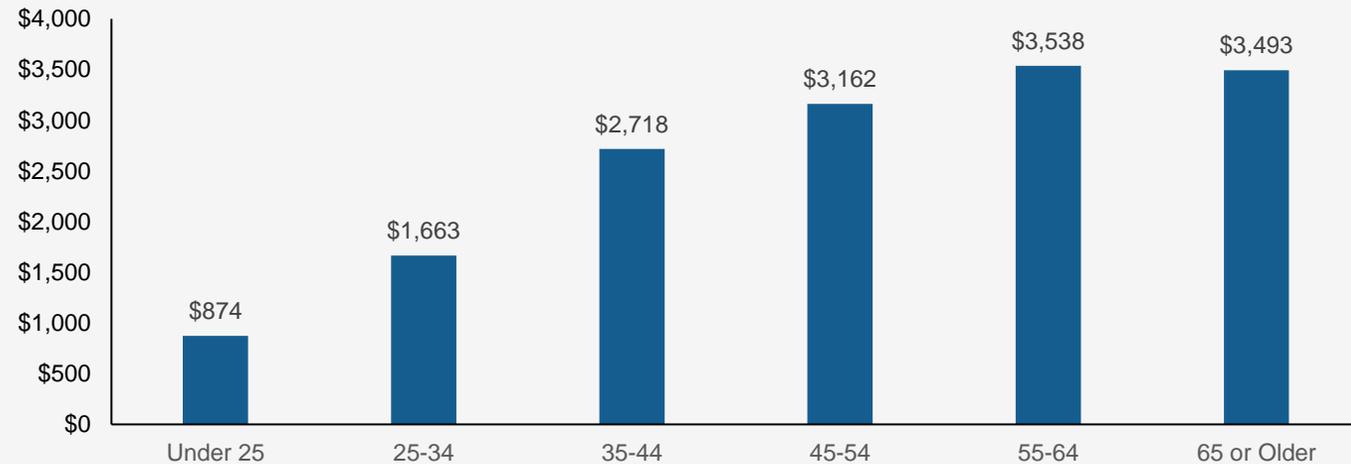
- The average individual contribution retreated slightly from the all-time high we observed in 2019
 - Employer contributions declined slightly as well
- There is a strong correlation between average individual contribution and age
 - Generally, contributions increase with age
 - Older workers are generally more likely to incur medical expenses than younger workers, and generally earn more as well

Annual Average Individual and Employer Contributions to HSAs, 2010–2020



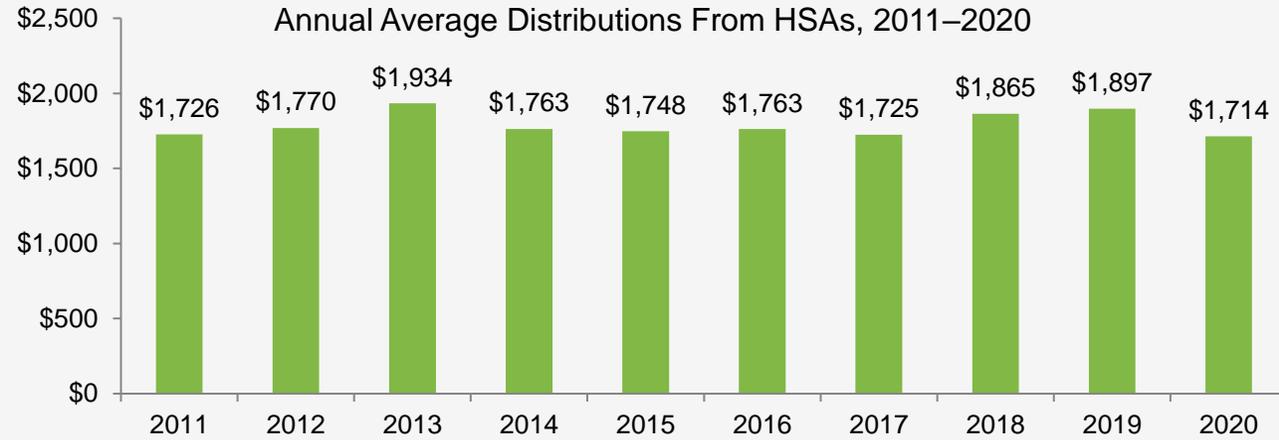
Source: EBRI HSA Database.

Average Individual HSA Contribution, by Age

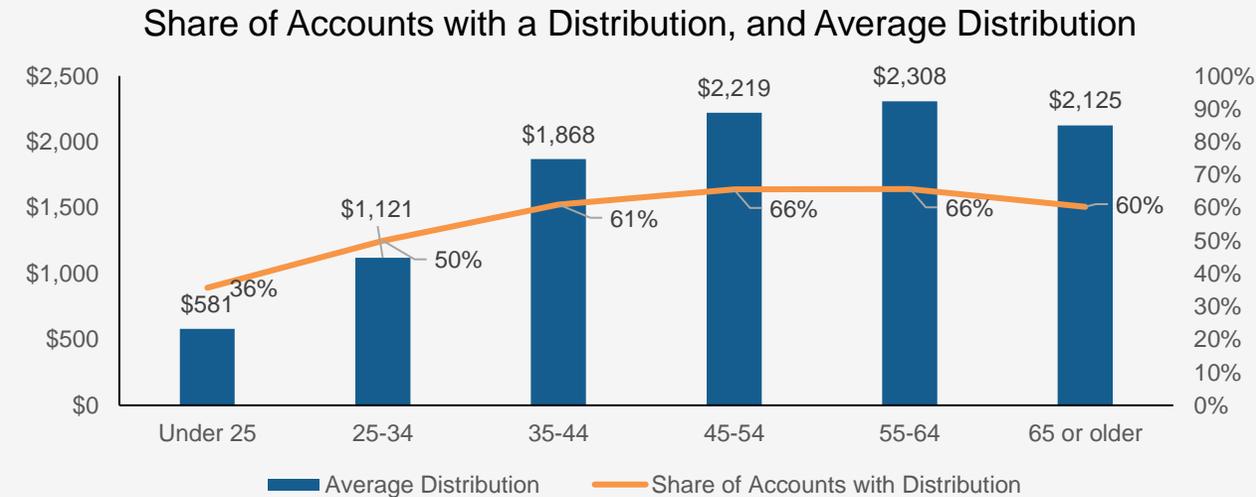


Distributions

- 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



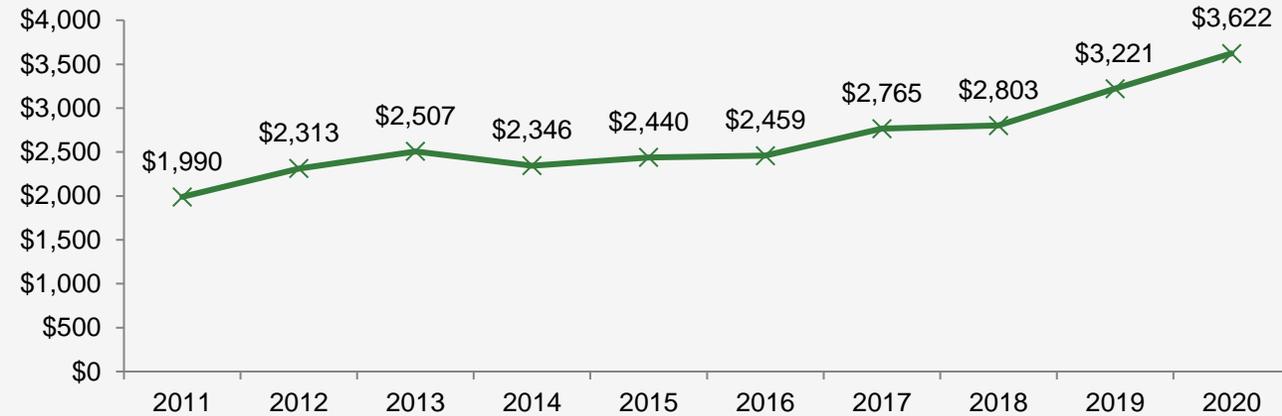
Source: EBRI HSA Database.



Balances

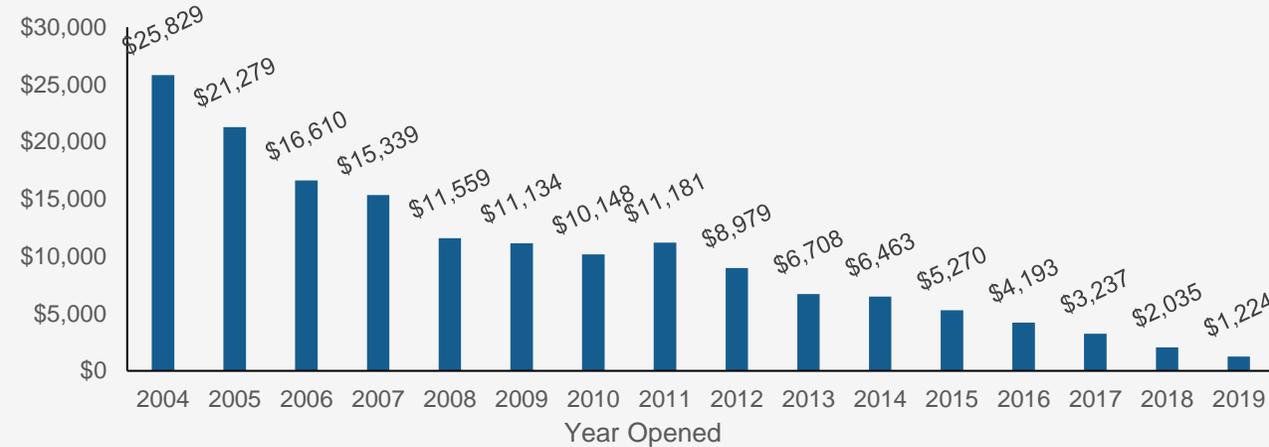
- Continuing the upward trend observed the past few years, average HSA balances increased once again to \$3,622
 - Account balances are highly correlated with tenure, so this result, while encouraging, is expected
- New accounts had relatively smaller balances – less time to contribute, less time for investments to grow – while older accounts had much higher balances

Average End-of-Year Account Balance, by Year, 2011–2020



Source: EBRI HSA Database.

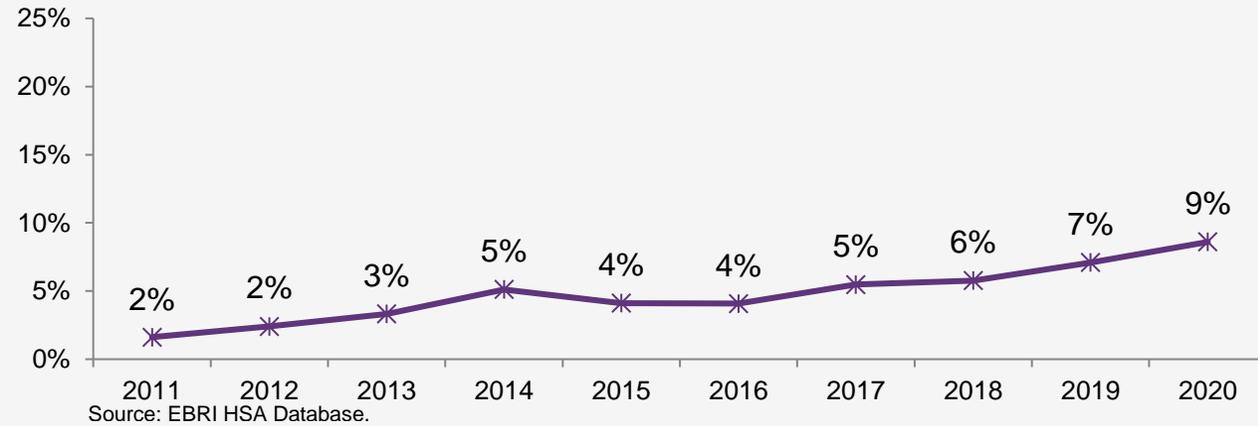
Average Balance in 2020, by Year Opened



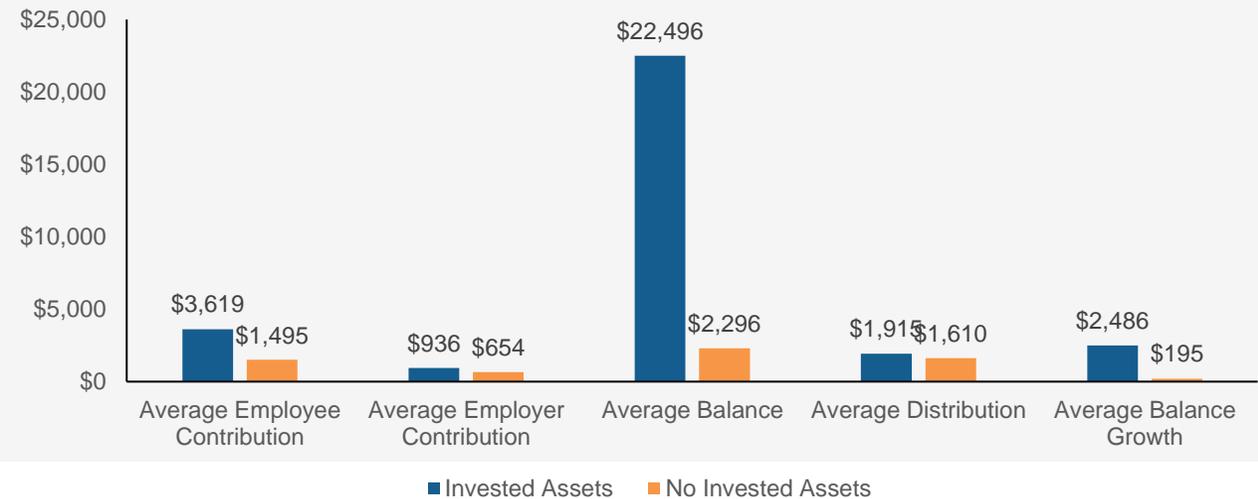
Investments

- 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

Presence of Investments Other Than Cash, 2011–2020



Selected Attributes of Accounts with Invested Assets vs Without



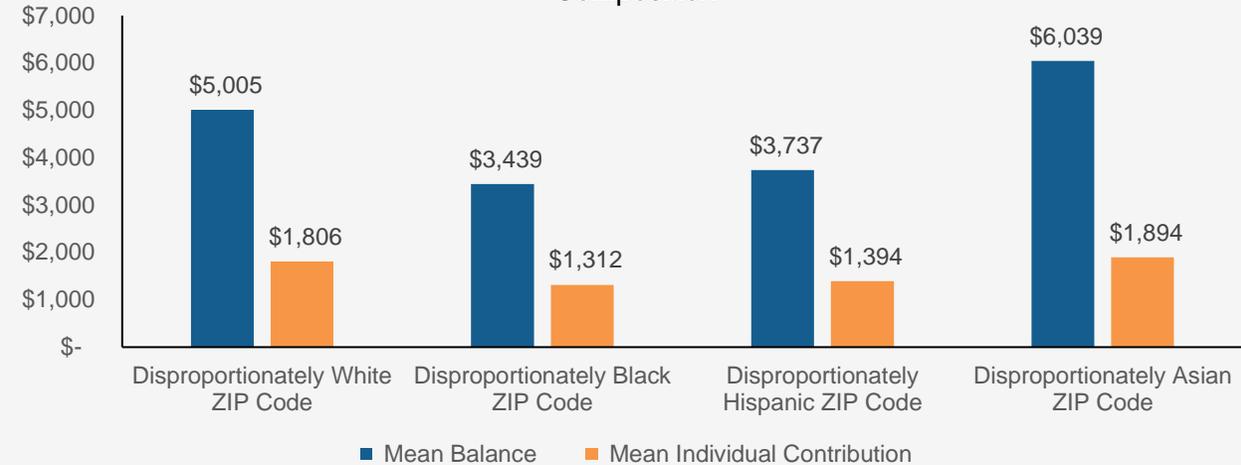
A DEI Lens on HSAs

- 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

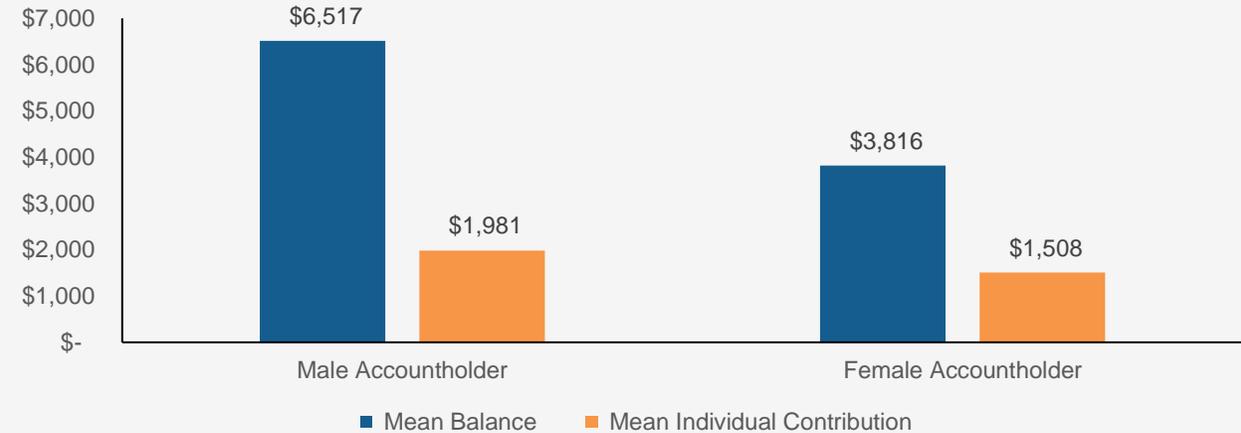
A DEI Lens on HSAs

- 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

Average Account Balance and Average Contribution, by ZIP Code Racial Composition



HSA Balance and Individual Contributions, by Gender



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

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SAVINGS ACCOUNTS

**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

Roy Ramthun, “Mr. HSA”

roy@hsaconsultingservices.com

(202) 747-4467

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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