



Real Talk, Real Benefits of HSAs: A Close Look at the EBRI Health Savings Account Database

April 25, 2023

Speakers



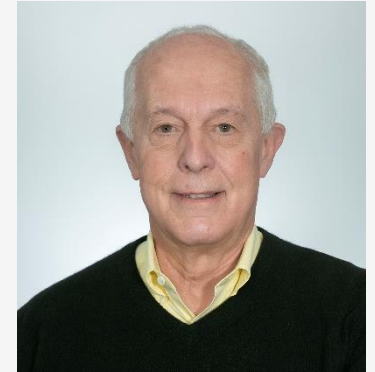
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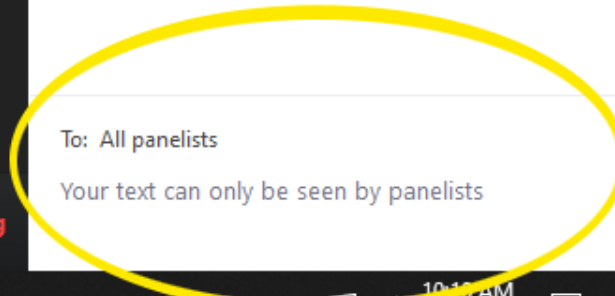
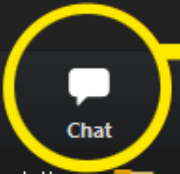
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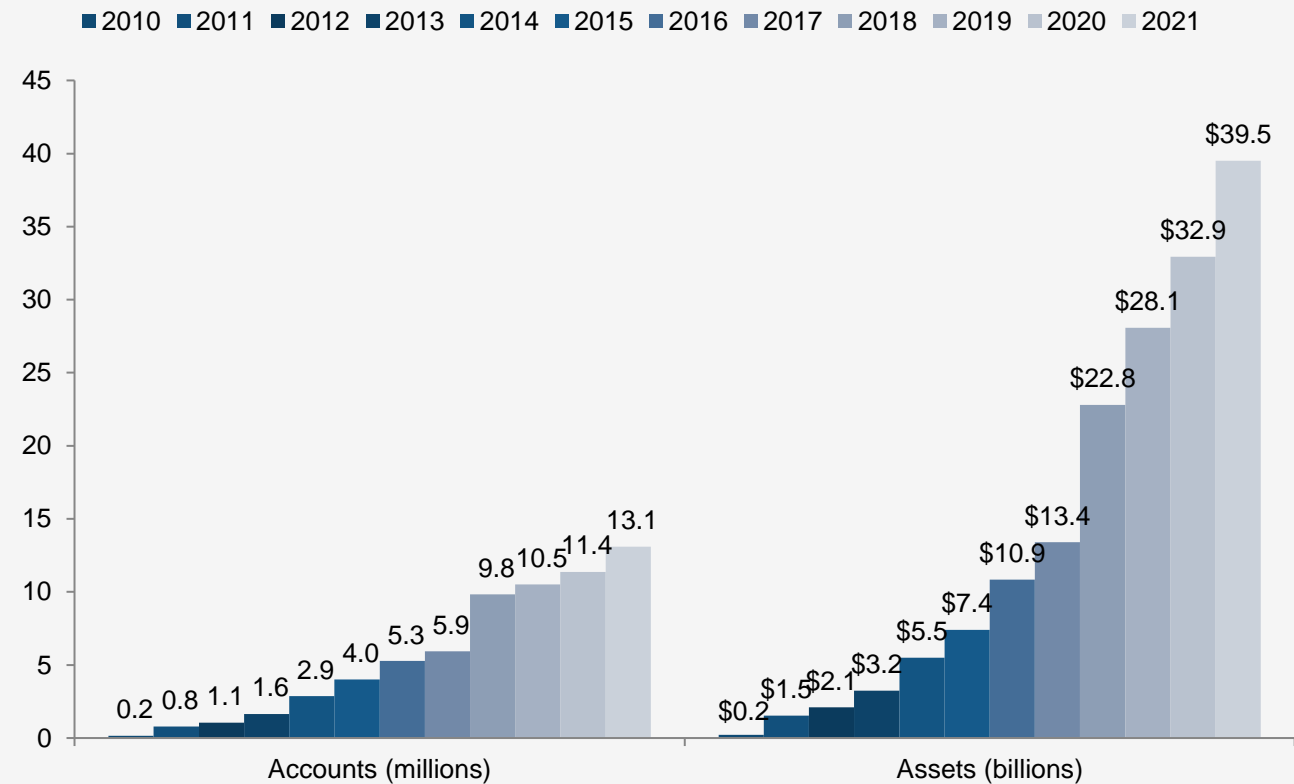
Real Talk About the Real Benefits of HSAs

Jake Spiegel, Research Associate – Health and Wealth

EBRI's HSA Database

- EBRI's HSA Database has grown significantly from its humble beginnings
- Now 9 years old, EBRI's HSA database accounts for roughly 40 percent of the entire HSA universe

EBRI HSA Database: Accounts and Assets, 2010–2021



Source: EBRI HSA Database.

Balances

- Encouragingly, in 2021, balances continued their well-established upward trajectory
- Notably, the average HSA balance increased despite a rebound in spending on health care services following the COVID-19 pandemic
- Still, the average balance is relatively low
 - The average balance could not cover, for instance, the statutory maximum out-of-pocket of an HSA-eligible health plan, which was \$7,000 in 2021

Average End-of-Year Account Balance, by Year, 2011–2021

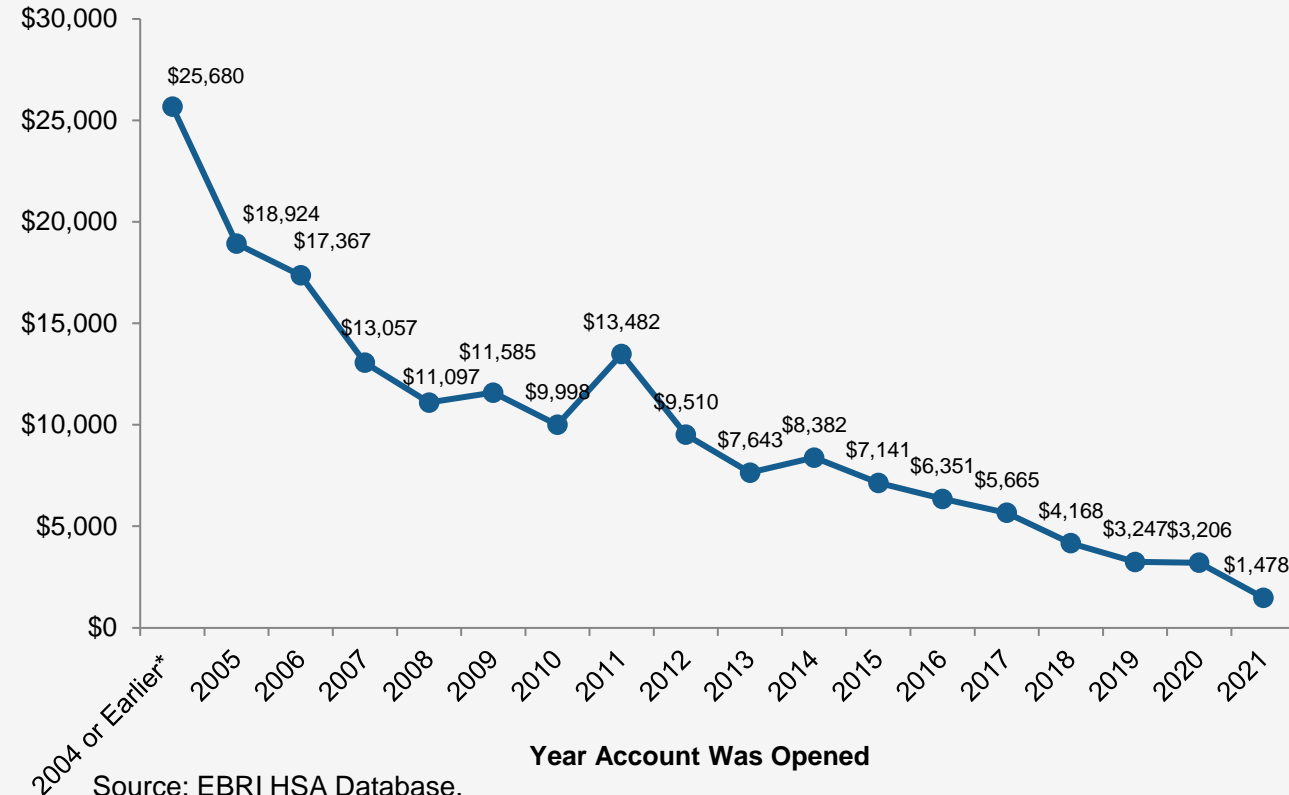


Source: EBRI HSA Database.

Balances

- Our longitudinal analyses provide additional context
- Low average balances are partly a result of most HSAs in our database being relatively new
 - Almost 70% of the accounts in our database are 5 years old or newer
- When we take a longer view, older accounts have much higher balances than newer accounts
- This comports with expectations; older accounts have had more time to contribute, and more time for their investments to grow

Average End-of-Year Account Balance, by Year Account Was Opened, 2021



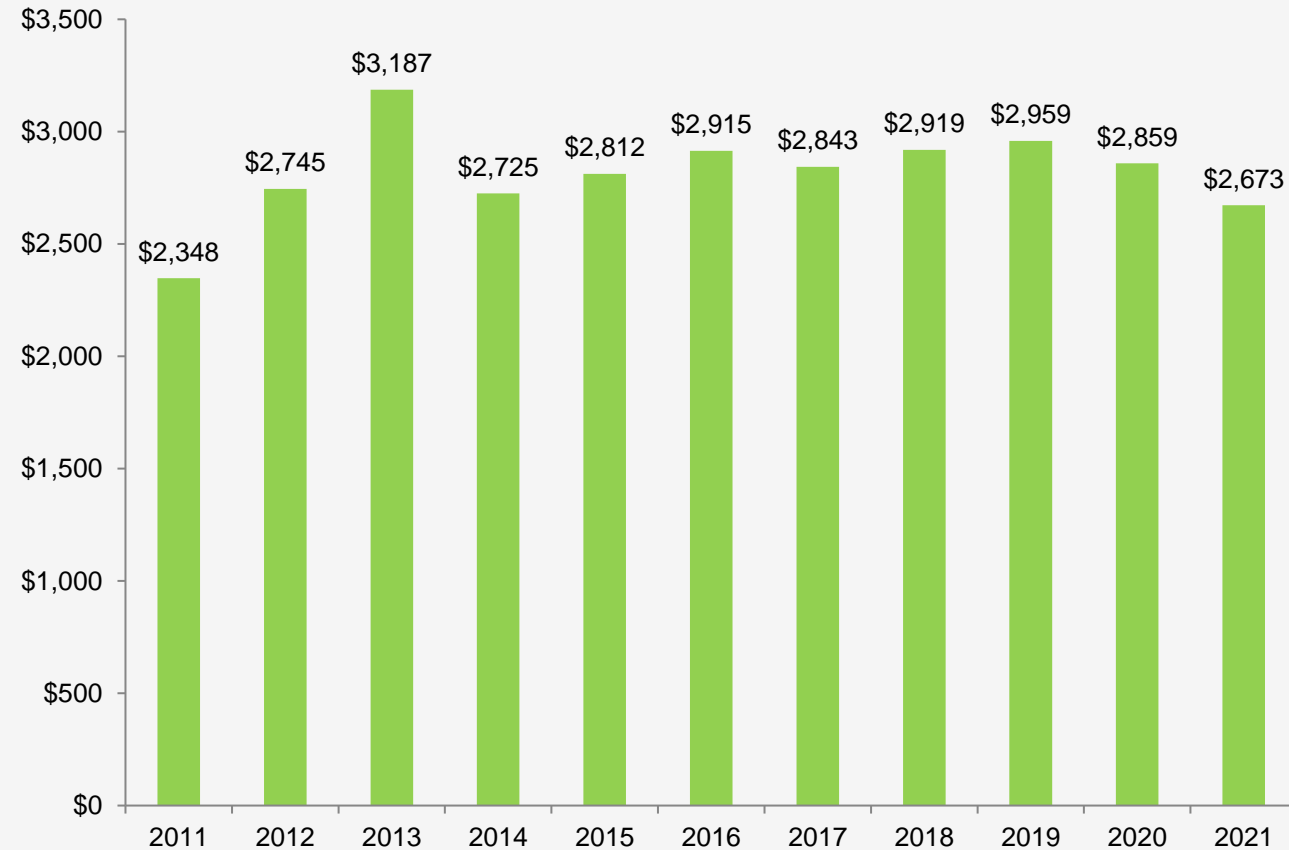
Source: EBRI HSA Database.

*Includes Archer Medical Savings Account (MSA) rollovers.

Contributions

- The average contribution fell from recent highs to \$2,673
 - A few explanations
- When we take a longer view, older accounts have much higher balances than newer accounts

Annual Average Total Contributions to HSAs, 2011–2021

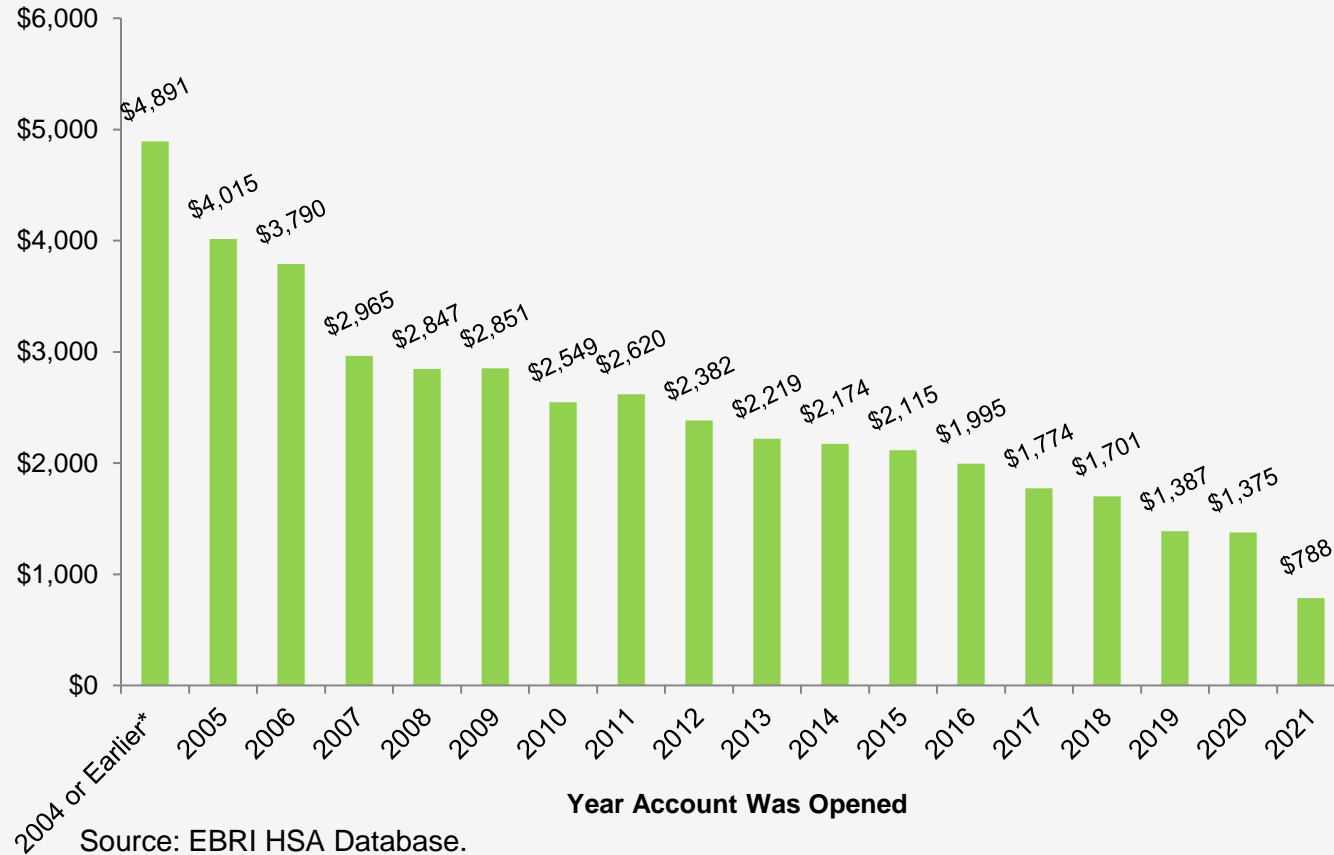


Source: EBRI HSA Database.

Contributions

- Once again, our longitudinal analyses provide additional context
- As with balances, contributions tended to increase the longer an accountholder has had their HSA
- This also comports with expectations; account tenure is also closely linked with age
 - Older workers tend to earn more than younger workers, and medical expenditures may also be more salient as well

Annual Average Individual Contributions to HSA, by Year Account Was Opened, 2021



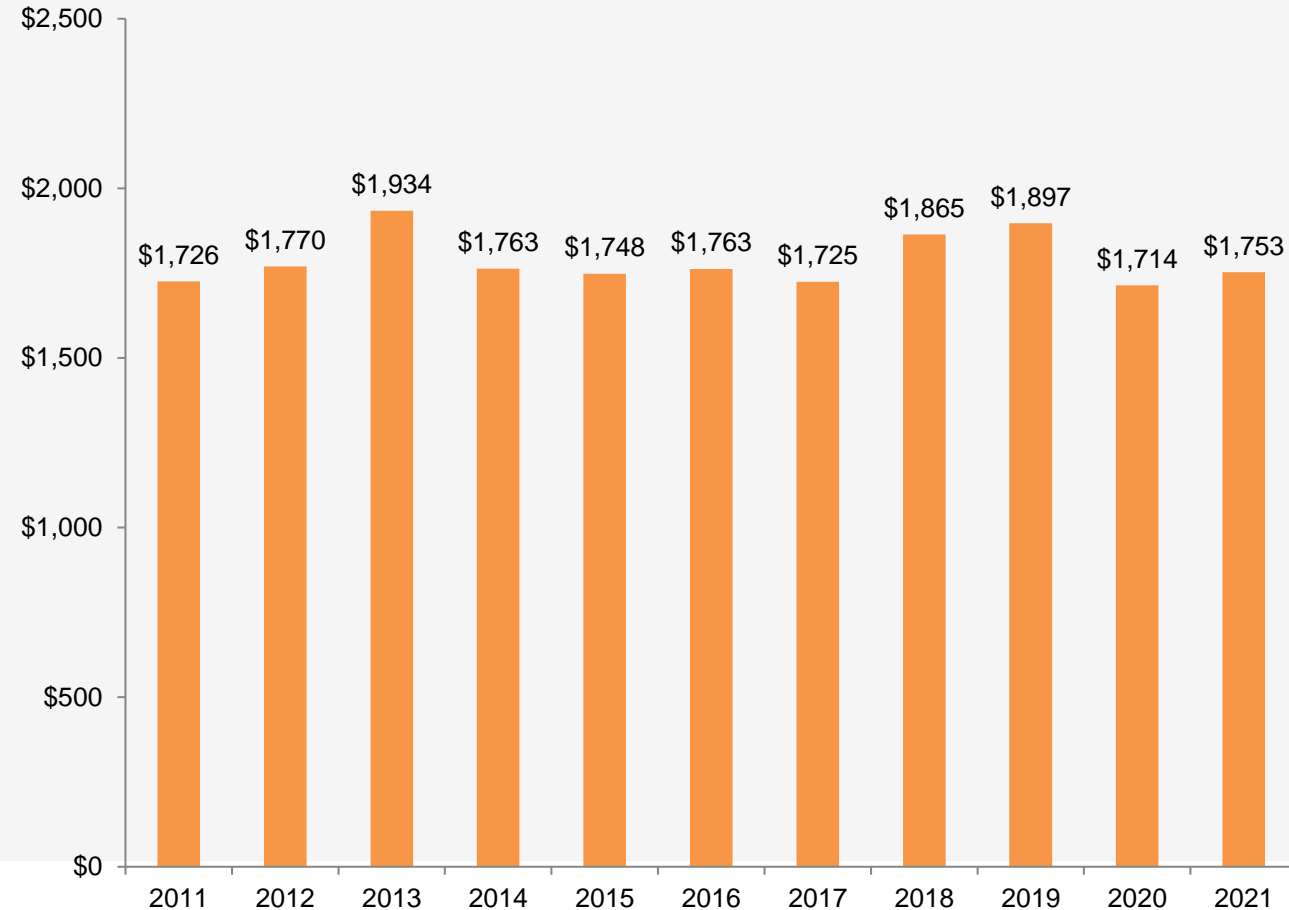
Source: EBRI HSA Database.

*Includes Archer Medical Savings Account (MSA) rollovers.

Distributions

- Over half of the HSAs in our database took a withdrawal in 2021
- Of accountholders who took a withdrawal, the average amount was \$1,753, a slight rebound from 2020, but still lower than recent highs

Annual Average Distributions From HSAs, 2011–2021

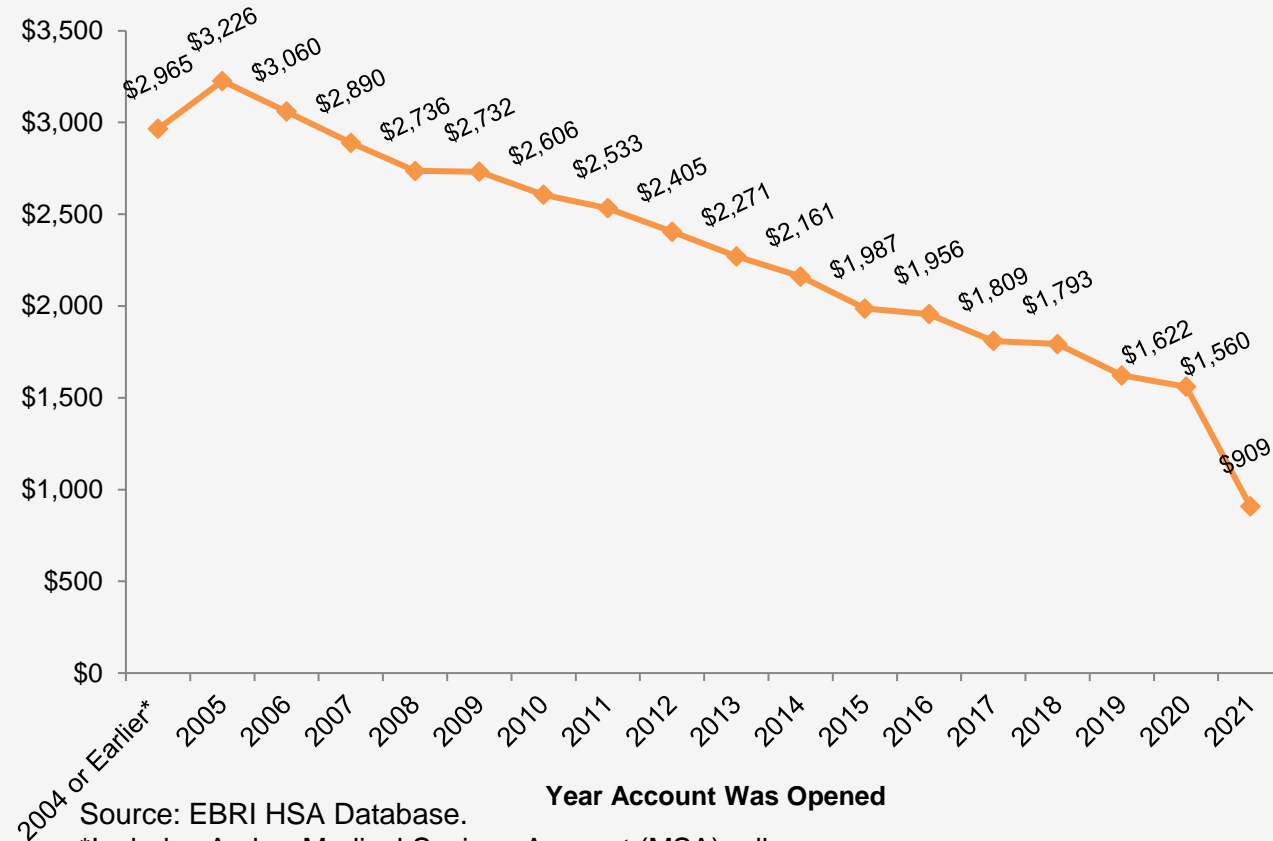


Source: EBRI HSA Database.

Distributions

- Much like with contributions, the longer someone has had their account, the higher their average distribution
- Older accounts are more likely to have built up an appreciable balance
- Older accounts are also more likely owned by older accountholders, who face higher medical costs than younger accountholders

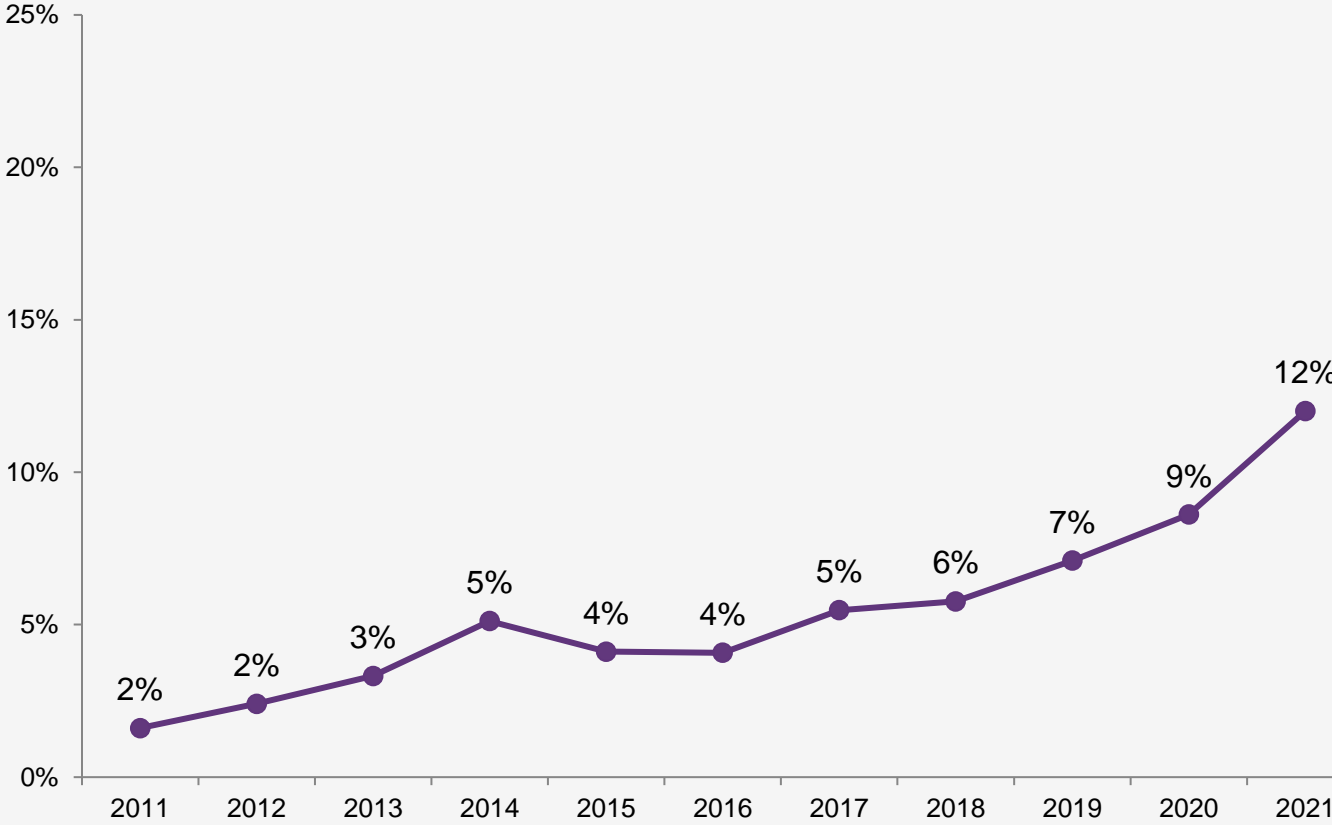
**Annual Average Distributions From HSAs,
by Year Account Was Opened, 2021**



Investments

- Encouragingly, the share of accountholders who invest their balance in assets other than cash has steadily risen over the past decade

Presence of Investments Other Than Cash, 2011–2021

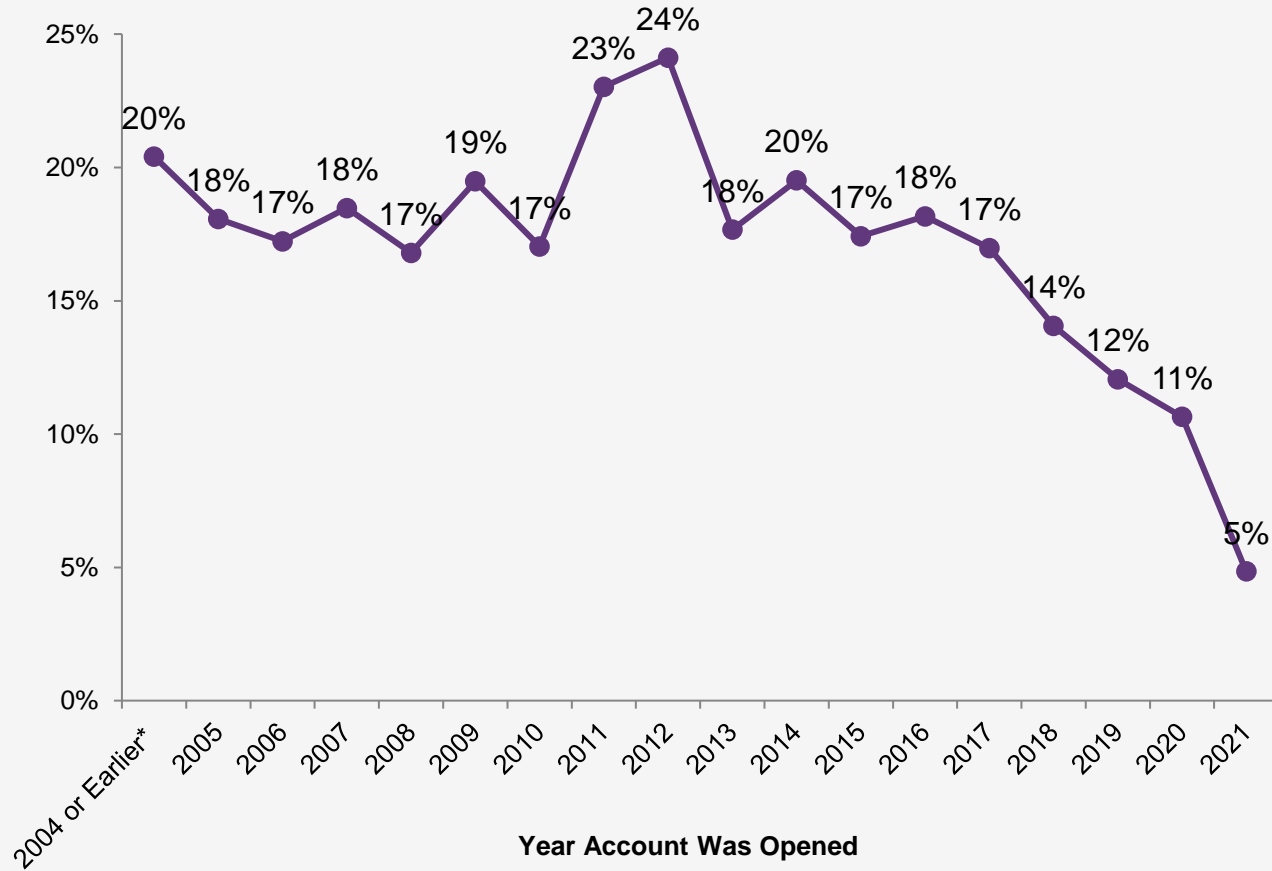


Source: EBRI HSA Database.

Investments

- Brand new accounts are less likely to invest
 - Some HSA providers require accountholders to build up a certain balance before they're allowed to invest
- Older accounts, meanwhile, are more likely to invest
 - Older accounts have higher average balances
 - These accountholders may feel more comfortable investing some portion of their balances in riskier assets

Presence of Investments Other Than Cash, by Year Account Was Opened, 2021



Source: EBRI HSA Database.

*Includes Archer Medical Savings Account (MSA) rollovers.

The Upshot – Real Talk on the Real Benefits of HSAs

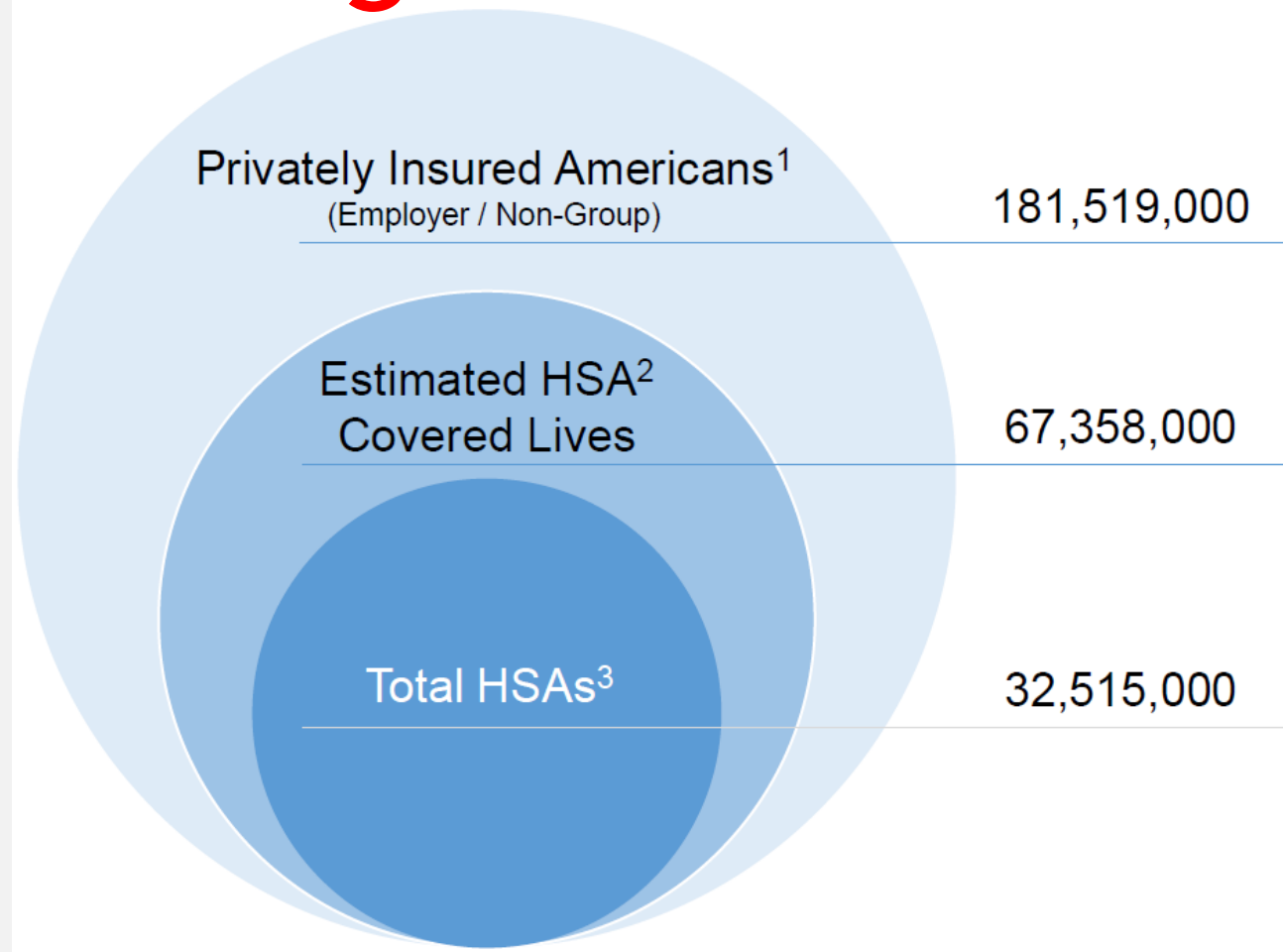
- The average HSA has a relatively low balance, relatively low contributions, and relatively low rates of investing in assets other than cash
- In other words, accountholders are not necessarily taking full advantage of the tax benefits HSAs offer!
- However, our longitudinal analyses provide additional context for these findings
- The longer an accountholder has their HSA, the higher their balance, the higher their contributions, and they are more likely to invest their balances in assets other than cash

Policy Issues Shaping the Future of HSAs

Roy Ramthun
April 25, 2023

Where do HSAs go from here?

HSAs Cover more than 1/3 of Privately Insured Americans



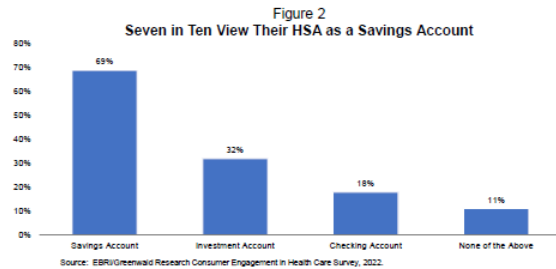
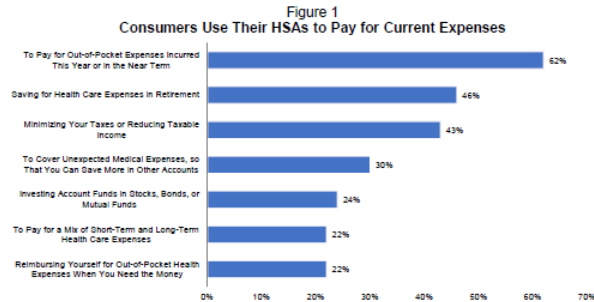
Source: Devenir, 2021 Demographic Survey

Where do HSAs go from here?



The Disconnect: More View Health Savings Accounts (HSAs) as Investment Accounts Than Use Them This Way

The Employee Benefit Research Institute (EBRI) and Greenwald Research [Consumer Engagement in Health Care Survey](#) found that the majority (62 percent) of health savings account (HSA) accountholders reported that they are using the account to pay for out-of-pocket expenses. And most (69 percent) viewed the HSA as a savings account. However, 24 percent of HSA accountholders reported using their account to invest in stocks, bonds, or mutual funds (Figure 1). One-third (32 percent) viewed the account as an investment account (Figure 2).



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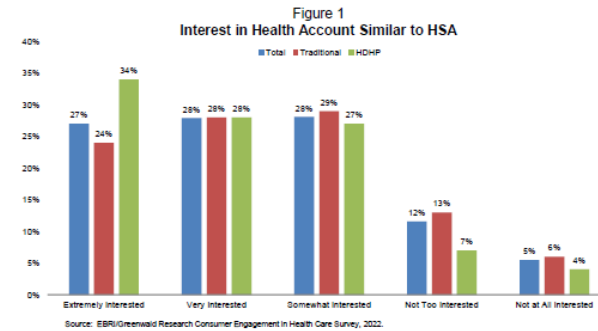


A New Kind of Health Account

One of the strongest trends in health benefits is the movement to health savings account (HSA)-eligible health plans. According to a recent survey, 24 percent of workers were enrolled in an HSA-eligible health plan in 2022.¹ The same survey found that deductibles are also prominent in non-HSA plans, with employee-only deductibles averaging \$1,451 in HMOs and \$1,322 in PPOs in 2022. In other words, many workers are enrolled in health plans with deductibles high enough to be HSA eligible but are not technically enrolled in an HSA-eligible health plan and thus are unable to contribute to an HSA. Something is holding these employers back from offering HSA-eligible health plans to give workers the means to pay their out-of-pocket expenses through HSAs.

In the recently released Employee Benefit Research Institute (EBRI)/Greenwald Research [Consumer Engagement in Health Care Survey](#), we decided to test enrollee interest in a new type of health account similar to an HSA. Like an HSA, the new health account could be funded by both workers and employers, could be invested in the stock market, and would be portable from job to job. Earnings would grow tax free, and contributions would be capped. Unlike an HSA, this new health account would not have to be paired with a high-deductible health plan; it could be paired with any health plan.

Interest in these new health accounts is high. One-quarter of adults with private health insurance were extremely interested, 28 percent were very interested, and another 28 percent were somewhat interested (Figure 1). Only 17 percent were not interested. Interest was a little higher among HDHP enrollees, which may be a combination of their familiarity with HSAs and/or because many of them do not have access to HSAs.



¹ See Figure 8.4 in <https://www.kff.org/report-section/ehbs-2022-section-8-high-deductible-health-plans-with-savings-option/>.

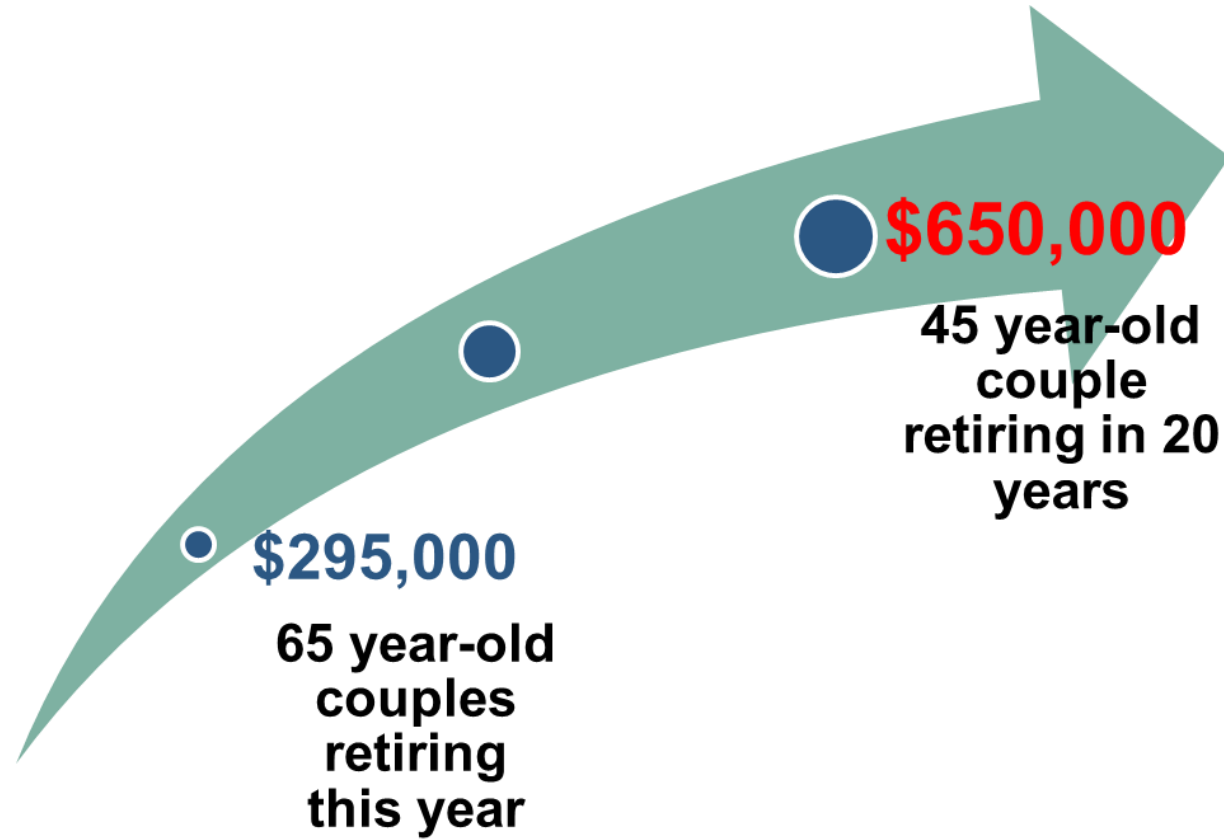
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Where do HSAs go from here?

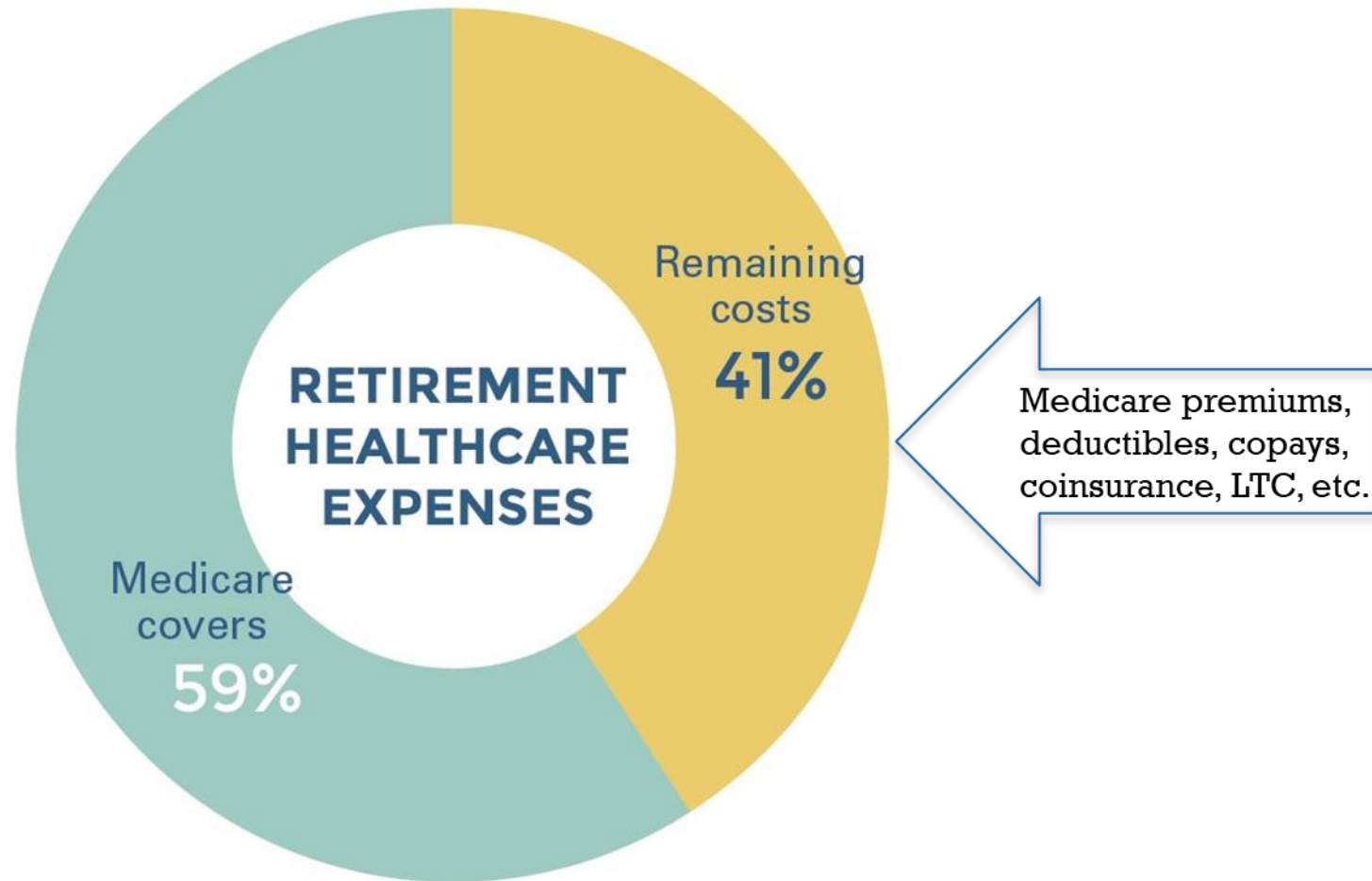
■ Policy options

- Maintain status quo
- Expand HSAs
 - Modify eligibility rules
 - Increase contribution limits
- “Replace” HSAs (e.g., “health freedom accounts”)
- Create new versions of HSAs (e.g., “HOPE accounts”)
- Consolidate HSAs with other accounts (e.g., FSAs / HRAs)
- Eliminate HSAs

Health Care Costs in Retirement



Medicare Misconception



Medicare Isn't Free

- Many seniors are shocked to learn this
- People often forget monthly premiums for:
 - Part B
 - Part D
 - Supplemental insurance or Medicare Advantage plans
- Others may need long-term care insurance

HSA and Retirement Planning

- HSAs are not a substitute for traditional retirement plans but are complementary
- A well-crafted retirement plan should include active consideration of placing some assets in the one account (an HSA) that offers all the benefits of a traditional or Roth account without the drawbacks of either

My projected HSA Contribution Limits (2024)

- Singles - \$4,150
- Families - \$8,300
- Individuals 55 or older – add \$1,000

NOTE: Married couples (both spouses age 55+) could contribute \$10,300 to their HSAs

My projected HSA-Qualified Plan Requirements (2024)

- **Minimum Deductible**
 - Self-only coverage - \$1,600
 - Family coverage - \$3,200
- **Maximum Out-of-Pocket Limit**
 - Self-only coverage - \$8,050
 - Family coverage - \$16,100

Contact Info

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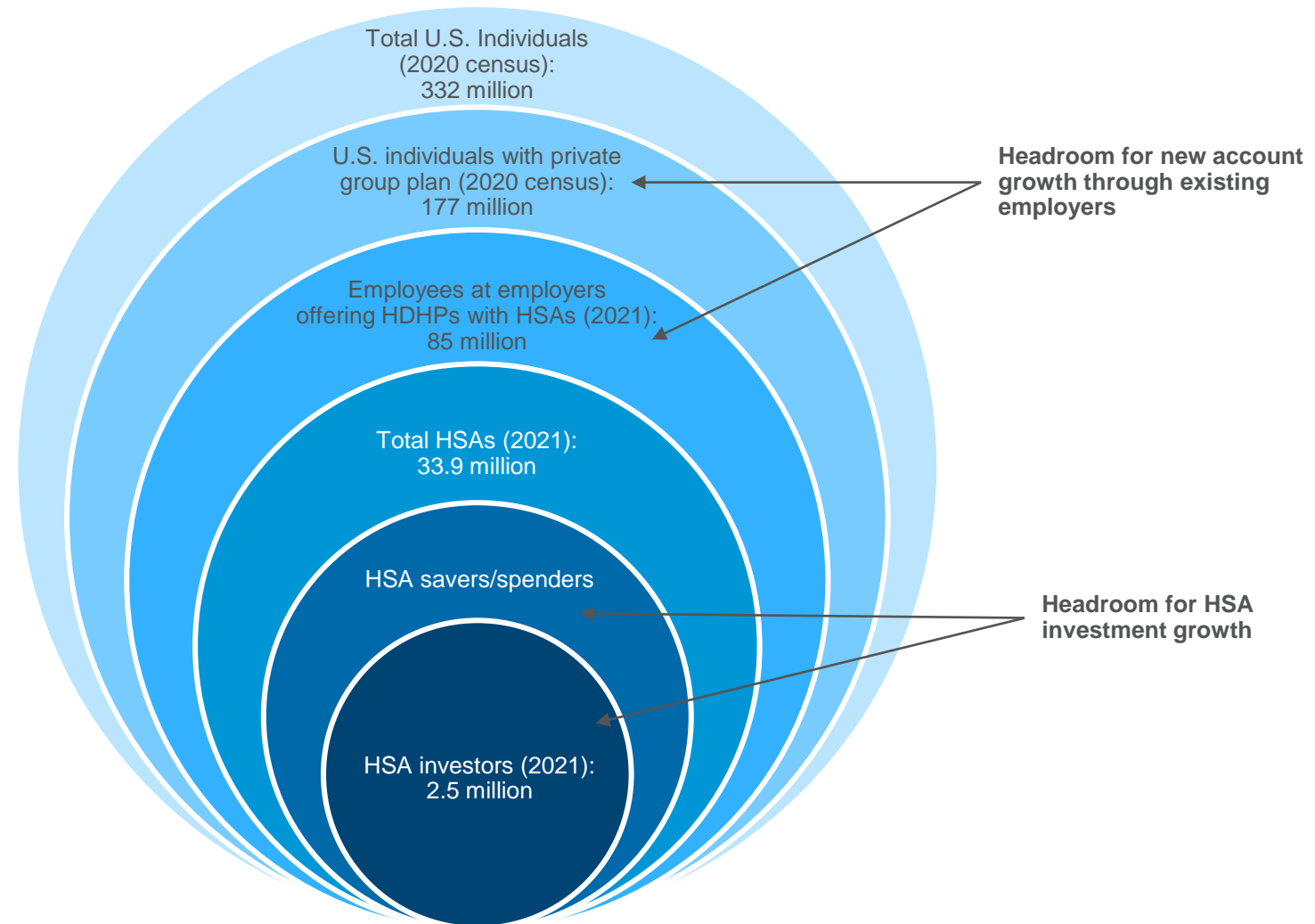


APRIL 25, 2023

Employer & Consumer HSA Dynamics



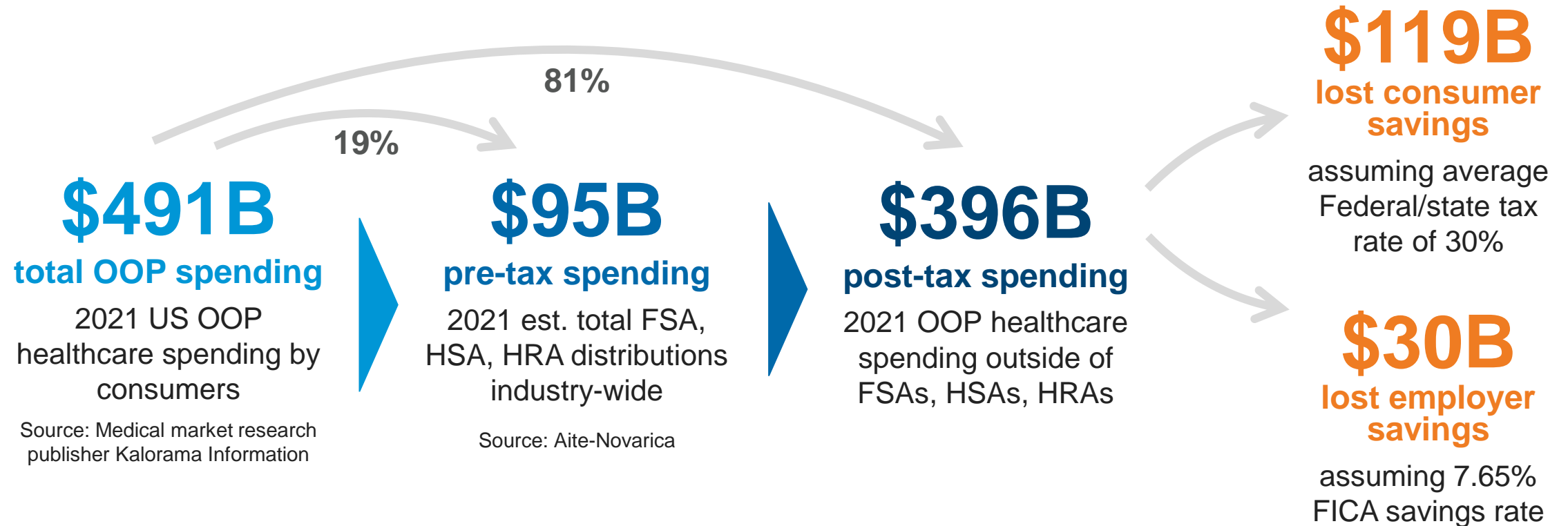
Big Picture: the Potential in Untapped HSAs Remains Significant



Source: Aite-Novarica Group

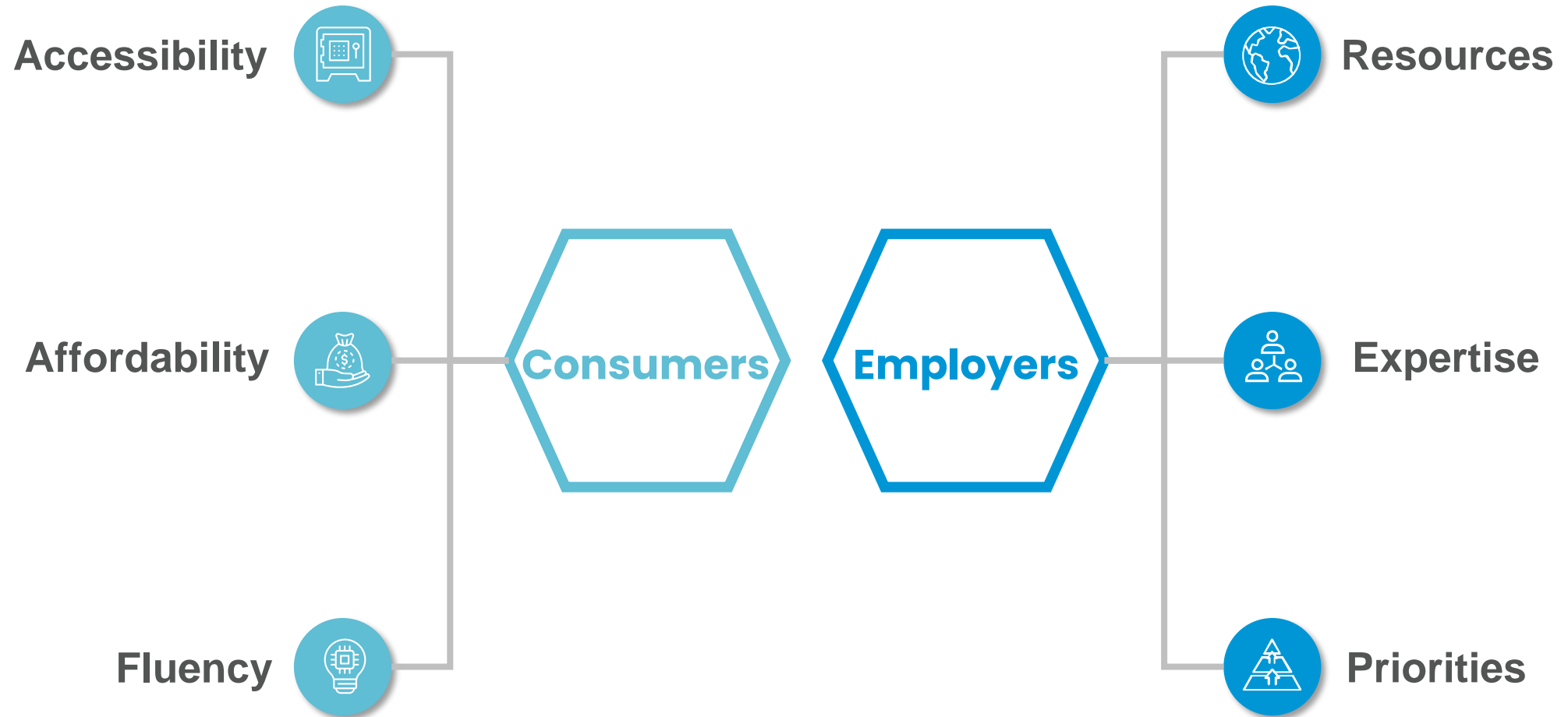
The Opportunity is Real and Measurable

Consumers & employers are currently missing out on billions of potential savings



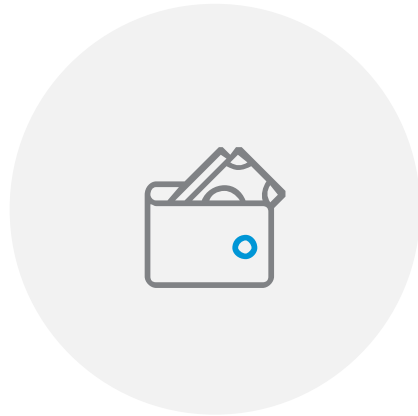
Consumer & Employer Needs are Unique and Varied

Making meaningful change requires understanding of how these intersect



For Consumers, Personalization & Decision Support Are Key

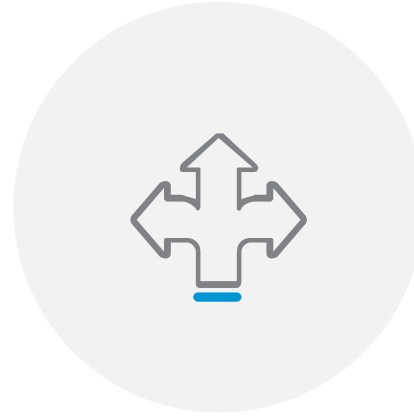
To effect change, the HSA must support flexibility throughout the full consumer lifecycle



56%

of account holders are
spenders

Most HSA account holders still focused primarily on spending...and they need personalized tools to find care & compare costs to spend wisely



47%

of investors choose a different
investment account type
when offered multiple options

When offered a clear choice, accountholder preference is varied, demonstrating a need for a wider & more personalized offering



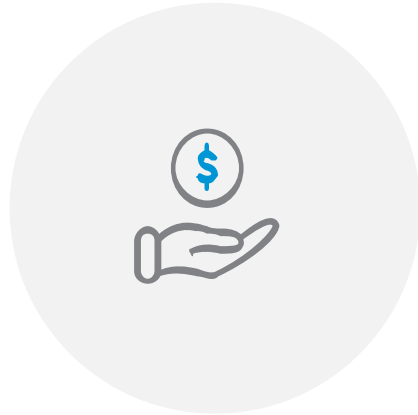
39%

of accountholders said they
would be more likely to invest
if provided an annual review
of their balance

The consumer journey is not linear – and information that guides decisions must follow that lifecycle

Source: EBRI 2021 CEHCS Report, Alegeus platform data

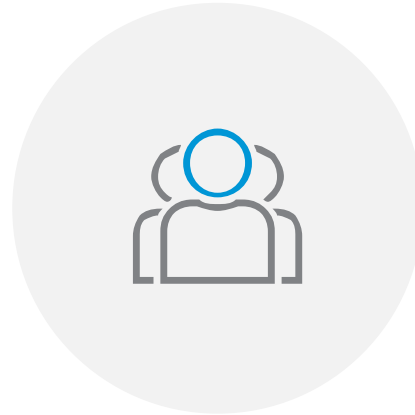
For Employers, Plan Design & Enrollment Messaging Are Critical Drivers of Consumer Engagement



63%

of HSA plans are seeded by the employer

This represents 26% of all HSA contributions – the rest is still contributed by individual employees



11%

higher HSA adoption rate among employers who seed the HSA

Employer seeding makes a difference in addressing employee adoption concerns



49%

of employers say they talk about the HSA mainly as a short-term savings tool

Elevating the accountholder message with real-world examples & proof points of the long-term value is critical

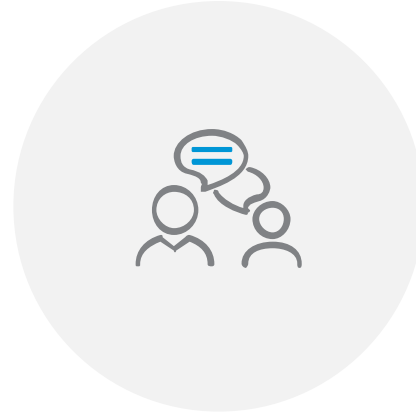
Evidence of the Long-Term Value of HSAs is Energizing & Exciting



6-7x

Average HSA investment balances are 6-7x higher than average cash balances

After almost 20 years in existence, the demonstrated value of HSA investments is powerful



60%

Millennials and Gen Z represent 60% of all investment accounts

Younger generations are becoming a major piece of the HSA market – and are thinking ahead for the long-term



32%

of all HSA AUM is invested

HSA investment AUM still comprises a significant portion of all AUM, despite investors only making up 8-10% on average of accountholders

Source: Alegeus platform data, Devenir 2022 year end report

Final Thoughts

1

To remove barriers to adoption & maximize HSA growth, we must recognize the unique needs of both consumers and employers.

2

Empowered consumer choice & strategic employer plan design make a measurable difference in adoption.

3

As HSAs mature, the long-term value is evident & energizing, driving innovation & creative solutions.



THANK YOU

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DISCUSSION

Upcoming Events

May 11 — EBRI Policy Forum — Featuring a morning keynote from Lisa Gomez, Assistant Secretary for the Employee Benefits Security Administration, U.S. Department of Labor

Provide us your feedback!



Webinar Evaluation

Please visit ebri.org for more information or contact info@ebri.org