
The stats and facts behind the growth of health savings accounts (HSAs)



Health savings account growth

As health care costs continue to rise, it's no surprise that health savings accounts (HSA) continue to rapidly grow and evolve. According to the Devenir Research report, *2017 Midyear HSA Market Statistics & Trends*, released on Aug. 16, 2017, there are more than 21 million accounts in the U.S. holding about \$42.7 billion in assets. In fact, from June 30, 2016 to June 30, 2017, the number of accounts grew by 16 percent.¹ And, these numbers are expected to continue to grow. Devenir estimates that by Dec. 31, 2018, there will be over 27 million HSAs that hold more than \$50 billion in assets.² And by 2019, there could be as much as \$64 billion in HSA assets.¹

The increased adoption of HSA-eligible plans signals a shift in medical cost transparency, changing employees' perspectives to consider the total cost of health care versus just looking at monthly premiums. With more people looking for ways to save money on medical expenses, reframing medical costs within the context of a health savings account is one way to do this.



Employers joining the rising trend

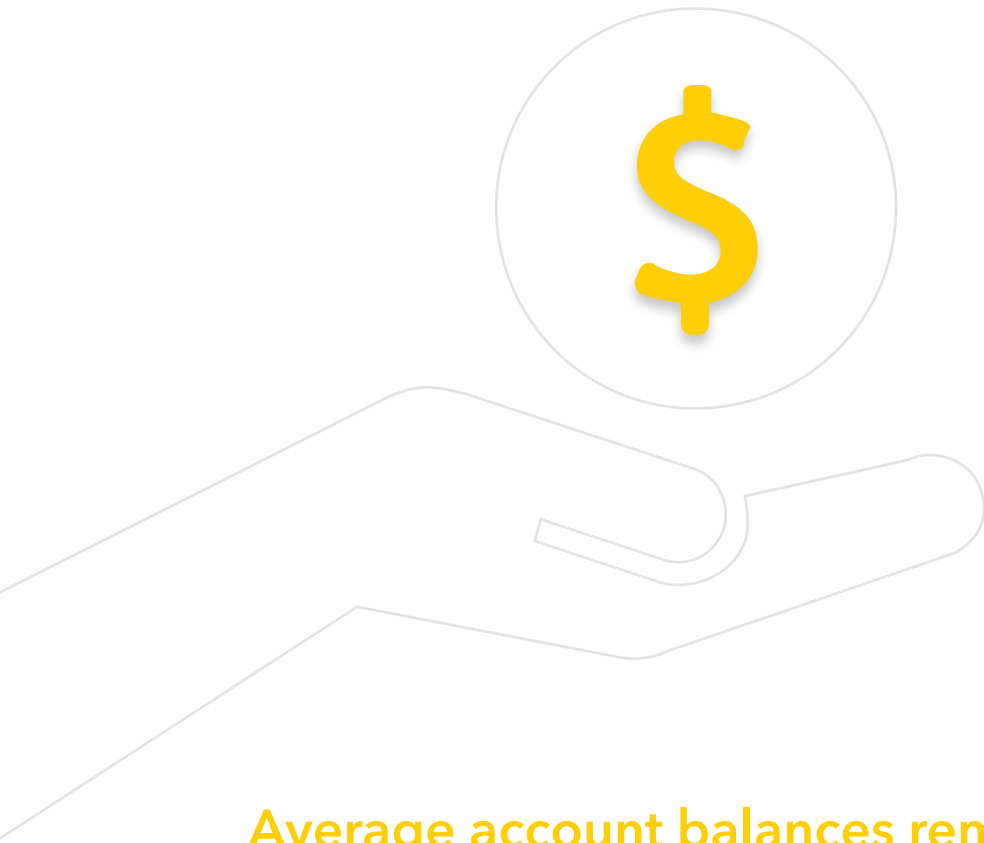
The rising popularity of HSAs is encouraging more employers to offer one as part of their benefit design package. Offering competitive benefits, including HSA-eligible plans, can help keep rising plan costs at bay to attract and retain talent. According to a Willis Towers Watson / National Business Group on Health study, the percentage of companies offering HSA-qualified plans has increased from 25 percent in 2007 to 78 percent in 2016.³ Employees contributing to HSAs account for almost half (46 percent) of money in HSAs.¹ However, employers are recognizing that funding an account, or contributing dollars to an employees' HSA, can help increase adoption. Year to date in 2017, 33 percent of all HSA dollars were contributed by an employer into an employee's account.¹

Percent of companies offering HSA-qualified plans



Percent HSA dollars contributed by employer





Average account balances remain flat

Devenir reports that the average non-employer funded account holds just over \$2,000, while funded accounts hold an average of \$2,500.¹ While HSA balances tend to rise the longer an individual owns an account, a relatively small portion carry forward from year to year, meaning that most people use most of their contributions to pay for every day health care expenses.

So far year to date, industry contributions in 2017 amount to almost \$18 billion, while withdrawals totaled more than \$12 billion. Both metrics continue to increase year-over-year since 2011, according to Devenir's 2017 midyear market report.¹ Once an HSA is opened, education remains fundamental. Account holders need to fully understand the tax-advantaged nature of these accounts to get the greatest financial benefits from them.

YTD 2017 stats:

\$2,500 Employer
Average balance funded
accounts

\$2,000 Non-
Average balance funded
accounts

\$18B Total industry
contributions

\$12B Total industry
withdrawals

Becoming better shoppers

One way to help employees become better shoppers is by understanding how to best use the care their plan covers. Costs can vary widely between different providers. Understanding health care costs, such as how much an MRI costs at different providers, can go a long way. According to a 2014 Employee Benefits Research Institute, employees enrolled in HSA plans are more likely than those in other plans to search for information on doctors and the cost of care.⁴

The Further average account balance is \$3,079, which is \$579 higher than the industry average.⁵ These higher account balances can be attributed to a variety of sources: better member education; multi-year adoption strategies, and smart benefit designs, to name a few.

\$3,079

Further
average balance

\$2,500
Industry
average balance

\$579

Higher than
industry average

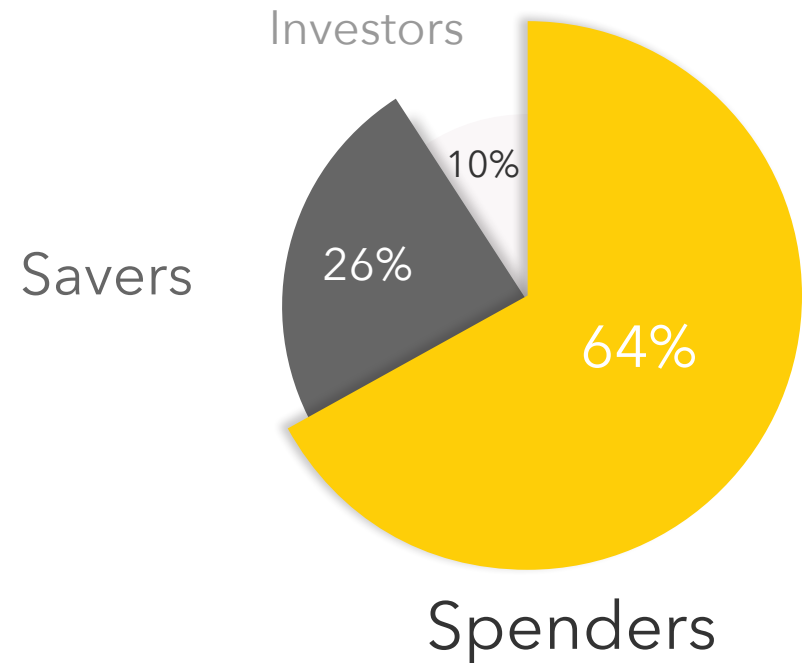


Account balances vary widely among account holders

Based on account balance, the industry breaks down HSA holders into three categories: spenders, savers and investors. Spenders, which account for 64 percent of account holders, use their funds day-by-day to pay for health care costs and typically carry very little forward from year to year.¹ Savers, another 26 percent, save for future medical costs¹ (according to an analysis by Fidelity Investments, a 65-year-old couple retiring today would spend an estimated \$275,000 on health care costs).⁶ While 10 percent of account holders are classified as investors, putting their HSA funds into market-traded investment options. Sixty-three percent of people are making distributions from their account to spend on health care, which could account for the low number of investors.⁷ Many account holders don't meet the \$1,000 account balance requirement needed to invest.

HSAs work for any type of account holder – spenders, savers and investors. Regardless of the account balance, education remains critical to understanding how to health savings accounts work.

With health care costs on the rise, the rising costs of health care are encouraging more Americans to use an HSA. With proposed new legislation that positively benefits health savings accounts, there has never been a better time to open one. Devenir expects HSAs to grow by 20 percent in the next year¹, which shows more employers and individuals want to take charge of the tax advantage of saving.



To learn more about health savings accounts, contact Further at hellofurther.com or call 800-859-2144.

What is an HSA?

An HSA is a tax-advantaged account that works in conjunction with a HSA-qualified plan. This allows you to save money tax-free for eligible medical expenses. For a health plan to be HSA-qualified, it must have a deductible—the amount you pay before your health coverage kicks in—that is at least \$1,300 for an individual and \$2,600 for a family (in 2017), as well as meet benefit design requirements, such as an out-of-pocket maximum.

Why are HSAs a growing trend?

There are several benefits to having and using an HSA. One of the biggest benefits is the account enables you to save money tax-free, and gives you a triple tax advantage. The triple tax advantage means you receive:

- Taxable income reduction. All HSA contributions are tax-free, which means this can help lower your taxable income. In doing so, you also reduce your federal, state (except California, New Jersey and Alabama) and FICA taxes.
- Tax-free earnings. The money in an HSA can be saved or invested tax-free just like your 401(k).
- Tax-free distributions. The funds in an HSA are not subject to taxes when used to pay for eligible expenses or saved for retirement.

Another way to put this is HSA account holders get \$100 of health care for about \$70 dollars because of the federal, state and Social Security tax savings. In turn, this can add up to saving thousands of dollars tax-free, depending upon your income and how much money you choose to put into your HSA over time.

- 1- Devenir, "2017 Midyear HSA Market Statistics & Trends," (Devenir, Aug. 16, 2017). Link: <http://www.devenir.com/research/2017-midyear-devenir-hsa-research-report/>
- 2- Devenir, "2016 Year-End Devenir HSA Research Report," (Devenir, Feb. 22, 2017). Link: <http://www.devenir.com/research/2016-year-end-devenir-hsa-research-report/>
- 3- Willis Towers Watson, "Best High Performance Insights - Best Practices in Health Care: 2015 20th Annual Willis Towers Watson/National Business Group on Health Best Practices in Health Care Employer Survey" (November 2015) <https://www.towerswatson.com/en-US/Insights/IC-Types/Survey-Research-Results/2015/11/full-report-2015-towers-watson-nbgh-best-practices-in-health-care-employer-survey>
- 4- Paul Fronstin, "Consumer Engagement in Health Care: Findings from the 2016 EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey," EBRI Issues Brief, no. 433, (Employee Benefit Research Institute, May 25, 2017). https://www.ebri.org/pdf/briefspdf/EBRI_IB_433_CEHCS.25May17.pdf
- 5- Further Data, July 2017.
- 6- Fidelity Investments, "Health Care Costs for Retirees Rise to an Estimated \$275,000 Fidelity Analysis Shows," Aug. 24, 2017. Fidelity.com. <https://www.fidelity.com/about-fidelity/employer-services/health-care-costs-for-retirees-rise>
- 7- Paul Fronstin, "Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011- 2016: Statistics from the EBRI HSA Database," EBRI Issue Brief, no. 434, (Employee Benefit Research Institute, July 11, 2017). https://www.ebri.org/pdf/briefspdf/EBRI_IB_434_HSAs.11July17.pdf