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# Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2021

*By Jake Spiegel and Paul Fronstin, Ph.D., Employee Benefit Research Institute*

## AT A GLANCE

Plan sponsors that wish to introduce or continue offering health savings account (HSA)-eligible health plans as part of their workplace benefit program can benefit from a long-term view of HSA accountholder behaviors. As such, the Employee Benefit Research Institute (EBRI) has undertaken a series of longitudinal studies from its HSA Database, examining trends in account balances, individual and employer contributions, distributions, invested assets, and account-owner demographics from 2011–2021. Such analysis can help not only plan sponsors but providers and policymakers better understand strategies that can help improve employee financial wellness.

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 contains 13.1 million accounts with total assets of $39.5 billion as of Dec. 31, 2021.

**Key findings:**

HSAs offer a triple tax advantage to accountholders, enabling them to stretch money earmarked for health care expenses further than they otherwise could. The tax benefits of HSAs are maximized when accountholders contribute the statutory maximum and minimize withdrawals for current medical expenditures — if they are able — and invest their HSA balances in assets other than cash. However, the majority of accountholders seem to use their HSAs to pay for current expenses and do not take complete advantage of the tax benefits HSAs offer. Average contributions are well below the statutory maximum, most accountholders take a distribution from their HSA, and relatively few accountholders invest. This is not to say, however, that the picture is bleak; despite increased health care spending in the wake of the COVID-19 pandemic, average balances in HSAs increased since 2020, rising from $3,622 to $4,318 in 2021. And, encouragingly, the share of accountholders who invest their HSAs has crept steadily upward since EBRI began analyzing its HSA Database.

From this study, we observe the following about HSA utilization:

- ***Relatively low balances:*** Since the establishment of EBRI's HSA Database, average account balances have generally trended upward. End-of-year balances increased in 2021, but overall, average balances are still modest.
- ***Contributions below the maximum:*** Both the average employee and employer contributions decreased relative to 2020. The average combined HSA contribution in 2021 was $927 less than the statutory maximum contribution for individuals and $4,527 less than the statutory maximum contribution for accountholders with family coverage.
- ***High incidence of withdrawals:*** Overall, just over half of accountholders withdrew funds. The average distribution increased slightly relative to 2020, when fewer patients sought health care services on account of the COVID-19 pandemic.

- ***Low use of investments:*** Few accountholders took advantage of the ability to invest HSA funds, as only 12 percent of accountholders invested in assets other than cash. However, the share of accountholders who invested their HSAs has increased five years in a row and saw its largest year-over-year increase in 2021.

In addition to tax benefits, HSAs also allow accountholders to roll over their balances from year to year to accumulate more savings for future medical expenditures, as well as medical expenditures in retirement. Medical expenses in retirement can be substantial, with married couples potentially needing to save as much as $383,000 (Spiegel and Fronstin 2023). On average, accountholders appear to be using HSAs as specialized checking accounts rather than investment accounts, though this behavior appears to change the longer an HSA owner holds an account. Over the past decade of conducting longitudinal analysis of its HSA Database, EBRI finds evidence that the longer an accountholder has had their HSA, the higher the likelihood that the accountholder invests their HSA in assets other than cash, in addition to contributing more on average and enjoying higher account balances.

Jake Spiegel is a Health and Wealth Research Associate at the Employee Benefit Research Institute (EBRI). Paul Fronstin is Director of Health Benefits Research at 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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## Table of Contents

Introduction ..... 5

About the EBRI HSA Database ..... 6

Trends in HSA Balances ..... 7

Trends in Contributions to HSAs ..... 9

Trends in Distributions From HSAs ..... 13

Trends in Investing HSA Assets ..... 15

Conclusion ..... 18

Appendix — What Is an HSA? ..... 18

- Eligibility ..... 19
- Contributions ..... 19
- Investments ..... 19
- Distributions ..... 20
- Archer Medical Savings Accounts ..... 20

References ..... 20

Endnotes ..... 21

## Figures

Figure 1, Percentage of Persons Enrolled in a High-Deductible Health Plan (HDHP), by Employer Contribution to HSA or HRA, Among Those With Private-Sector Health Coverage and Employee-Only Coverage, 2016–2021 ..... 5

Figure 2, EBRI HSA Database: Accounts and Assets, 2010–2021 ..... 6

Figure 3, HSAs, by Year Account Was Opened ..... 7

Figure 4, Average End-of-Year Account Balance, by Year, 2011–2021 ..... 7

Figure 5, Average End-of-Year Account Balance, by Year Account Was Opened, 2021 ..... 8

Figure 6, End-of-Year Average Account Balances by Account-Owner Age, 2011–2021 ..... 8
Figure 7, Percentage of Accounts With Individual and Employer Contributions to HSAs, by Year, 2011–2021 ..... 9
Figure 8, Annual Average Individual and Employer Contributions to HSAs, 2011–2021 ..... 10
Figure 9, Annual Average Total Contributions to HSAs, 2011–2021 ..... 10
Figure 10, Annual Average Individual Contributions to HSA, by Year Account Was Opened, 2021 ..... 11
Figure 11, Average Annual Individual Contributions by Account-Owner Age, 2011–2021 ..... 12
Figure 12, Average Annual Employer Contributions, by Account-Owner Age, 2011–2021 ..... 12
Figure 13, Percentage of Accounts With a Distribution From HSAs, by Year, 2011–2021 ..... 13
Figure 14, Annual Average Distributions From HSAs, 2011–2021 ..... 13
Figure 15, Annual Average Distributions From HSAs, by Year Account Was Opened, 2021 ..... 14
Figure 16, Percentage of Accounts With Distributions From HSAs, by Year Account Was Opened, 2021 ..... 14
Figure 17, Average Annual Distributions, by Account-Owner Age, 2011–2021 ..... 15
Figure 18, Presence of Investments Other Than Cash, 2011–2021 ..... 16
Figure 19, Presence of Investments Other Than Cash, by Year Account Was Opened, 2021 ..... 16
Figure 20, Percentage With Investments Other Than Cash, by Account-Owner Age, 2011–2021 ..... 17
Figure 21, Percentage of Total Assets Invested, Among Accounts With Invested Assets, by Year Account Was Opened, 2021 ..... 17
Appendix Figure 1, Statutory HSA Limits, 2004–2023 ..... 18

# Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2021

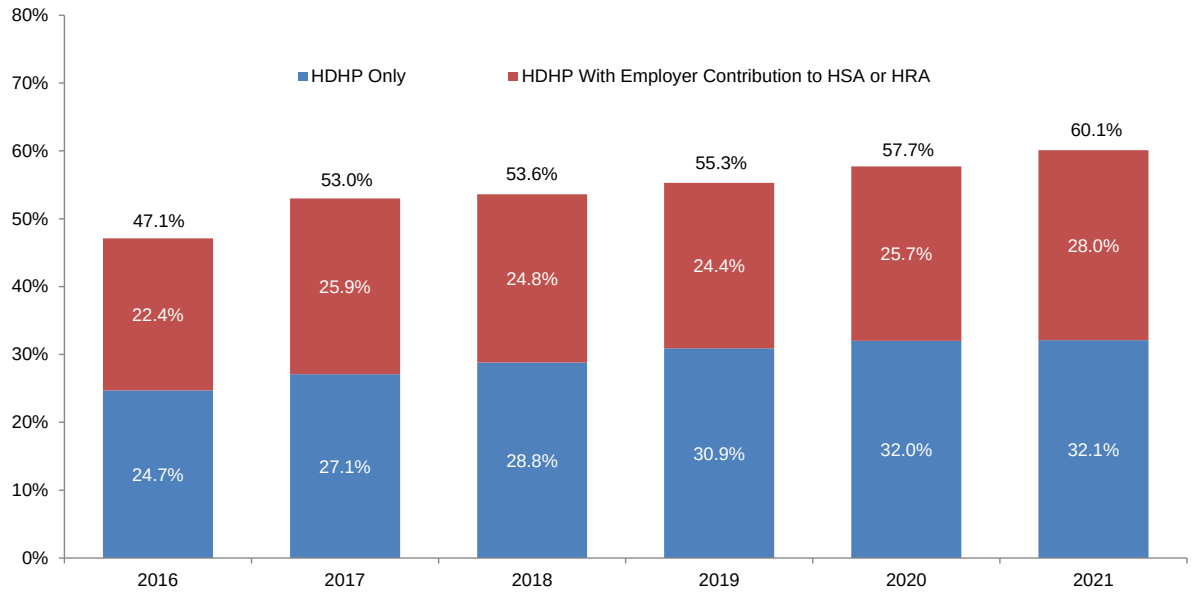
*By Jake Spiegel and Paul Fronstin, Ph.D., Employee Benefit Research Institute*

## Introduction

Enrollment in health savings account (HSA)-eligible health plans and the number of HSAs has increased since the plans first became available in 2004. Today, over half of enrollees in private-sector health plans with single coverage are in a plan with a deductible large enough to qualify for HSA contributions (Figure 1). Almost half of them, comprising 28.0 percent of enrollees with single coverage in private-sector health plans, receive employer contributions to an HSA.[1] In fact, the adoption of high-deductible health plans (HDHPs) by employers is one of the strongest trends in employment-based health benefits and is driving the trends toward HSA-eligible health plans. It has also been estimated that there were 32.5 million HSAs holding $98 billion in assets as of Dec. 31, 2021.[2]

Figure 1

**Percentage of Persons Enrolled in a High-Deductible Health Plan (HDHP), by Employer Contribution to HSA or HRA,* Among Those With Private-Sector Health Coverage and Employee-Only Coverage, 2016–2021**




* HSA = health savings account, HRA = health reimbursement arrangement.
Source: Medical Expenditure Panel Survey - Insurance Component (MEPS-IC).

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 health savings accounts (HSAs), tax-exempt trust or custodial accounts that are 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,[3] 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.[4] Contributions in 2023 are limited to $3,850 for people with individual coverage and $7,750 for those with family coverage (See Appendix Figure 1).

This *Issue Brief* represents the sixth edition of a series of longitudinal studies that EBRI conducts to examine trends in cross-sectional data from its HSA Database. Specifically, we examine account balances, individual and employer contributions, distributions, and investment trends from 2011–2021 to provide additional context into how accountholders are using their HSAs.

## About the EBRI HSA Database

While there is growing literature around how individuals in HSA-eligible health plans use and pay for medical services,[5] 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, but those data are from 2012.[6] Devenir reports trend data going back to 2004 from a survey of HSA providers, but the data are aggregated and do not provide the kind of detail available in the AHIP report.[7] 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, but the survey is based on a relatively small sample, limiting the ability to do detailed analysis on balances, contributions, and distributions.[8]

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

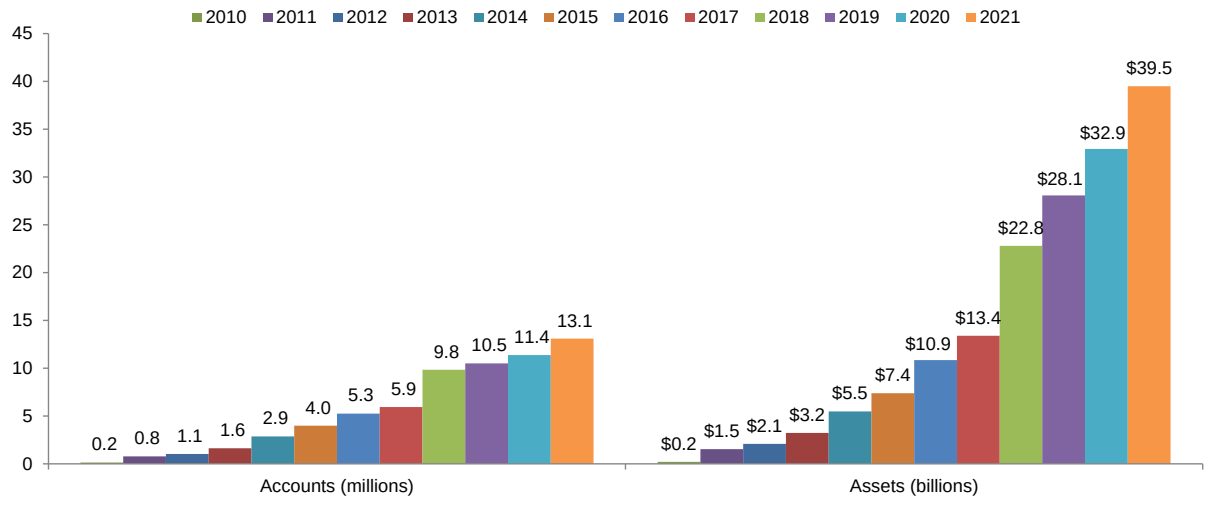
The EBRI HSA Database is a representative repository of information about individual health savings accounts (HSAs). The database is unique because it includes data provided by a wide variety of account recordkeepers and, therefore, represents the characteristics and activity of a broad range of HSA owners.[9]

As of Dec. 31, 2021, the EBRI Database includes:

- 13.1 million health savings accounts.
- $39.5 billion in assets.

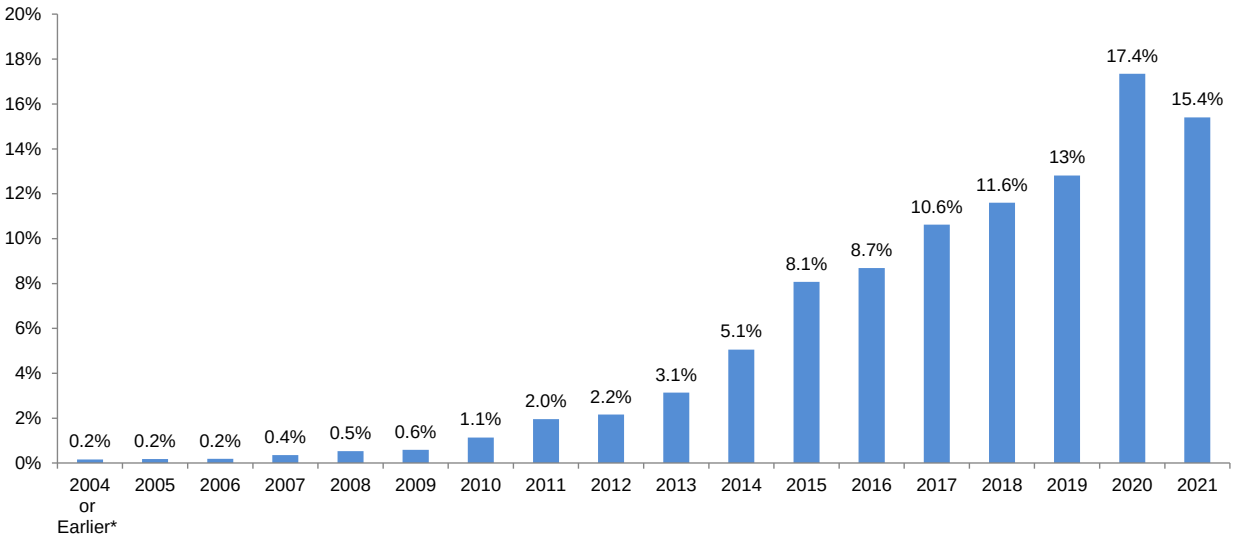
Since 2011, the database has grown from 800,000 to 13.1 million accounts, and assets have grown from $1.5 billion to $39.5 billion (Figure 2). Most HSAs in the EBRI HSA Database were initially opened within the past few years. Most of the accounts in EBRI's database are relatively new; overall, 68 percent of the accounts were opened between 2017 and 2021 (Figure 3).

Figure 2
**EBRI HSA Database: Accounts and Assets, 2010–2021**




Source: EBRI HSA Database.

Figure 3
**HSAs, by Year Account Was Opened**



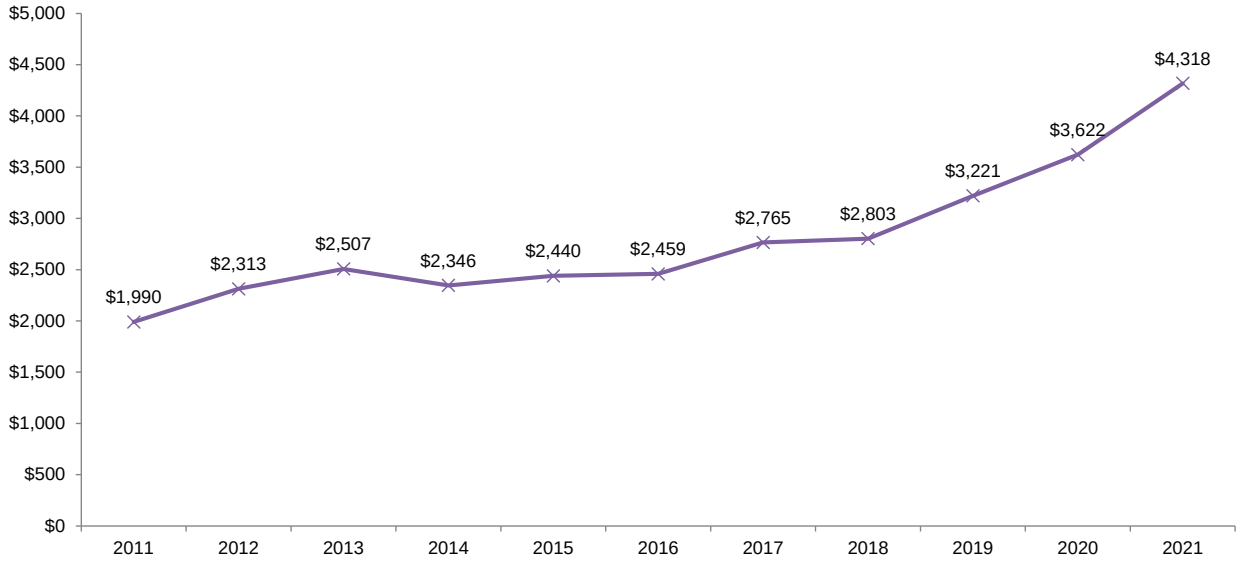

Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

## Trends in HSA Balances

The EBRI HSA Database finds that end-of-year balances have been trending upward (with the exception of the dip between 2013 and 2014).[10] Between 2011 and 2021, average end-of-year account balances increased from $1,990 to $4,318 (Figure 4). Between 2020 and 2021, average account balances increased by about $696.

Account balances are highly correlated with the length of time an account has been open: The longer an account has been open, the larger the account balance. Accounts open for just one year ended 2021 with an average balance of $1,478, compared with those open for 10 years, which ended 2021 with an average balance of $13,482 (Figure 5).

Figure 4
**Average End-of-Year Account Balance, by Year, 2011–2021**



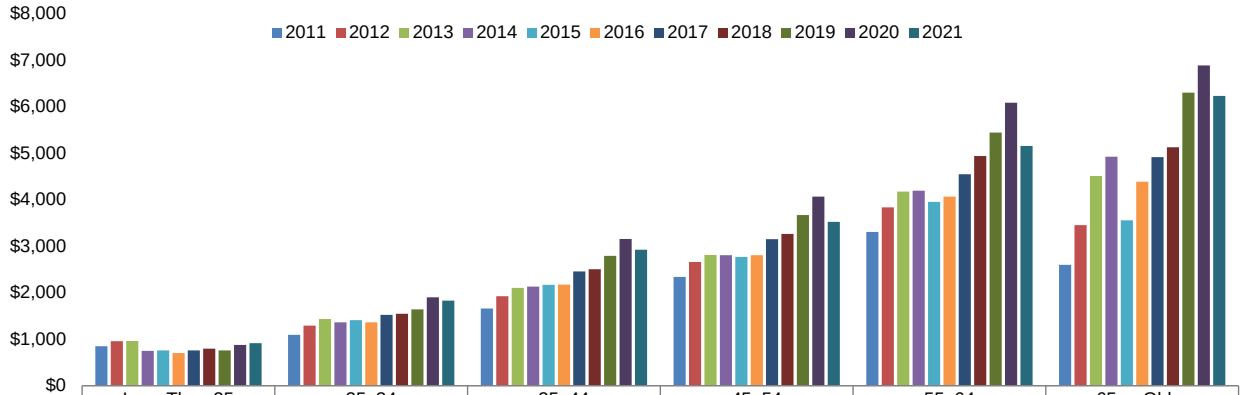

Source: EBRI HSA Database.

Figure 5
**Average End-of-Year Account Balance, by Year Account Was Opened, 2021**


Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

Average balance by age group is slightly smaller for all age groups in 2021 than in prior years, except for the under-25 age group (Figure 6). However, the broader trend of higher average balances for all age groups remains intact. Given that average balances increased overall, the slight drop off in in average balances by age may be driven by a shift in the composition of HSAs in EBRI's database rather than the start of a new trend.

Figure 6
**End-of-Year Average Account Balances by Account-Owner Age, 2011–2021**



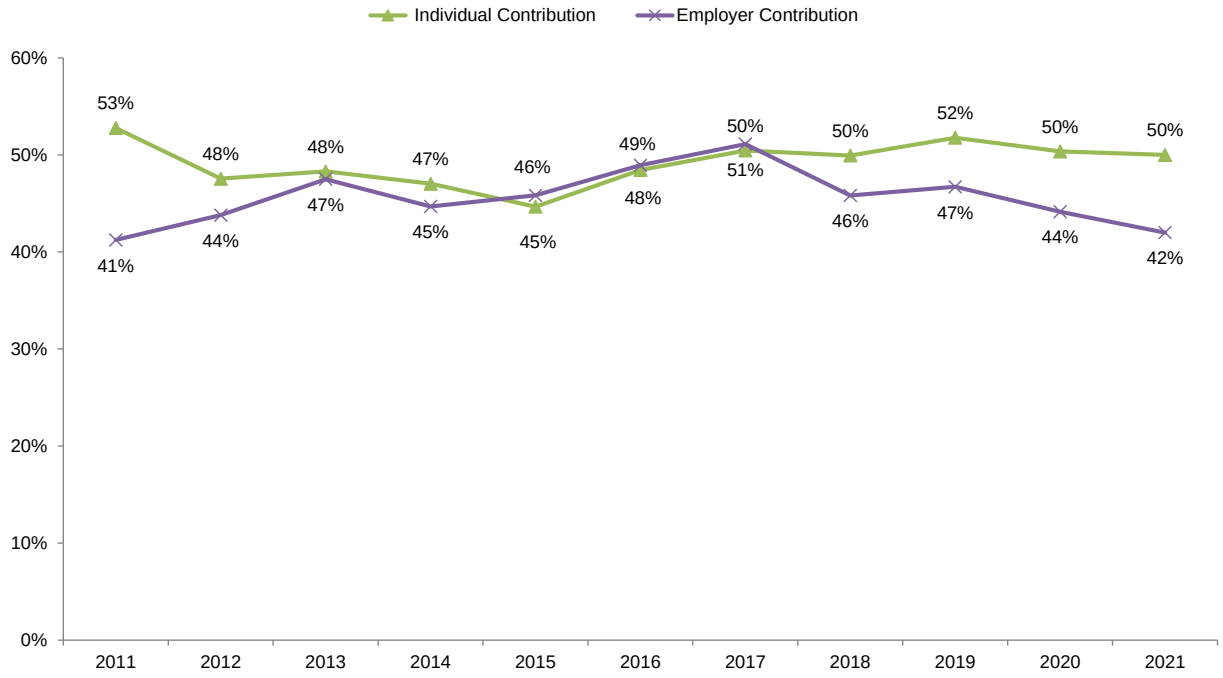

| | Less Than 25 | 25–34 | 35–44 | 45–54 | 55–64 | 65 or Older |
|---|---|---|---|---|---|---|
| 2011 | $846 | $1,092 | $1,657 | $2,336 | $3,304 | $2,599 |
| 2012 | $955 | $1,293 | $1,920 | $2,660 | $3,832 | $3,450 |
| 2013 | $963 | $1,433 | $2,099 | $2,810 | $4,170 | $4,508 |
| 2014 | $748 | $1,362 | $2,130 | $2,806 | $4,189 | $4,923 |
| 2015 | $760 | $1,408 | $2,167 | $2,767 | $3,949 | $3,551 |
| 2016 | $700 | $1,362 | $2,174 | $2,804 | $4,062 | $4,384 |
| 2017 | $759 | $1,520 | $2,455 | $3,147 | $4,546 | $4,911 |
| 2018 | $797 | $1,544 | $2,501 | $3,263 | $4,937 | $5,125 |
| 2019 | $758 | $1,640 | $2,791 | $3,666 | $5,440 | $6,297 |
| 2020 | $876 | $1,899 | $3,154 | $4,064 | $6,082 | $6,884 |
| 2021 | $914 | $1,827 | $2,922 | $3,519 | $5,152 | $6,225 |

Source: EBRI HSA Database.

## Trends in Contributions to HSAs

The share of individuals making a contribution to their HSA has been flat since 2017, at 50 percent. (Figure 7). Meanwhile, the share of accountholders receiving an employer contribution has trended down over that same time frame, falling from 51 percent in 2017 to 42 percent in 2021.

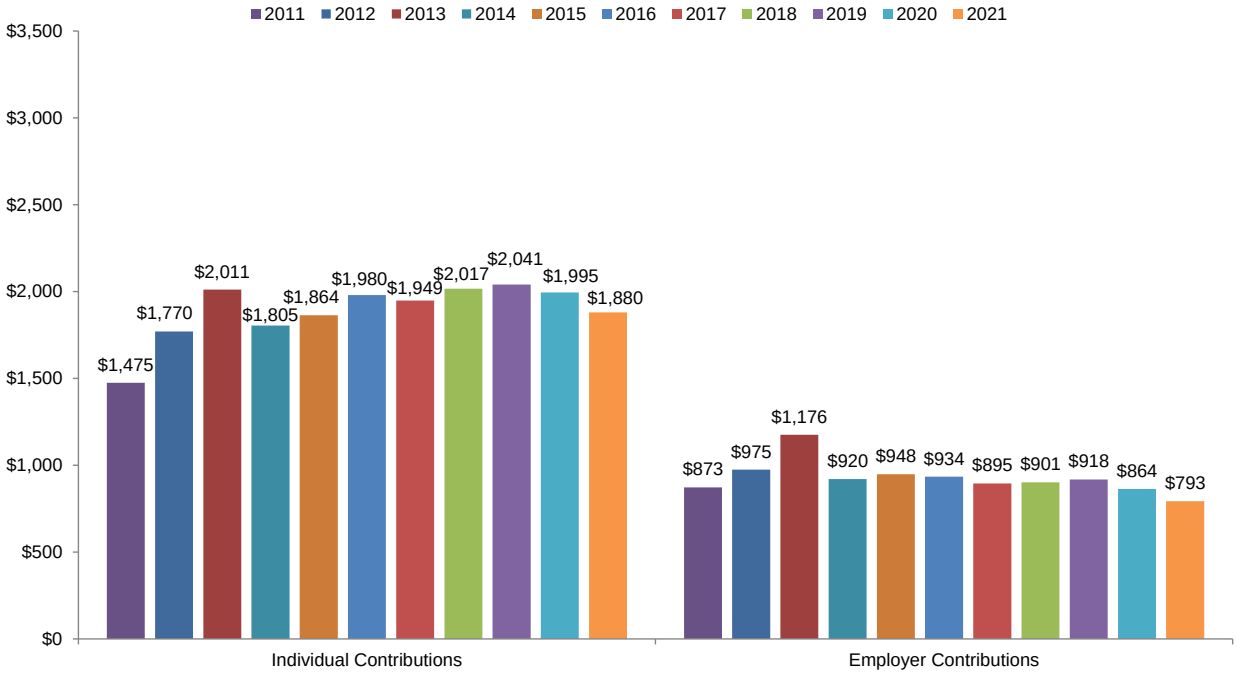
Figure 7
**Percentage of Accounts With Individual and Employer Contributions to HSAs, by Year, 2011–2021**




Source: EBRI HSA Database.

Average annual individual contributions fell again in 2021, after retreating in 2020 from an all-time high in 2019. The average individual contribution fell from $1,995 to $1,880 (Figure 8). This second consecutive drop in contributions may have been related to the tight labor market in 2021. Quit rates remained above their prepandemic trend.[11] Lower average contributions may be a consequence of workers changing jobs midyear and either enrolling in a non-HSA-eligible health plan or contributing to a new HSA through their new employer. Average annual employer contributions declined slightly as well. As a result of declining individual contributions and employer contributions, total contributions decreased from $2,859 to $2,673 between 2020 and 2021 (Figure 9).

Figure 8
**Annual Average Individual and Employer Contributions to HSAs, 2011–2021**




Source: EBRI HSA Database.

Figure 9
**Annual Average Total Contributions to HSAs, 2011–2021**


Source: EBRI HSA Database.

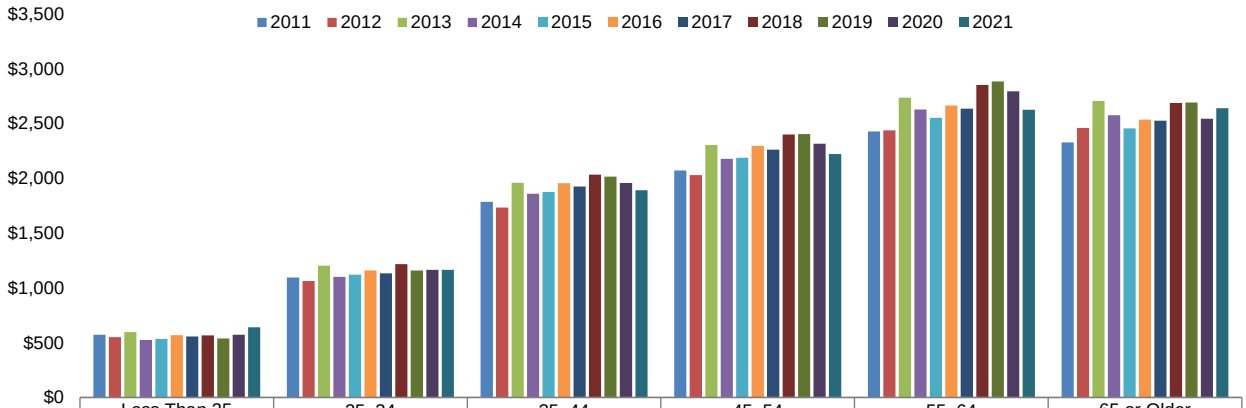
As observed in previous iterations of EBRI's trend analyses, individual contributions in 2021 were higher the longer an account owner had an account. They averaged $788 among brand-new accounts opened in 2021 but averaged $2,620 among accounts open for 10 years (since 2011) and generally continued to increase thereafter (Figure 10).

Figure 10
**Annual Average Individual Contributions to HSA, by Year Account Was Opened, 2021**


Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

Regardless of the year the account was opened, individual contributions increased with age. In 2021, account owners 25–34 contributed $1,165 on average, while those ages 55–64 contributed $2,627 on average (Figure 11). Meanwhile, employer contributions increased through ages 45–54 before decreasing for accountholders 55 and older, but the increases were less pronounced than for individual contributions (Figure 12).

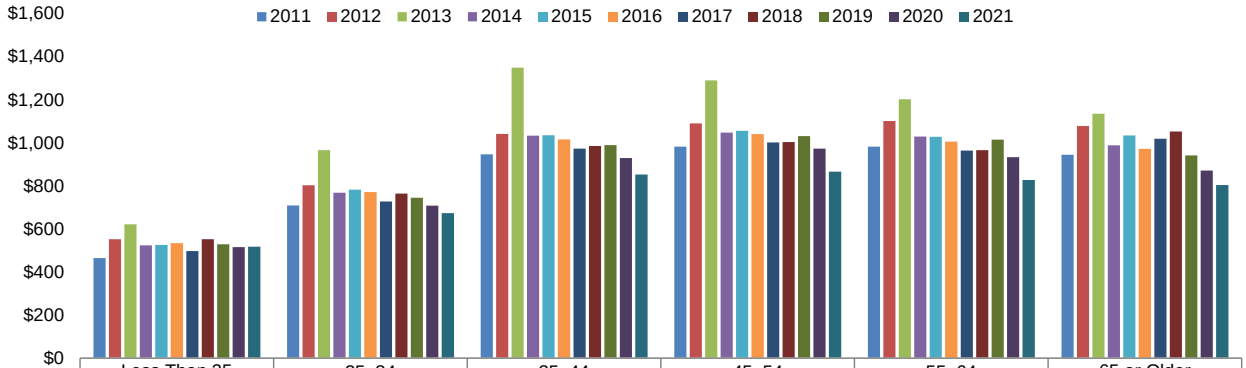
Figure 11
**Average Annual Individual Contributions by Account-Owner Age, 2011–2021**




| | Less Than 25 | 25–34 | 35–44 | 45–54 | 55–64 | 65 or Older |
|---|---|---|---|---|---|---|
| 2011 | $573 | $1,095 | $1,786 | $2,073 | $2,429 | $2,328 |
| 2012 | $552 | $1,064 | $1,733 | $2,031 | $2,439 | $2,460 |
| 2013 | $598 | $1,203 | $1,960 | $2,305 | $2,737 | $2,707 |
| 2014 | $525 | $1,101 | $1,860 | $2,178 | $2,630 | $2,576 |
| 2015 | $535 | $1,122 | $1,876 | $2,189 | $2,553 | $2,457 |
| 2016 | $570 | $1,160 | $1,956 | $2,296 | $2,665 | $2,536 |
| 2017 | $557 | $1,134 | $1,926 | $2,263 | $2,636 | $2,527 |
| 2018 | $566 | $1,217 | $2,034 | $2,401 | $2,853 | $2,690 |
| 2019 | $539 | $1,159 | $2,016 | $2,405 | $2,885 | $2,693 |
| 2020 | $573 | $1,167 | $1,959 | $2,316 | $2,794 | $2,545 |
| 2021 | $641 | $1,165 | $1,891 | $2,222 | $2,627 | $2,642 |

Source: EBRI HSA Database.

Figure 12
**Average Annual Employer Contributions, by Account-Owner Age, 2011–2021**



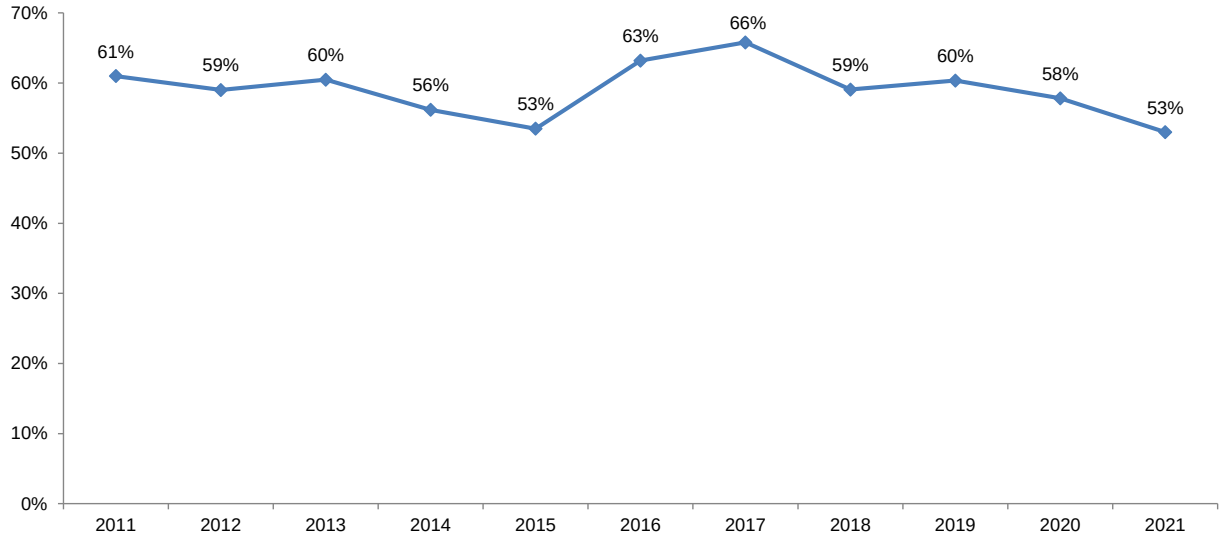

| | Less Than 25 | 25–34 | 35–44 | 45–54 | 55–64 | 65 or Older |
|---|---|---|---|---|---|---|
| 2011 | $465 | $710 | $947 | $983 | $982 | $945 |
| 2012 | $552 | $803 | $1,041 | $1,090 | $1,102 | $1,078 |
| 2013 | $622 | $966 | $1,350 | $1,291 | $1,203 | $1,136 |
| 2014 | $524 | $769 | $1,033 | $1,048 | $1,029 | $989 |
| 2015 | $526 | $783 | $1,036 | $1,056 | $1,028 | $1,035 |
| 2016 | $534 | $772 | $1,016 | $1,040 | $1,006 | $972 |
| 2017 | $498 | $728 | $974 | $1,002 | $964 | $1,019 |
| 2018 | $553 | $764 | $986 | $1,004 | $966 | $1,053 |
| 2019 | $529 | $745 | $990 | $1,032 | $1,015 | $942 |
| 2020 | $515 | $708 | $929 | $974 | $933 | $872 |
| 2021 | $518 | $673 | $854 | $866 | $827 | $804 |

Source: EBRI HSA Database.

## Trends in Distributions From HSAs

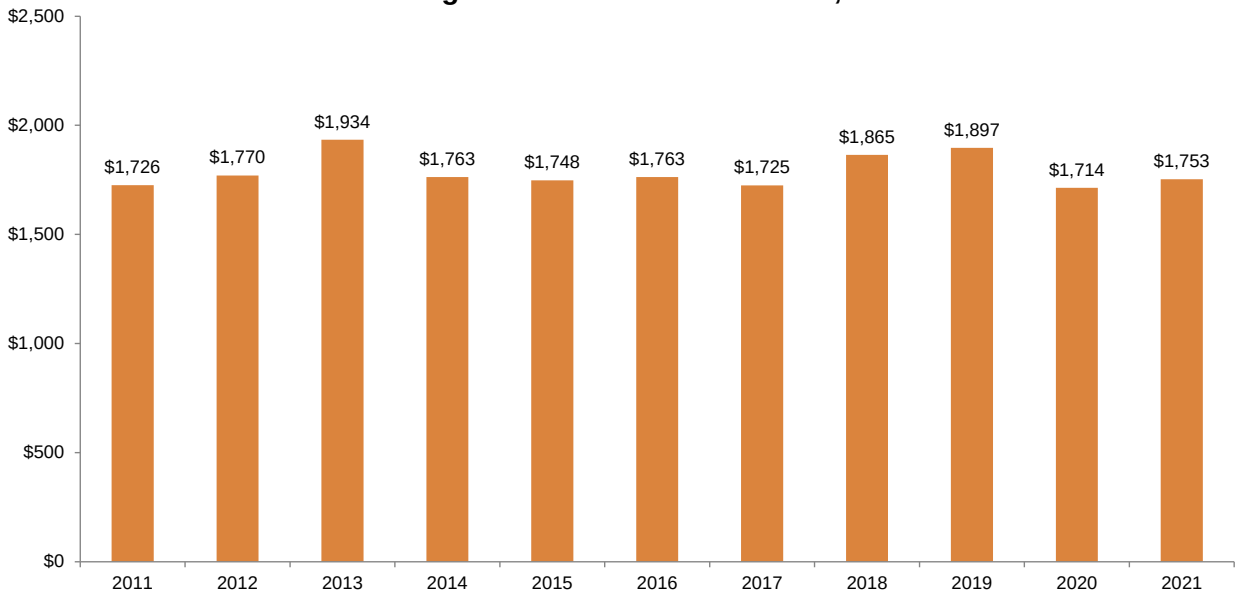
Until 2016, there had generally been a decline in the percentage of accounts taking a distribution. In 2015, 53 percent of accounts had a distribution, down from 61 percent in 2011, but between 2015 and 2016, the percentage of accounts with a distribution increased from 53 percent to 63 percent, and it increased again to 66 percent in 2017 (Figure 13). However, since 2017, the downward trend has reemerged, falling from 66 percent in 2017 to 53 percent in 2021. Among accountholders who took a distribution, the average annual amount has varied between around $1,700 and $1,900 (Figure 14). In 2020, distributions hit an all-time low, perhaps on account of lower usage of health care services during the COVID-19 pandemic. In 2021, average annual distributions rebounded slightly to $1,753, though this is still lower than what EBRI observed in 2018 and 2019.

Figure 13
**Percentage of Accounts With a Distribution From HSAs, by Year, 2011–2021**




Source: EBRI HSA Database.

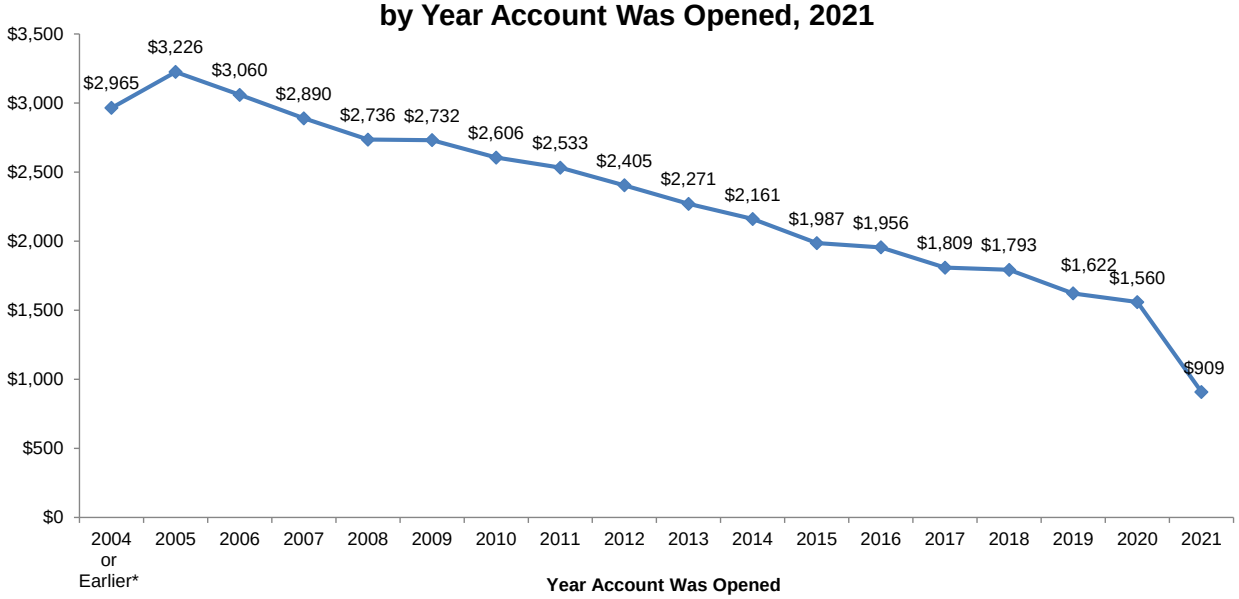
Figure 14
**Annual Average Distributions From HSAs, 2011–2021**




Source: EBRI HSA Database.

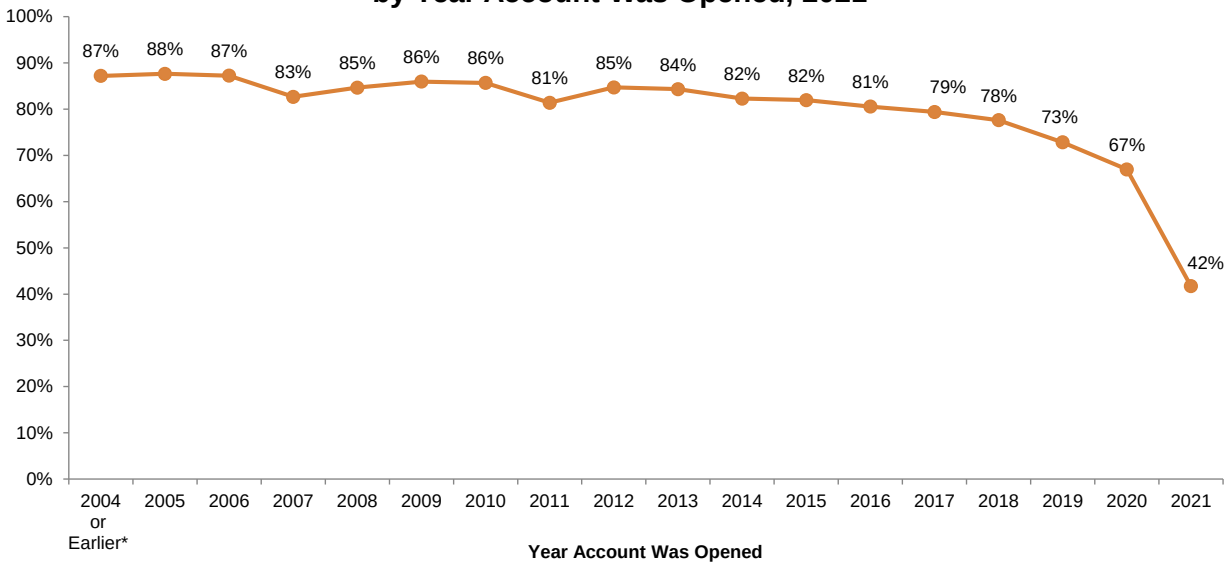
As we have found in previous editions of this analysis, distributions were higher in accounts that had been open the longest. Accounts opened in 2021 had an average annual distribution of only $909, compared with $2,533 for those accounts open for 10 years (Figure 15). The higher distributions associated with older accounts may suggest that individuals have been actively building up their account balances over time, and, as major health expenses have been incurred, account owners have been able to then take larger distributions. This is also supported by the fact that older accounts were more likely than newer ones to have a distribution taken from them. Between 82 and 88 percent of the accounts open for six to 15 years had a distribution in 2021, whereas only 42 percent of accounts open for one year had a distribution that year (Figure 16). Newer accounts generally have lower levels of distributions because they have not had enough time to build up a balance and they are unable to be used to cover health care expenses incurred prior to the date on which the account was opened.

Figure 15
**Annual Average Distributions From HSAs, by Year Account Was Opened, 2021**




Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

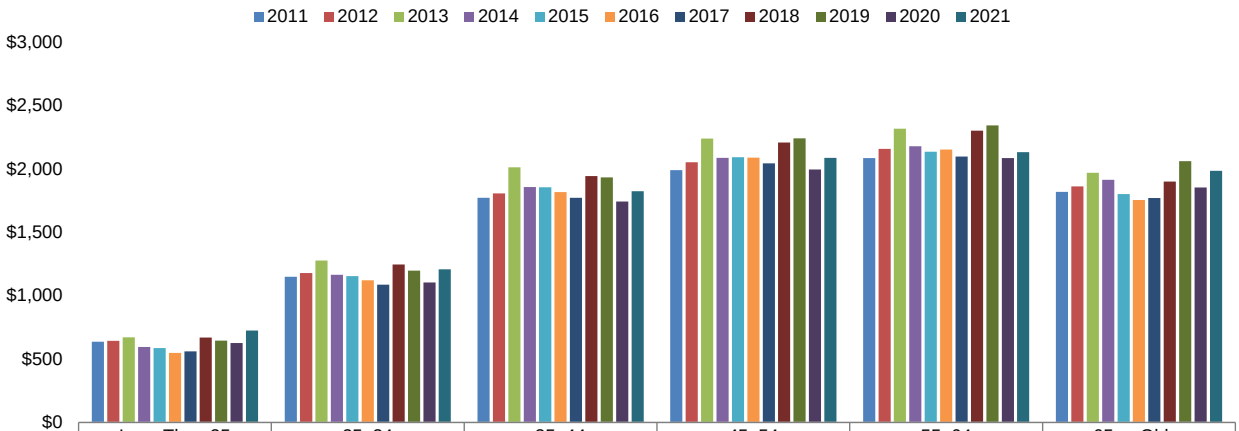
Figure 16
**Percentage of Accounts With Distributions From HSAs, by Year Account Was Opened, 2021**




Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

It is also possible that older accounts take larger distributions because older accounts are associated with older accountholders, who are more likely to use health care services and thus more likely to take distributions. Among accounts opened in 2021, the average age of the account owner was 38.9 years. In contrast, among accounts opened in 2011, the average age of the account owner was 50.7 years. Accordingly, average annual distributions increased with account-owner age in each year. They ranged from $725 in 2021 for accountholders younger than 25 to $2,132 for accountholders aged 55–64 (Figure 17).

Figure 17
**Average Annual Distributions, by Account-Owner Age, 2011–2021**




| | Less Than 25 | 25–34 | 35–44 | 45–54 | 55–64 | 65 or Older |
|---|---|---|---|---|---|---|
| 2011 | $637 | $1,148 | $1,772 | $1,989 | $2,085 | $1,819 |
| 2012 | $643 | $1,178 | $1,806 | $2,052 | $2,157 | $1,861 |
| 2013 | $671 | $1,277 | $2,011 | $2,239 | $2,316 | $1,969 |
| 2014 | $596 | $1,165 | $1,857 | $2,086 | $2,178 | $1,914 |
| 2015 | $588 | $1,155 | $1,856 | $2,091 | $2,135 | $1,801 |
| 2016 | $548 | $1,122 | $1,816 | $2,088 | $2,152 | $1,755 |
| 2017 | $561 | $1,087 | $1,772 | $2,044 | $2,097 | $1,769 |
| 2018 | $669 | $1,246 | $1,943 | $2,207 | $2,302 | $1,900 |
| 2019 | $646 | $1,197 | $1,933 | $2,241 | $2,343 | $2,061 |
| 2020 | $627 | $1,104 | $1,743 | $1,994 | $2,085 | $1,853 |
| 2021 | $725 | $1,207 | $1,823 | $2,087 | $2,132 | $1,984 |

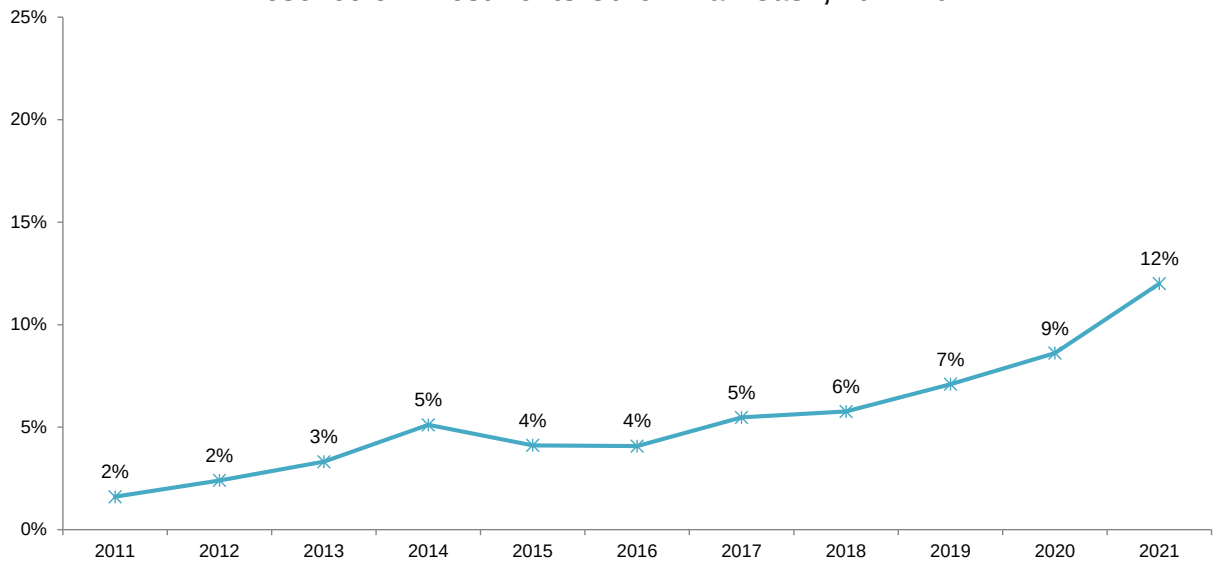
Source: EBRI HSA Database.

## Trends in Investing HSA Assets

Few account owners invest their HSA balance in investments other than cash. The percentage of accounts with investments may be low for a number of reasons. First, in order to invest, account owners often must have a minimum account balance. As reported above, most accounts in EBRI's HSA Database are new, and, therefore, many will not have a large enough account balance to take advantage of investments. Second, account owners may not be aware of the option to invest. Third, account owners may be using the account only to pay for out-of-pocket expenses and therefore may not want to take short-run risks with investment fluctuations. They may be trying to build up an account balance large enough to cover their deductible before investing.

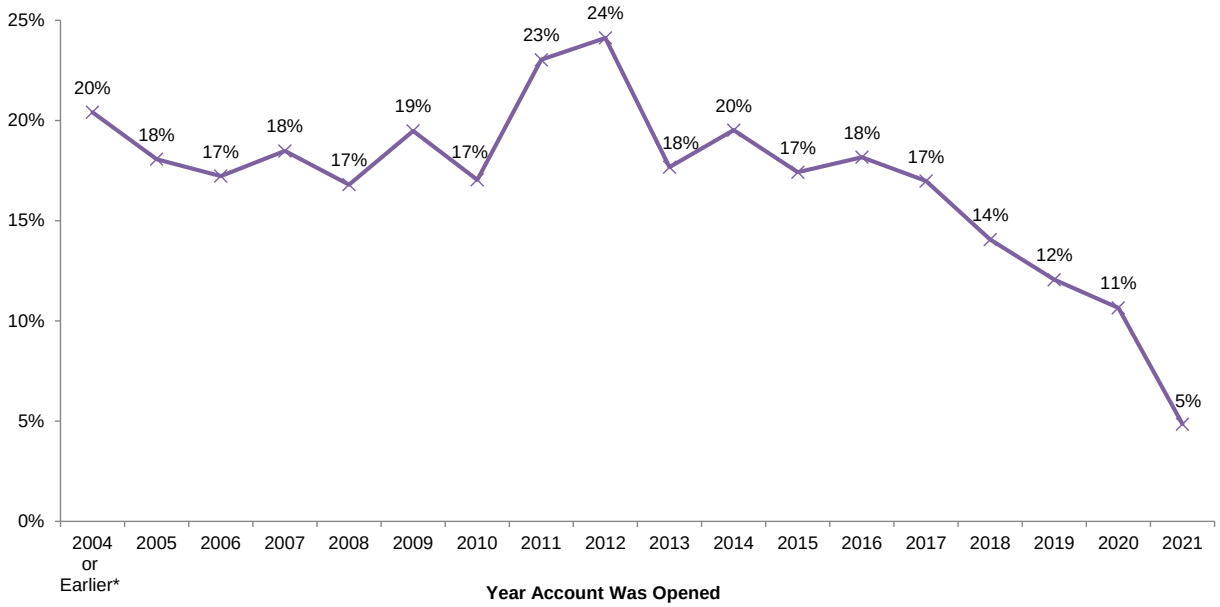
In 2021, 12 percent of accounts were investing, up from 2 percent in 2011 (Figure 18). However, the longer an account had been open, the more likely it was to have investments. Only 5 percent of accounts open for one year had investments, and the share of accountholders who invested their HSAs in assets other than cash generally increased the longer the accountholder had their HSA (Figure 19). The initially low rate of investing may be due to the fact that most HSA providers require that account balances reach a minimum threshold, often $1,000 to $1,500, before a part of the account can be invested, and it may take more than one year for the average participant to reach that threshold. However, in prior research, we found only weak evidence that accountholders wait to accumulate a specific amount of money before investing (Spiegel 2020). Instead, most accountholders who invest tend to do so within the first three years of account ownership.

Figure 18
**Presence of Investments Other Than Cash, 2011–2021**




Source: EBRI HSA Database.

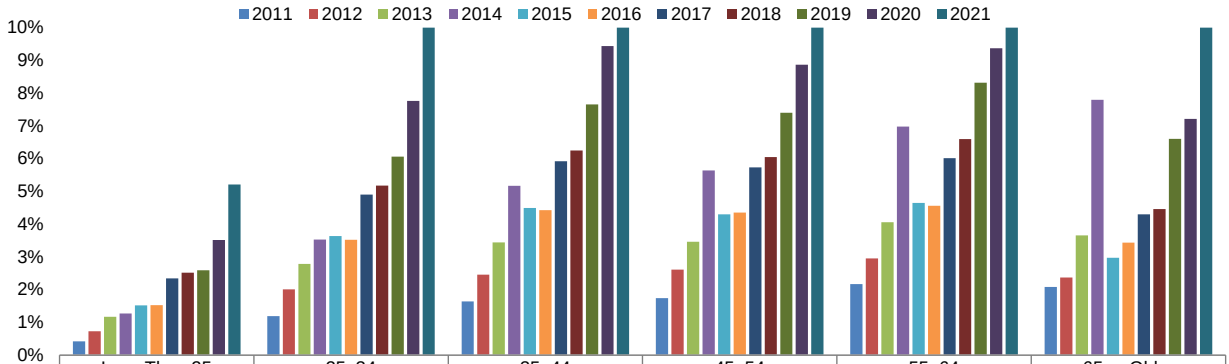
Figure 19
**Presence of Investments Other Than Cash, by Year Account Was Opened, 2021**




Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

Much like with contributions and distributions, the propensity to invest varied by age group. Very young account owners were least likely to be investing, whereas older accountholders were more likely to invest (Figure 20).

Figure 20
**Percentage With Investments Other Than Cash, by Account-Owner Age, 2011–2021**

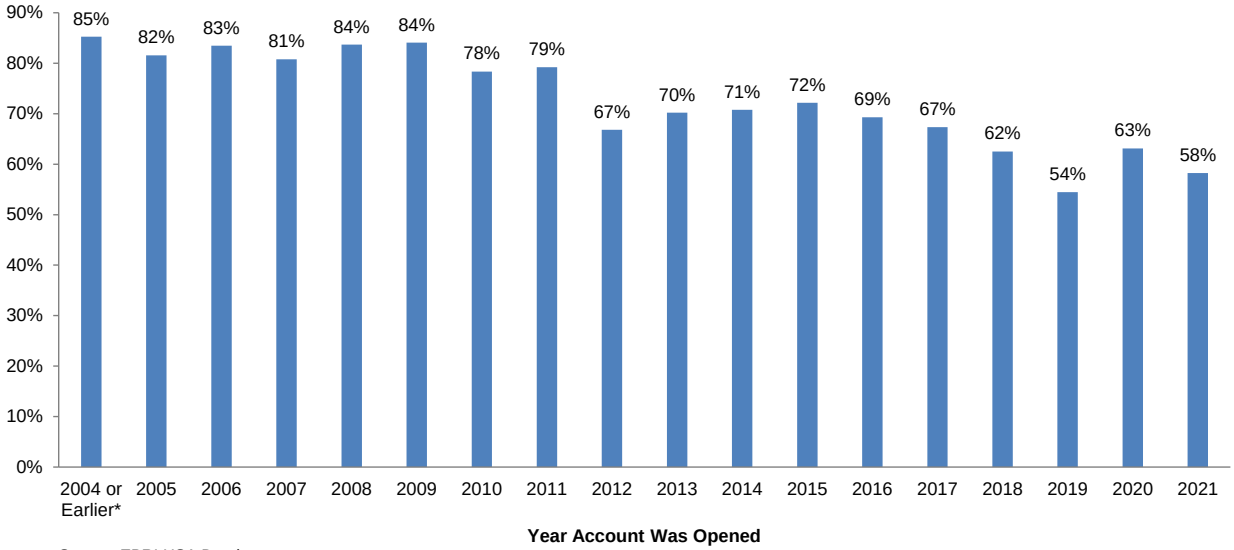



| | Less Than 25 | 25–34 | 35–44 | 45–54 | 55–64 | 65 or Older |
|---|---|---|---|---|---|---|
| 2011 | 0% | 1% | 2% | 2% | 2% | 2% |
| 2012 | 1% | 2% | 2% | 3% | 3% | 2% |
| 2013 | 1% | 3% | 3% | 3% | 4% | 4% |
| 2014 | 1% | 4% | 5% | 6% | 7% | 8% |
| 2015 | 2% | 4% | 4% | 4% | 5% | 3% |
| 2016 | 2% | 4% | 4% | 4% | 5% | 3% |
| 2017 | 2% | 5% | 6% | 6% | 6% | 4% |
| 2018 | 3% | 5% | 6% | 6% | 7% | 4% |
| 2019 | 3% | 6% | 8% | 7% | 8% | 7% |
| 2020 | 4% | 8% | 9% | 9% | 9% | 7% |
| 2021 | 5% | 11% | 12% | 12% | 14% | 13% |

Source: EBRI HSA Database.

When accounts are invested, the majority of account assets are invested. Among all accounts with investments, 77 percent of the balances were invested. With a few exceptions, the longer an account had been open, the larger the percentage of the account balance that was invested. Among accounts open for 10 years, 79 percent of the balances were invested (Figure 21).

Figure 21
**Percentage of Total Assets Invested, Among Accounts With Invested Assets, by Year Account Was Opened, 2021**




Source: EBRI HSA Database.
*Includes Archer Medical Savings Account (MSA) rollovers.

## Conclusion

HSA-eligible health plans and HSAs are expected to grow as a vital component of employment-based health coverage in the United States. Thus, it is critical for plan sponsors to understand how HSAs are being used by their workers, as trends can inform future workplace benefit strategies. EBRI finds, for instance, that as individuals become more familiar with HSAs — that is, the longer they have had their HSA — accountholders tend to take better advantage of the benefits HSAs offer. In particular, the longer someone has owned their HSA, the larger their balance tends to be, the higher their contributions tend to be, and the more likely they are to invest their HSA in assets other than cash. These strategies better position accountholders to withdraw larger sums when unexpected major health expenses occur and can leave accountholders more prepared to cover their health care expenses in retirement.

## 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. 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.

Appendix Figure 1

**Statutory HSA Limits, 2004–2023**

| | Minimum Deductible | | Maximum Contribution | | Maximum Out-of-Pocket | | Per-Person Catch-up Contribution |
|---|---|---|---|---|---|---|---|
| | Individual | Family | Individual | Family | Individual | Family | |
| **2004** | $1,000 | $2,000 | $2,600 | $5,150 | $5,000 | $10,000 | $500 |
| **2005** | $1,000 | $2,000 | $2,600 | $5,150 | $5,000 | $10,000 | $600 |
| **2006** | $1,050 | $2,100 | $2,700 | $5,450 | $5,250 | $10,500 | $700 |
| **2007** | $1,100 | $2,200 | $2,850 | $5,650 | $5,500 | $11,000 | $800 |
| **2008** | $1,100 | $2,200 | $2,900 | $5,800 | $5,600 | $11,200 | $900 |
| **2009** | $1,150 | $2,300 | $3,000 | $5,950 | $5,800 | $11,600 | $1,000 |
| **2010** | $1,200 | $2,400 | $3,050 | $6,150 | $5,950 | $11,900 | $1,000 |
| **2011** | $1,200 | $2,400 | $3,050 | $6,150 | $5,950 | $11,900 | $1,000 |
| **2012** | $1,200 | $2,400 | $3,100 | $6,250 | $6,050 | $12,100 | $1,000 |
| **2013** | $1,250 | $2,500 | $3,250 | $6,450 | $6,250 | $12,500 | $1,000 |
| **2014** | $1,250 | $2,500 | $3,300 | $6,550 | $6,350 | $12,700 | $1,000 |
| **2015** | $1,300 | $2,600 | $3,350 | $6,650 | $6,450 | $12,900 | $1,000 |
| **2016** | $1,300 | $2,600 | $3,350 | $6,750 | $6,550 | $13,100 | $1,000 |
| **2017** | $1,300 | $2,600 | $3,400 | $6,750 | $6,550 | $13,100 | $1,000 |
| **2018** | $1,350 | $2,700 | $3,450 | $6,900 | $6,650 | $13,300 | $1,000 |
| **2019** | $1,350 | $2,700 | $3,500 | $7,000 | $6,750 | $13,500 | $1,000 |
| **2020** | $1,400 | $2,800 | $3,550 | $7,100 | $6,900 | $13,800 | $1,000 |
| **2021** | $1,400 | $2,800 | $3,600 | $7,200 | $7,000 | $14,000 | $1,000 |
| **2022** | $1,400 | $2,800 | $3,650 | $7,300 | $7,050 | $14,100 | $1,000 |
| **2023** | $1,500 | $3,00 | $3,850 | $7,750 | $7,500 | $15,000 | $1,000 |

### *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 2021, the plan must have had an annual deductible of at least $1,400 for individual coverage and $2,800 for family coverage, and the plan's out-of-pocket maximum may not have exceeded $7,000 for individual coverage or $14,000 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). Furthermore, IRS Notice 2019-45 now classifies certain health care services and items purchased for certain chronic conditions as preventive care for those people with those chronic conditions.[12] Otherwise, all health care services must be subject to the HSA's deductible, though there is an exemption for telemedicine services, as discussed below.

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.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020, to provide economic relief related to the COVID-19 pandemic and economic downturn affecting millions of families and businesses in the United States, contains two sections that are pertinent to HSAs. First, Sec. 3701 includes a provision that allows HSA-eligible health plans to provide access to telemedicine services prior to meeting the annual deductible. This provision is temporary and ends on Dec. 31, 2021. Second, Sec. 3702 allows HSAs to be used to purchase over-the-counter (OTC) medical products without a prescription from a physician including pain relievers, cold medicines, bandages, feminine hygiene products, and more. This provision was permanent and was retroactive to Jan. 1, 2020.

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 2021, a worker with individual coverage was allowed to make an annual HSA contribution of $3,600, while a worker with family coverage could contribute as much as $7,200. These dollar limits are indexed for inflation. Additionally, individuals who reached age 55 and were not yet enrolled in Medicare were able to 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.[13]

### *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 has 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 owner is responsible for making the investment decisions and bears 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 in, 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.[14] 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.[15]

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## Endnotes

[1] Health reimbursement arrangement (HRA) enrollees are combined with HSA enrollees. According to a different survey, 77 percent of high-deductible health plan (HDHP) enrollees were in an HSA-eligible plan, and 23 percent were in an HRA plan. See Figure 8.5 in https://files.kff.org/attachment/Report-Employer-Health-Benefits-Annual-Survey-2019.

[2] See https://www.devenir.com/wp-content/uploads/2021-Year-End-Devenir-HSA-Research-Report-Executive-Summary.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.

[3] 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.

[4] More detailed information about HSAs can be found in the appendix.

[5] See the literature review in Bundorf (2012) as well as subsequent research in Brot-Goldberg et al. (2015); Fronstin and Roebuck (2013); Fronstin, Sepúlveda, and Roebuck (2013a); Fronstin, Sepúlveda, and Roebuck (2013b); Fronstin and

Roebuck (2014); Fronstin and Roebuck (2016); Fronstin and Roebuck (2019), Fronstin, Roebuck, Buxbaum and Fendrick (2020), and Fronstin and Roebuck (2020).

[6] See AHIP (2014).

[7] See https://www.devenir.com/wp-content/uploads/2020-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf.

[8] See https://www.ebri.org/health/ebri-greenwald-consumer-engagement-healthcare-survey.

[9] Several recordkeeping organizations have provided de-identified data on HSA owners. 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 numbers, 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 Archer Medical Savings Account (MSA) was considered established on the date the MSA was established.

[10] Our findings from 2011–2014 might have been affected by the specific HSA providers that were able to provide data in those years.

[11] See Job Opening and Labor Turnover Survey (JOLTS): https://fred.stlouisfed.org/graph/?id=JTSQUR,R.

[12] See https://www.irs.gov/newsroom/irs-expands-list-of-preventive-care-for-hsa-participants-to-include-certain-care-for-chronic-conditions.

[13] 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.

[14] See https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/field-assistance-bulletins/2004-01.

[15] See https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/field-assistance-bulletins/2006-02.

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