

New Examination of Flexible Spending Account Database Finds Vast Majority of Workers Withdrawing Almost As Much As They Contributed in 2020

- Study Also Finds A High Correlation With Larger Contributions and Age Groups -

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(Washington, D.C.) -- A new Issue Brief published today by the Employee Benefit Research Institute (EBRI) entitled, "Findings From EBRI's Flexible Spending Account Database, 2020," found that 89 percent of the workers took distributions from their health care flexible savings accounts (FSAs) in 2020, and their distributions tracked closely to their contributions for the same year. The study also found that FSA contributions and balances did not significantly vary based on whether the accountholder had a "use-it-or-lose-it" FSA, an FSA with a grace period or an FSA with a rollover feature and that an accountholder age was strongly correlated with both contributions and distributions.

"Flexible spending accounts can be a useful way for workers to stretch health care spending dollars further than they otherwise could. Workers can contribute to FSAs on a tax-free basis, and withdrawals for qualified medical expenditures are also tax free. However, little is known about how workers use or don't use FSAs. Our study analyzed the EBRI FSA database to gain a better understanding of how workers contribute to and withdraw from their FSAs and how usage varies by FSA type and age," explained Jake Spiegel, research associate, Health and Wealth, EBRI.

The new study highlighted four major points:

- The average FSA contribution in 2020 was larger than in 2019. The vast majority of workers took a distribution, and among workers who took a distribution, the average distribution was similarly larger than in 2019.
- Workers who had a limited-purpose FSA (LPFSA) made much smaller contributions than workers who had a standard health care FSA. Additionally, fewer workers with LPFSAs took distributions compared with workers with a standard health care FSA.
- FSA contributions and balances did not significantly vary based on whether the accountholder had a "use-it-or-lose-it" FSA, an FSA with a grace period, or an FSA with a rollover feature.
- Accountholder age was strongly correlated with both contributions and distributions. Older accountholders contributed more on average than their younger counterparts. Additionally, they were more likely to take distributions, and when they did, took larger distributions than younger workers.

The EBRI database is a representative repository of information about individual FSAs. The database is unique because it includes information provided by a wide variety of account recordkeepers and represents the characteristics and activity of a broad range of FSA contributors. Now in its second year, the FSA database has more than quadrupled in size -- accounting for 1.9 million FSAs, which is an increase of 460,000 accounts from last year. In total, FSAs in the database received \$2.38 billion in contributions, which is an increase of \$563 million from last year, and includes \$2.34 billion in employee contributions and \$44 million in employer contributions.

A summary of the 9-page Issue Brief, "Findings From EBRI's Flexible Spending Account Database, 2020," can be viewed by visiting <https://www.ebri.org/health/publications/issue-briefs/content/summary/findings-from-ebri-s-flexible-spending-account-database-2020>.

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Media Note: To receive a copy of the complete 9-page Issue Brief, email dresner@ebri.org.