Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2016: Statistics from the EBRI HSA Database

By Paul Fronstin, Ph.D., Employee Benefit Research Institute

A T A G L A N C E

The Employee Benefit Research Institute (EBRI) developed the EBRI HSA Database to analyze the state of and individual behavior in health savings accounts (HSAs). The HSA database contained 5.5 million accounts with total assets of $11.3 billion as of Dec. 31, 2016. This Issue Brief is the fourth annual report drawing on cross-sectional data from the EBRI HSA Database. It examines account balances, individual and employer contributions, distributions, invested assets and account-owner demographics in 2016.

Here are the key findings and insights:

HSAs are a significant part of employment-based health benefit programs.

- Enrollment in high-deductible, HSA-eligible health plans was estimated to be between 20.2–22.6 million policyholders and their dependents, and covered nearly 3 in 10 employees in 2016. The HSA market did not exist until 2004.

- Similarly, there were an estimated 20 million HSAs as of the end of 2016. Most HSAs in the EBRI HSA Database are relatively new; more than 3 in 4 HSAs (77 percent) have been opened since 2013.

HSA balances increased in 2016.

- Two-thirds of account holders ended 2016 with positive net contributions, meaning annual contributions were higher than annual distributions.

- Over 90 percent of HSAs with individual or employer contributions in 2016 ended the year with funds to roll over for future expenses.

- As of the end of 2016, the average HSA balance among account holders with individual or employer contributions in 2016 was $2,532, up from $1,604 at the beginning of the year.

- Only 3 percent of HSAs had invested assets (beyond cash).

Contributions and distributions drive account balances.

- On average, individuals who made contributions in 2016 contributed $1,986 over the year and HSAs receiving employer contributions in 2016 received $935. But only 13 percent of account holders contributed the fully allowable annual amount.
• Three-fourths of HSAs with a 2016 contribution also had a distribution during 2016. Of the HSAs with distributions, the average amount distributed was $1,766, less than the average contribution, resulting in balance increases.

• The presence of individual or employer contributions were associated with an increase in account balances in 2016—even if account holders took a distribution.

**Investing does not maximize longer-term savings.**

• Investors (beyond cash) had much higher account balances than non-investors.

• While it might be expected that individuals who invested their account balance were using the account solely as a long-term savings vehicle, the opposite appears to have been true. Both investors and non-investors used the HSA to self-fund current uninsured medical expenses.

• Investors were more likely than non-investors to take a distribution (69 percent and 63 percent, respectively). In fact, when distributions were taken, investors took larger distributions ($2,451) than non-investors ($1,740) during 2016. However, the larger distributions may have been because they had larger account balances.
Paul Fronstin is director of the Health Education and Research Program at the Employee Benefit Research Institute (EBRI). Any views expressed in this report are those of the authors and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2016: Statistics from the EBRI HSA Database

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Introduction

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) allows individuals enrolled in high-deductible health plans meeting certain requirements to open and fund a health savings account (HSA), a tax-exempt trust or custodial account that is funded with contributions and assets that an individual can use to pay for health care expenses. Individuals can contribute to an HSA only if they are enrolled in an HSA-eligible health plan. HSAs benefit from a triple-tax advantage: employee contributions to the account are deductible from taxable income, any interest or other capital earnings on assets in the account build up tax free, and distributions for qualified medical expenses from the HSA are excluded from taxable income to the employee (Figure 1).

Both enrollment in HSA-eligible health plans and the number of HSAs have grown significantly since the accounts first became available in 2004. In 2016, enrollment in these HSA-eligible health plans was estimated to be between 20.2 and 23.6 million policyholders and their dependents. As many as one-quarter of smaller employers (10–499 employees) and 61 percent of larger employers (500 or more employees) offered an HSA-eligible health plan in 2016, covering nearly 1 in 3 workers with health insurance. It has also been estimated that there were about 20 million HSAs holding $37 billion in assets as of Dec. 31, 2016. The number of HSAs could be even larger, as it has been estimated that 7.3 million HSA-eligible health plan enrollees had not opened an HSA (Figure 2).

Enrollment in HSA-eligible health plans is expected to continue to grow. According to Mercer’s survey of employers, 25 percent of employers with 10–499 employees and 61 percent of employers with 500 or more employees offered an

### Table 1

<table>
<thead>
<tr>
<th>Year</th>
<th>Individual Minimum Deductible</th>
<th>Individual Maximum Contribution</th>
<th>Individual Maximum Out-of-Pocket Limit</th>
<th>Per-Person Catch-up Contribution Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$1,000</td>
<td>$2,600</td>
<td>$5,000</td>
<td>$500</td>
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<tr>
<td>2005</td>
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<td>2006</td>
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<td>5,250</td>
<td>700</td>
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<td>2007</td>
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<td>2,850</td>
<td>5,500</td>
<td>800</td>
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<td>2008</td>
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<td>2009</td>
<td>1,150</td>
<td>3,000</td>
<td>5,800</td>
<td>1,000</td>
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<td>2016</td>
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<td>6,550</td>
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<tr>
<td>2017</td>
<td>1,300</td>
<td>3,400</td>
<td>6,550</td>
<td>1,000</td>
</tr>
</tbody>
</table>

HSA-eligible health plan or HRA in 2016 (Figure 3). By 2019, 34 percent of employers with 10–499 employees and 72 percent of employers with 500 or more employees said they would be very likely to offer such a health plan.

While there is growing literature around how individuals in HSA-eligible health plans use and pay for medical services, there are very few sources of data on the HSAs themselves and the owners of such accounts. The most recent report by America’s Health Insurance Plans (AHIP) includes data on account balances, contributions, distributions, and account owner demographics based on 2012 data. Also, Devenir reports limited, aggregate trend data going back to 2006 from a survey of HSA providers. The EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey (CEHCS), conducted annually since 2005, collects self-reported demographic information on enrollees in HSA-eligible health plans and on their HSA balances, contributions, and distributions.

To improve on data limitations, EBRI created the EBRI HSA Database to collect a large, representative repository of administrative information from record-keepers about HSAs and account owners.

This Issue Brief is the fourth annual report drawing on cross-sectional data from the EBRI HSA Database. It examines account balances, individual and employer contributions, annual distributions, investments and account-owner demographics for 2016.

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### 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 record-keepers and, therefore, represents the characteristics and activity of a broad range of HSA owners.

As of Dec. 31, 2016, the EBRI Database includes:

- 5.5 million health savings accounts.
- $11.3 billion in assets.

The 2016 data covers 27 percent of the universe of HSAs and 31 percent of HSA assets. Most HSAs in the EBRI HSA Database were initially opened within the past few years. Overall, 77 percent of the accounts were opened between 2013 and 2016 (Figure 4).

### HSAs Open During 2016

This Issue Brief focuses on 5.5 million HSAs in the EBRI Database that were open at any point during 2016, including some that were closed before the end of 2016. The average balance was $2,061 at the end of 2016, up from $1,508 at the end of 2015 (Figure 5).

Nearly two-thirds (64 percent) of the 5.5 million HSAs received individual or employer contributions in 2016, while 36 percent did not receive any contributions. The EBRI HSA Database does not include health plan coverage data, but one of the possible explanations for the non-contributors is that some of those individuals were not currently enrolled in an HSA-eligible health plan. HSAs with contributions ended 2016 with an average balance of $2,532, up from $1,604 at the end of 2015. HSAs without contributions ended 2016 with an average balance of $1,232. The vast majority (93 percent) of accounts that had a contribution had a balance to roll over at the end of the year, whereas three-quarters (75 percent) of accounts with no contributions had a positive balance at the end of the year.

HSAs with investments beyond cash accounted for 3 percent of the accounts in the EBRI Database, and 19 percent of the assets. They ended 2016 with an average balance of $11,274, compared with $1,738 among accounts without investments.

Overall, 87 percent of the HSAs had balances greater than zero at the end of the 2016.
Figure 2
HSA and HRA Enrollment Rates, 2005–2015


Figure 3

Source: Figure 6 in http://www.mercer.com/newsroom/national-survey-of-employer-sponsored-health-plans-2016.html
Of the 5.5 million HSAs in the EBRI HSA Database, 3.5 million (or 64 percent) received individual or employer contributions in 2016 (Figure 5). Accounts with contributions in 2016 had $8.9 billion in assets, which was about 78 percent of the assets in the EBRI HSA Database.

Seventy-eight percent of the HSAs in the EBRI Database (3.5 million accounts) that received 2016 contributions also had a distribution in 2016. HSAs with both a contribution and a distribution in 2016 had an average account balance of $2,343 at the end of 2016. Those with a contribution in 2016 but without a distribution had an average of $3,209 in the account at the end of 2016.

The vast majority (93 percent) of HSAs with 2016 contributions ended the year with a positive account balance, and for these HSAs the average balance increased from $1,657 at the end of 2015 to $2,717 at the end of 2016. Those HSAs with 2016 contributions that had a zero account balance at the end of 2016 started the year with an average balance of $887.

## Accounts Without Contributions in 2016

In order to make employer or individual contributions to an HSA, the account holder must be currently enrolled in an HSA-eligible health plan. Not being covered by an HSA-eligible health plan is one reason why some of the over one-third (36 percent) of the accounts in the EBRI HSA Database did not receive any employer or individual contributions in 2016. They accounted for 22 percent of all assets in the database. Among the HSAs that did not receive any contributions, those with distributions saw the balance fall from an average of $2,019 at the end of 2015 to $1,456 at the end of 2016. Those without distributions experienced an increase in their average balance in 2016, from $939 at the end of 2015 to $1,101 at the end of 2016. The account owners for these HSAs may be taking advantage of the tax-free build up and the opportunity to invest.
### Figure 5
**HSA Owners by Account Status, Open Accounts, 2016**

<table>
<thead>
<tr>
<th>Distribution of Accounts</th>
<th>Number of Accounts (millions)</th>
<th>Distribution of Accounts (percent)</th>
<th>Average Beginning-of-Year Account Balance</th>
<th>Average End-of-Year Account Balance</th>
<th>Total Assets (billions)</th>
<th>Distribution of Assets (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5.5</td>
<td>100%</td>
<td>$1,508</td>
<td>$2,061</td>
<td>$11.3</td>
<td>100%</td>
</tr>
<tr>
<td>Accounts With Employer or Individual Contributions</td>
<td>3.5</td>
<td>64</td>
<td>1,604</td>
<td>2,532</td>
<td>8.9</td>
<td>78</td>
</tr>
<tr>
<td>Distributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions from Account</td>
<td>2.7</td>
<td>50</td>
<td>1,592</td>
<td>2,343</td>
<td>6.4</td>
<td>57</td>
</tr>
<tr>
<td>No Distributions from Account</td>
<td>0.8</td>
<td>10</td>
<td>1,648</td>
<td>3,209</td>
<td>2.5</td>
<td>22</td>
</tr>
<tr>
<td>End-of-Year Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End-of-Year account balance zero</td>
<td>0.2</td>
<td>4</td>
<td>887</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>End-of-Year account balance positive</td>
<td>3.3</td>
<td>59</td>
<td>1,657</td>
<td>2,717</td>
<td>8.9</td>
<td>78</td>
</tr>
<tr>
<td>Accounts With No Employer or Individual Contributions</td>
<td>2.0</td>
<td>36</td>
<td>1,337</td>
<td>1,232</td>
<td>2.5</td>
<td>22</td>
</tr>
<tr>
<td>Distributions from Account</td>
<td>0.7</td>
<td>13</td>
<td>2,019</td>
<td>1,456</td>
<td>1.1</td>
<td>9</td>
</tr>
<tr>
<td>End-of-Year account balance zero</td>
<td>0.2</td>
<td>4</td>
<td>1,065</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>End-of-Year account balance positive</td>
<td>0.5</td>
<td>9</td>
<td>2,437</td>
<td>2,085</td>
<td>1.1</td>
<td>9</td>
</tr>
<tr>
<td>No Distributions from Account</td>
<td>1.3</td>
<td>23</td>
<td>939</td>
<td>1,101</td>
<td>1.4</td>
<td>12</td>
</tr>
<tr>
<td>End-of-Year account balance zero</td>
<td>0.3</td>
<td>5</td>
<td>853</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>End-of-Year account balance positive</td>
<td>1.0</td>
<td>18</td>
<td>963</td>
<td>1,399</td>
<td>1.4</td>
<td>12</td>
</tr>
<tr>
<td>Invested Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts with invested assets</td>
<td>0.2</td>
<td>3</td>
<td>7,573</td>
<td>11,274</td>
<td>2.1</td>
<td>19</td>
</tr>
<tr>
<td>Accounts without invested assets</td>
<td>5.3</td>
<td>97</td>
<td>1,295</td>
<td>1,738</td>
<td>9.2</td>
<td>81</td>
</tr>
</tbody>
</table>

Source: EBRI HSA Database.

### Figure 6
**Summary of Average Account Activity, 2016**

<table>
<thead>
<tr>
<th>Percent of Accounts With Contributions or Distributions</th>
<th>All Open Accounts</th>
<th>Accounts With Contributions or Distributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual contributions</td>
<td>$960</td>
<td>$1,986</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>457</td>
<td>935</td>
</tr>
<tr>
<td>Distributions</td>
<td>1,116</td>
<td>1,766</td>
</tr>
</tbody>
</table>

Source: EBRI HSA Database.
Average Contributions and Distributions

Of the HSAs that received contributions in 2016, nearly one-half (48 percent) received individual contributions, 49 percent received employer contributions, and 63 percent had distributions during 2016. Individual HSA contributions averaged $1,986 when considering only those HSAs with an individual contribution in 2016 (Figure 6). Similarly, employer contributions averaged $935 for 2016 for those HSAs that received some employer contributions during the year. Distributions averaged $1,766 for those accounts with a distribution during the year.

Average individual 2016 contributions were higher for HSAs that did not receive employer contributions in 2016. More specifically, for HSAs with employer contributions for 2016, individual contributions averaged $1,846 (Figure 7), while individual contributions to HSAs without employer contributions averaged $2,301. This suggests that, in general, many individuals have viewed employer contributions as a substitute for their own contributions.

When HSAs Were Initially Opened

Figure 8 illustrates the years in which those HSAs that were open at some point during 2016 were initially opened, by whether they received or did not receive contributions in 2016. There were some notable differences. In general, accounts with contributions were much more likely to have been opened in 2016, whereas very few of those with no contributions were opened in 2016.

Ages of HSA Owners

HSA owners in the EBRI HSA Database for 2016 were fairly evenly distributed by age—approximately one-quarter each were ages 25–34, 35–44 and 45–54 (Figure 9). About one-fifth (18 percent) were ages 55–64, while only 3 percent were under age 25, and 3 percent were ages 65 and older. The average age was 43.2 years. Data from the March 2016 Current Population Survey (CPS) showed the distribution of adults with group health coverage in 2015 to be quite similar, except that HSA owners in the EBRI HSA Database were less likely to be younger than age 25 or older than 65 than was the case in the March 2016 CPS.
Figure 8

<table>
<thead>
<tr>
<th>Year Account Opened</th>
<th>Total 100%</th>
<th>Positive Balance at End of 2016 59%</th>
<th>Positive Balance at End of 2016 9%</th>
<th>Zero Balance at End of 2016 4%</th>
<th>Zero Balance at End of 2016 27%</th>
<th>No Distributions 18%</th>
<th>No Distributions 5%</th>
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<td>2004</td>
<td>0.2</td>
<td>0.1</td>
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<tr>
<td>2016</td>
<td>21</td>
<td>17</td>
<td>24</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: EBRI HSA Database.

Figure 9

<table>
<thead>
<tr>
<th>Age Group</th>
<th>EBRI HSA Database</th>
<th>March 2016 CPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>15%</td>
<td>3%</td>
</tr>
<tr>
<td>25–34</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>35–44</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>45–54</td>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>55–64</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>65 or Older</td>
<td>3%</td>
<td>10%</td>
</tr>
</tbody>
</table>

2016 Account Balances

Of the HSAs in the EBRI HSA Database with either individual or employer contributions in 2016, 8 percent had a zero balance at the end of 2016, 31 percent had $1–$499, and 15 percent had $500–$999 (Figure 10). Only 13 percent of the accounts had $5,000 or more, with 5 percent having $5,000–$7,499, 3 percent had $7,500–$9,999, and 5 percent had $10,000 or more.

HSA Owner Age—Despite the fact that older individuals used more health care services on average than younger individuals, HSA balances increased with owner age. Individuals under age 25 had an average of $768 in their HSA at the end of 2016, compared with $4,124 among individuals ages 55–64 (Figure 11). Even individuals ages 65 and older had an average of $4,405 in their HSA at the end of 2016.

Account Tenure—The longer an individual has had an HSA, the higher the account balance. Individuals who opened an account in 2004 (or before for those with a medical savings account, or MSA, rollover) had an average of $14,879 in their account as of the end of 2016 (Figure 12). Those whose account was opened in 2011 had $5,228, while those who first opened the account in 2016 ended the year with a $1,027 balance.

Investments—Just 3 percent of HSAs in the EBRI Database had assets invested in options beyond cash at the end of 2016. Despite this, the balances in HSAs with investments accounted for 19 percent of the total assets in the EBRI HSA Database.

More specifically, HSAs with invested assets had higher balances at the end of 2016 than accounts without invested assets. Over one-third (38 percent) of accounts with investments had $10,000 or more in the account at the end of 2016 (Figure 13). In contrast, only 4 percent of accounts without investments ended 2016 with $10,000 or more. This may be partially due to minimum investment thresholds on accounts.

In addition, end-of-year balances were much higher in accounts with investments than in accounts that did not have investments when examining those accounts by the year in which the account was opened. Among accounts opened in 2016, end-of-year 2016 balances averaged $5,197 in accounts with investments, and $970 in accounts without investments (Figure 14). Similarly, among accounts opened in 2005, end-of-year 2016 balances averaged $31,239 in accounts with invested assets, and $7,233 in accounts without investments.

2016 Contributions

Approximately one-half of HSA owners contributed to their account in 2016 (Figure 15). More specifically, 10 percent made a contribution in the range of $1,000–$1,999 and 13 percent contributed between $2,000 and $4,999. Only 2 percent contributed $6,750 or more, though individuals with employee-only coverage were allowed a maximum contribution of $3,350 in 2016 (individuals ages 55 or older could make catch-up contributions up to an additional $1,000).

Similarly, one-half (49 percent) of HSA owners received an employer contribution in 2016. One-quarter (28 percent) had an employer contribution of $100–$999; 15 percent received an employer contribution of $1,000–$1,999; and 4 percent had an employer contribution of $2,000 or more.

Considering overall contributions, 36 percent of HSAs did not receive any contributions in 2016, while 19 percent received contributions between $2,000 and $4,999, and 4 percent received $6,750 or more in contributions.

Contribution levels for 2016 were higher for HSAs with investments. Among accounts with investments, 32 percent had contributions between $2,000 and $4,999, 14 percent received contributions between $5,000 and $6,749, and 7 percent had $6,750 or more in contributions (Figure 16). In contrast, of the HSAs that did not have investments, 13 percent received contributions between $2,000 and $4,999, 3 percent received contributions between $5,000 and $6,749, and 1 percent had $6,750 or more in contributions.
Figure 10
Average HSA End-of-Year Account Balance, Accounts With Contributions, 2016

Source: EBRI HSA Database.

Figure 11
Average End-of-Year Account Balance Among HSAs With Contributions, by Age of HSA Owner, 2016

Source: EBRI HSA Database.
Figure 12
Average End-of-Year Account Balance Among Accounts With Contributions, by Year HSA Was Opened, 2016

Source: EBRI HSA Database.

Figure 13
Average HSA End-of-Year Account Balance, by Presence of Invested Assets, 2016

Source: EBRI HSA Database.
As noted above, 64 percent of the HSAs in the EBRI HSA Database received either individual or employer contributions in 2016, and the balances of these HSAs accounted for 78 percent of all assets in the EBRI HSA Database. Among HSAs with any contribution in 2016, 24 percent did not have an individual contribution and 24 percent did not have an employer contribution (Figure 17). Only 2 percent of HSAs received individual contributions at or above $6,750. When individual and employer contributions were combined, 6 percent of HSAs had contributions of $6,750 or more.

Of the 2016 individual contributions to HSAs, 31 percent were below $1,000 (5 percent were less than $100, and 26 percent were between $100 and $999); 16 percent were between $1,000 and $1,999; and 21 percent were between $2,000 and $4,999. Of the HSAs with 2016 employer contributions, 43 percent of the contributions were between $100 and $999, 23 percent were between $1,000 and $1,999, and 7 percent were $2,000 or more.

Of the HSAs that received either individual or employer contributions for 2016, 32 percent of HSAs had contributions of $100–$999, 23 percent received contributions of $1,000–$1,999, 29 percent had contributions of $2,000–$4,999, and only 13 percent of HSAs had contributions of $5,000 or more (7 percent were between $5,000 and $6,749, 6 percent were at $6,750 or more).

Contributions by End-of-Year Balance—Among HSAs that received 2016 contributions, those with a zero account balance at the end of 2016 had lower individual contributions and were less likely to have individual contributions than those with a positive balance at the end of the year (Figure 18). Those with a zero account balance also were less likely to have any employer contributions than those with a positive balance at the end of the year (Figure 19).

Combined individual and employer contributions are shown in Figure 20. Among those with a zero account balance at the end of 2016:

- 21 percent had contributions of $1,000–$1,999.
- 18 percent had contributions of $2,000–$4,999.
- 4 percent had contributions of $5,000 or more.

Among those with a positive account balance at the end of the year:

- 23 percent had contributions of $1,000–$1,999.
- 30 percent had contributions of $2,000–$4,999.
- 13 percent had contributions of $5,000 or more.

Contributions by Age—Average 2016 contributions generally increased with age. Contributions in 2016 averaged $983 for individuals under age 25 and $3,096 for individuals ages 55–64 (Figure 21).

2016 Distributions

Nearly two-thirds of HSAs had distributions in 2016, while 37 percent did not (Figure 22). Most distributions were for health care claims, but non-qualified distributions and rollover distributions are also mixed in with distributions for health care claims in the EBRI HSA Database. Yet, most distributions were small. Among accounts with a distribution, 30 percent were below $500, 17 percent were between $500 and $999, and 21 percent were between $1,000 and $1,999. About one-third of 2016 distributions were at least $2,000.

Age—The average annual amount distributed in 2016 increased with owner age, as did the likelihood that a distribution was made for a health care claim, until age 65. Among owners of HSAs with distributions, individuals under age 25 had an average distribution of $603 from their HSAs in 2016, compared with an average of $2,159 for individuals ages 55–64, and $1,610 for individuals ages 65 and older (Figure 23). Similarly, the likelihood of taking a distribution increased from 43 percent among individuals under age 25 to between 66 and 69 percent for those ages 35–44, 45–54, and 55–64. The likelihood dipped to 60 percent for those ages 65 and older.
Figure 16
HSAs, by Level of Individual Contributions and Invested Assets, 2016

Source: EBRI HSA Database.

Figure 17
HSAs With Contributions, by Level of Individual, Employer, and Total Contributions, 2016

Source: EBRI HSA Database.
Figure 18
HSAs With Contributions, by Level of Individual Contributions and End-of-Year Account Balance, 2016

Source: EBRI HSA Database.

Figure 19
HSAs With Contributions, by Level of Employer Contributions and End-of-Year Account Balance, 2016

Source: EBRI HSA Database.
Finally, the age distribution of the HSA owners was similar across account statuses (Figure 24).

**Account Tenure**—In general, the longer an individual has had an account, the higher the average amount distributed from the HSA. Among owners of HSAs with a distribution, individuals who opened an account in 2004 (or before, for those with an MSA rollover) had an average distribution of $2,558 from their account in 2016 (Figure 25). Those whose account was opened in 2011 had an average distribution of $2,254, while those who first opened the account in 2016 had an average distribution of $1,051.

The likelihood of there being a distribution was between 64 percent and 71 percent among accounts opened before 2016 (with those opened in 2004 or earlier being an exception), but was only 43 percent among accounts opened in 2016. These accounts were less likely to have a distribution and more likely to have a lower average amount distributed because they have had less time to build up an account balance.

**Accounts With Investments**—The likelihood of a distribution was higher (69 percent) in accounts with investments than in accounts without investments (63 percent) (Figure 26). Average 2016 distributions were also higher in HSAs with investments. Among HSAs with investments, the average 2016 distribution was $2,451, compared to $1,740 in HSAs without investments.

### 2016 Net Contributions

Average 2016 contributions and distributions generally increased with owner age. Contributions in 2016 averaged $983 for individuals under 25 and $3,096 for individuals ages 55–64 (Figure 27). Similarly, average distributions ranged from $628 for individuals under 25 to $2,428 for individuals ages 55–64. Average net contributions, or the excess of 2016 contributions over distributions, also increased with age, until age 65. Individuals under 25 had an average net contribution of $356 in 2015, while those ages 55–64 had an average net contribution of $668. Overall, two-thirds of account holders had contributions that were larger than their 2016 distributions.

### Conclusion

The number of employers expected to offer an HSA-eligible health plan either as an option or as the only health plan option is expected to continue to increase. As a result, HSA-eligible health plans and HSAs are expected to grow as a vital component of employment-based health coverage. Enrollment in HSA-eligible health plans in 2016 is estimated to be between 20.2 and 23.6 million policyholders and their dependents, and HSA assets are estimated at $37 billion, as of Dec. 31, 2016.

Data from the EBRI HSA Database, which contains data collected from several HSA providers on 5.5 million accounts with total assets of $11.3 billion, provides an important window into account holder behaviors and trends. These trends can help plan sponsors and administrators tweak and craft anew the support systems for their health and financial wellness programs.

Seventy-seven percent of HSAs were opened since the beginning of 2013. Even in this short window, the data show account holders are gradually making incremental steps toward maximizing the savings potential of HSAs. Specifically, 93 percent of HSAs with 2016 contributions ended the year with funds to roll over for future expenses. This is evidence that account holders understand the roll-over feature of their HSA.

Further, in 2016, 66 percent of account holders had positive net contributions, meaning their annual contributions were higher than their annual distributions. While it is plausible that account holders overestimated the expenses they would have during the year, it is equally possible that individuals intentionally hoped to build up savings in their account. As of the end of 2016, the average HSA balance was $2,532 among account holders with individual or employer contributions, up from $1,604 at the beginning of the year.
When working to support account holders in self-funding uninsured medical expenses, plan sponsors and administrators should bear in mind that most account holders do not maximize their annual contribution and do not invest their assets other than in cash. However, longitudinal results from the EBRI HSA Database do show encouraging signs for future financial wellness for individuals the longer they have and contribute to an HSA. Over time, balances increase, contributions increase, and the percentage of accounts investing increases.
Figure 20
HSAs With Contributions, by Level of Combined Individual and Employer Contributions and End-of-Year Account Balance, 2016

Figure 21
Annual HSA Contributions, by Age, 2016
Figure 22
Annual HSA Distributions, 2016

Source: EBRI HSA Database.

Figure 23
Average Annual Distributions Among Accounts With
Distributions and the Likelihood of Having a Distribution,
by Age of HSA Owner, 2016

Source: EBRI HSA Database.
Figure 24
HSA Owners, by Age and Account Status, 2016

<table>
<thead>
<tr>
<th>Percent of Accounts</th>
<th>Age</th>
<th>Accounts With Contributions</th>
<th>Accounts With No Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Distributions</td>
<td>No Distributions</td>
</tr>
<tr>
<td></td>
<td>Under 25</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>25–34</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>35–44</td>
<td>25</td>
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<tr>
<td></td>
<td>55–64</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: EBRI HSA Database.

Figure 25
Average Annual Distributions Among Accounts With Distributions and the Likelihood of Having a Distribution, by Year HSA Was Opened, 2016

Source: EBRI HSA Database.
Figure 26
Average Annual Distributions Among Accounts With Distributions and the Likelihood of Having a Distribution, by Presence of Invested Assets, 2016

Figure 27
Annual Contributions, Distributions, and Net Contributions, by Age Among HSA Owners With Both Contributions and Distributions, 2016

Source: EBRI HSA Database.
Appendix—What is an HSA?

A health savings account (HSA) is a tax-exempt trust or custodial account that is funded with contributions and assets that an individual can use to pay for health care expenses. Individuals can contribute to an HSA only if they are enrolled in an HSA-eligible health plan. An employee’s contributions to the account are deductible from taxable income, an employer’s contributions to the account for an employee are excludable from the employee’s gross income, and distributions for qualified medical expenses from the HSA are excluded from taxable income to the employee. Tax-free distributions are also allowed for certain premium payments (see below). Any interest or other capital earnings on assets in the account build up tax free. Finally, HSAs are always funded, unlike similar types of health accounts known as health reimbursement arrangements (HRAs) and flexible spending accounts (FSAs), which can be and are typically set up as unfunded, notional arrangements.

Eligibility

An individual who is covered by an HSA-eligible health plan may (but is not required to) open and make contributions to an HSA. To be an HSA-eligible health plan for 2017, the plan must have an annual deductible of at least $1,300 for individual coverage and $2,600 for family coverage, and the plan’s out-of-pocket maximum may not exceed $6,550 for individual coverage or $13,100 for family coverage with the deductible counting toward this limit. (These minimum allowable deductibles and maximum out-of-pocket limits are indexed to inflation.) Certain primary preventive services – typically those deemed to prevent the onset of disease – can be and often are exempt from the deductible and covered in full. (These preventive services are in addition to those preventive services that the Patient Protection and Affordable Care Act of 2010 (ACA) requires be covered in full.) Otherwise, all health care services must be subject to the HSA’s deductible.

Additional HSA contribution requirements are that (1) an individual may not be enrolled in other health coverage, such as a spouse’s plan, unless that plan is also an HSA-eligible health plan, (2) an individual may not be claimed as a dependent on another person’s tax return, and (3) an individual may not be enrolled in Medicare. Notwithstanding these requirements, an individual is not precluded from making HSA contributions merely because he or she has supplemental coverage with deductibles below the statutory HSA-eligible health plan minimum for such things as vision care, dental care, certain specific diseases, and/or insurance that pays a fixed amount per day (or other stipulated period) for hospitalization.

Contributions

Individuals and employers are allowed to contribute to HSAs. As noted above, contributions are excluded from gross income if the employer makes them, and deductible from taxable income if the individual account owner makes them.

For 2017, a worker with individual coverage is allowed to make an annual HSA contribution of $3,400, while a worker with family coverage can contribute as much as $6,750. These dollar limits are indexed for inflation. Additionally, individuals who have reached age 55 and are not yet enrolled in Medicare may make an additional $1,000 catch-up contribution. The catch-up contribution is not currently indexed to inflation.

If an employer does make contributions to an HSA, the contributions must be the same dollar amount or the same percentage of the deductible for all employees.\(^{14}\)

Investments

HSAs can be invested in the same investment options that have been approved for individual retirement accounts (IRAs)—i.e., bank accounts, certificates of deposit (CDs), money market funds, stocks, bonds, and mutual funds. Many HSA custodians, however, require that an HSA have at least a minimum balance in order to invest HSA funds in options beyond cash or cash equivalents. And some HSA custodians do not offer investment options beyond cash. If an HSA owner is able to invest HSA funds in options beyond cash, the owners are responsible for making the investment decisions and bear the risks and rewards for investment losses or gains.
Distributions
An individual may take distributions from an HSA at any time. The individual need not be covered by an HSA-eligible health plan at the same time the individual withdraws money from the HSA. Distributions are generally treated as taxable income, but they are excluded from an individual’s taxable income if they are used to pay for qualified medical expenses. Distributions for premiums for COBRA coverage, long-term-care insurance, health insurance while receiving unemployment compensation, and insurance while eligible for Medicare (other than for Medigap) are also tax free.

HSA distributions for nonqualified medical expenses are not excludable from gross income and, in addition to being taxable, are subject to a 20 percent penalty, which is waived if the HSA owner dies, becomes disabled, or is eligible for Medicare. Individuals are able to transfer funds from one HSA to another without subjecting the distribution to income and penalty taxes as long as the transfer occurs within 60 days of the date funds are received.

Archer Medical Savings Accounts
Prior to the availability of HSAs, Archer Medical Savings Accounts (MSAs) were authorized as a demonstration project under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Workers were eligible to set up an MSA if employed at a firm with 50 or fewer employees. The self-employed were also eligible. Both were required to be covered by a high-deductible health plan in order to be able to contribute to an MSA. When the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) created HSAs, existing MSAs were grandfathered, but as of Dec. 31, 2007, no new MSAs could be opened. However, individuals with MSAs are allowed to transfer those account balances to HSAs. Amounts that continue to be held in grandfathered MSAs can be distributed tax free for qualified medical expenses.

ERISA Compliance
Unlike HSA-eligible health plans offered by an employer, when employer involvement in an HSA is limited, the HSA is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Thus, for example, HSAs are not subject to ERISA when the employer does not contribute to the HSA, or when the establishment of the HSA is completely voluntary on the part of the employee. In addition, the employer may not limit the ability of employees to move their HSA funds to another HSA, impose conditions on using the HSA funds, or make or influence investment decisions. There are other considerations for employers as well when offering an HSA.
References


Endnotes

1 Both employees and employers can contribute to an HSA. While employee contributions to the account are deductible from taxable income, employer contributions to the account for an employee are excludable from the employee’s gross income. See Figure 1 for historical statutory HSA limits.

2 More detailed information about HSAs can be found in the appendix.


4 See Fronstin and Elmlinger (2017).


6 See http://www.devenir.com/wp-content/uploads/2016-Year-End-Devenir-HSA-Market-Research-Report-Executive-Summary-1.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.

7 See Fronstin and Elmlinger (2017).

8 See the literature review in Bundorf (2012) as well as more recent research in Brot-Goldberg, et al. (2015), Fronstin and Roebuck (2013); Fronstin, Sepulveda and Roebuck (2013a); Fronstin, Sepulveda and Roebuck (2013b), and Fronstin and Roebuck (2014).

9 See AHIP (2014).


12 Several recordkeeping organizations have provided de-identified data on HSA owners as of year-end 2016. Records are de-identified prior to inclusion in the database to conceal the identity of account owners, but the data are coded so that account owners can be tracked over time, a unique aspect of the EBRI HSA Database. At no time has any nonpublic personal information that is personally identifiable, such as Social Security number, been transferred to or shared with EBRI. A unique aspect of the de-identified coding is that the EBRI HSA Database can link the accounts of each individual with more than one account in the database while still preventing the identification of the individual, thus permitting the aggregation of the HSA balances of individuals with multiple accounts, within or across recordkeepers contributing to the database, providing a more complete picture of the number of individuals with accounts and their HSA balances. Moreover, the EBRI HSA Database contains information about the year of birth of account owners, individual and employer contributions, beginning- and end-of-year account balances, and the month and year the HSA was opened. A very small percentage (less than 0.5 percent) of accounts have an account-opening date prior to 2004. An HSA that was funded by amounts rolled over from an MSA was considered established on the date the MSA was established.

There are exceptions to the comparability rule. For instance, employers may make matching contributions that are conditional on a contribution by the employee if done through a cafeteria plan. Furthermore, employers may contribute more to the HSAs of non-highly compensated employees.

See https://www.dol.gov/ebsa/regs/fab_2004-1.html

See https://www.dol.gov/ebsa/regs/fab_2006-2.html
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