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American
Bankers
Association
HSA Council

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An Analysis of Health Savings Account Balances, Contributions, and Withdrawals in 2012

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SUMMARY

This report provides information on the financial activity of more than 1.4 million health savings accounts (HSAs) open as of December 31, 2012. The report is based on a survey conducted by America's Health Insurance Plans (AHIP) and the American Bankers Association's (ABA) HSA Council and contains de-identified information from five bank custodians on account balances, contributions, withdrawals, interest, and fees. It is the third such report produced by AHIP in recent years; previous reports cover HSA activity from 2004 to 2009.

HIGHLIGHTS FROM THE SURVEY

- Twenty-eight percent (28%) of HSAs open during 2012 were initiated that year, 21 percent were opened in 2011 and 15 percent were opened in 2010.
- More than half (55%) of all accounts received personal contributions during 2012 and 44 percent of the accounts received employer contributions. Of those accounts, the average personal contribution was \$2,337 and the average contribution from employers was \$1,142.
- Fifty-eight percent (58%) of all accounts had withdrawals during the year and of those accounts the average withdrawal during 2012 was \$2,081.
- Most (81%) accounts earned interest on balances, and 52 percent of accounts incurred a fee.
- Nineteen percent of all accounts had \$0 available at the end of the year. Thirty-one percent had \$1 – \$499, 11 percent had \$500-\$999, 12 percent had \$1000-\$1999, 14 percent had \$2000-\$4999, and 12 percent had at least \$5000.

INTRODUCTION

Health savings accounts were authorized by the 2003 Medicare Modernization Act and were first offered in 2004. HSAs give consumers incentives to manage their own health care costs by coupling a tax-favored savings account that may be used to pay qualified medical expenses with a high-deductible health plan (HDHP) that meets certain requirements for deductibles and out-of-pocket expense limits.¹ Contributions to and withdrawals for qualified medical expenses from HSAs are not subject to federal income tax. Funds in the HSA are owned by the individual account holder and may be rolled over from year to year.

Each year the Internal Revenue Service (IRS) establishes limits for how much an individual or family may contribute to the health savings account; the amount changes each year based on inflation. In 2012, the annual contribution limits were \$3,100 for single HDHP coverage and \$6,250 for family coverage.² Individuals age 55 or older were permitted to make an additional annual ‘catch up’ HSA contribution of \$1,000.

In 2013 AHIP and the ABA’s HSA Council collaborated to systematically gather data from bank custodians on HSA financial activity during 2012. This report details the methodology and findings.

METHODOLOGY

AHIP and ABA’s HSA Council developed a standardized data collection instrument to assess HSA activity during calendar year 2012. The instrument was fielded via email by the HSA Council to 15 entities that are custodians for health savings accounts. These entities—which together hold approximately 80 percent of all accounts in the U.S.³—were selected because they belong to the ABA’s HSA Council and were among the top 50 HSA custodians in the U.S. Data were collected between July-September 2013. Five bank custodians of HSAs responded to the survey, providing account-level data on over 1.4 million accounts representing nearly \$3 billion in assets, contributions of \$2.5 billion and withdrawals of \$1.5 billion in 2012.

During 2012 there were an estimated 8.2 million⁴ health savings accounts established across the country; therefore this survey represents approximately 17 percent of all accounts.

1 For 2012 a self-only HSA qualified HDHP was required to have a deductible of at least \$1,200 and a maximum out-of-pocket limit of \$6,050. Family HDHPs were required to have deductibles of at least \$2,400 and maximum out-of-pocket limits of no more than \$12,100. U.S. Department of the Treasury; accessed April 30, 2014 from <http://www.treasury.gov/resource-center/faqs/Taxes/Pages/HSA-2012-indexed-amounts.aspx>

2 U.S. Department of the Treasury; accessed April 30, 2014 from <http://www.treasury.gov/resource-center/faqs/Taxes/Pages/HSA-2012-indexed-amounts.aspx>

3 Information received from a representative of the American Bankers Association’s HSA Council in a telephone conversation on June 2, 2014.

4 2012 Year-End Devenir Research Report, Executive Summary, accessed 06/01/14 at <http://www.devenir.com/research/2012-year-end-devenir-hsa-research-report-executive-summary/>

AHIP received de-identified detailed data from five HSA bank custodians and combined the data into one dataset. The data represent accounts open during 2012 and included the following information on each account:

- opening balance (as of 12/31/11),
- single or family account,
- total number of months the account has been open,
- total contributions,
- amount of employer contributions,
- interest earned amount,
- fees paid amount,
- amount of withdrawals, and
- ending balance (as of 12/31/12).

Each bank reported the number of months for which every account had been open, as of December 31, 2012. However, some banks may have reported an account opened in December of 2012 having been open “zero” months, others may have counted the account open “one” month. Still other banks may not have posted accounts open in November or December of 2012 to their monthly databases, preventing them from including data from those accounts in their submission for this study. As a result, for the purpose of these calculations, we classified accounts reported as being open 0-12 months as opened in 2012, accounts open 13-24 months as 2011, and so on.

Twelve percent of all accounts contained a negative value in at least one of the variables holding dollar values. Correspondence with banks indicated negative amounts can be related to several factors such as an overdrawn account or a contribution made in error. For this report we excluded these records from calculations involving dollar amounts, for the respective category. For example, a record containing a negative personal contribution amount would be excluded when calculating an average or total personal contribution amount. However we included records with negative dollar value amounts when counting the number of accounts by specific categories.

We created three categories to illustrate the percent of funds withdrawn from health savings accounts during 2012: 1) less than 20 percent, 2) more than 80 percent, and 3) between 20-80 percent. The numerator in the calculation is total funds withdrawn during 2012, and the denominator is the accumulated balance for the year, e.g. the opening balance (12/31/11) plus any contributions made during 2012.

We calculated total and average dollar amounts, and the number of accounts, for specified categories. All dollar values resulting from the analyses were rounded to the nearest whole dollar.

LIMITATIONS AND ISSUES WITH INTERPRETING THE HEALTH SAVINGS ACCOUNT DATA

Employer Contributions. According to the survey data, 44 percent of the 1.4 million accounts received contributions from employers. However, the receipt of an employer contribution during the year is not the sole determining factor of whether the account was employer-based (i.e., the HSA is in conjunction with a qualified HDHP offered through employer-sponsored coverage). Some employer-based accounts may not have received an employer contribution during the year.

According to the Kaiser Family Foundation, during 2012 approximately 66 percent of employees with single or family employer-sponsored coverage through HSA/HDHPs received an employer contribution towards the worker's HSA.⁵ Because our data do not make it possible to distinguish between employer-based and individually-purchased accounts, we cannot estimate a comparable figure.

Investments Not Controlled by the Bank Custodians. Some banks allow accountholders who have reached a specified minimum balance to transfer funds to an investment account outside of the bank's control. This may affect the balances of some accounts reported in this survey; however this survey did not track net gains or losses due to outside investments.

SURVEY RESULTS: NUMBER OF ACCOUNTS, AVERAGE HSA BALANCES AND ACCOUNT ACTIVITY

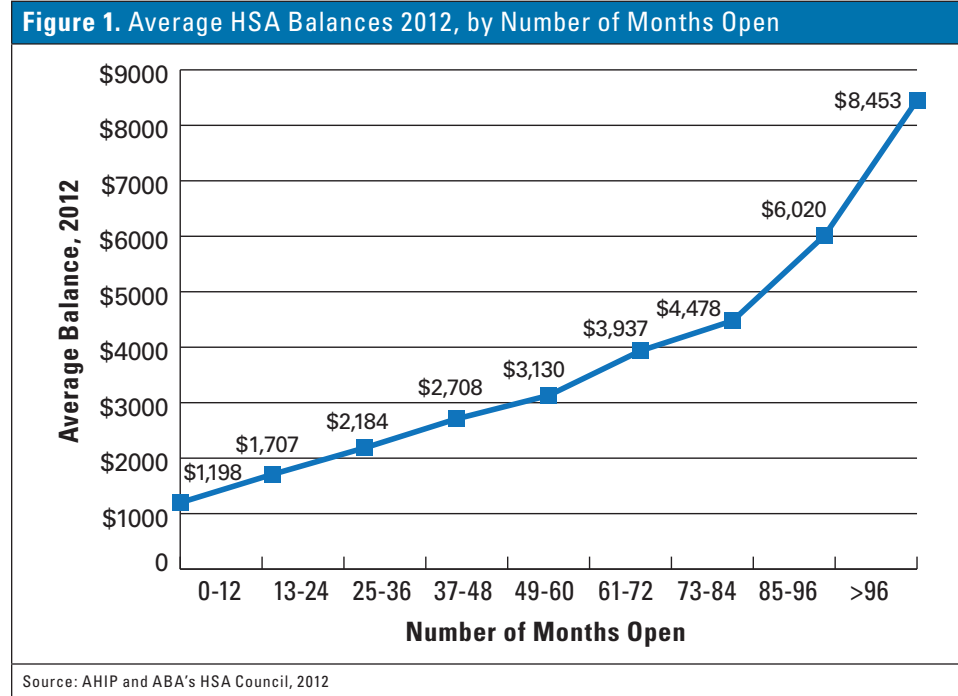
Number of Accounts. As of December 31, 2012 the five banks providing data for this study had 1,419,962 health savings accounts. Table 1 shows the number of accounts established during each year, 2004-2012. As noted below, 3 percent of accounts were opened prior to 2004 (the year HSAs were first authorized) and these accounts are likely roll-overs from Archer Medical Savings Accounts (MSAs) which are a similar type of tax-favored health account.

Year Established	Number of Accounts	Percent of Accounts
2012	391,310	28%
2011	296,808	21%
2010	207,785	15%
2009	154,490	11%
2008	120,964	9%
2007	88,017	6%
2006	68,174	5%
2005	54,714	4%
2004 and earlier (includes MSA rollovers)	37,700	3%
All HSA Accounts in Study	1,419,962	100%

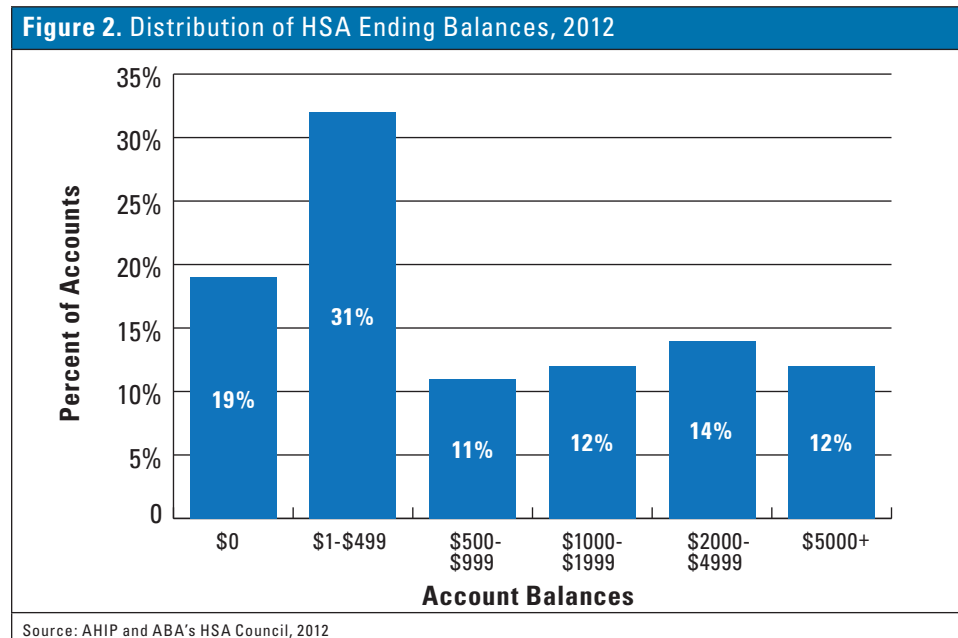
Source: AHIP and ABA's HSA Council, 2012
 Note: MSA refers to Archer Medical Savings Accounts, which were authorized prior to 2004

⁵ Kaiser Family Foundation, 2012 Employer Health Benefits Survey, September 11, 2012; accessed April 29, 2014 from <http://kff.org/report-section/ehbs-2012-section-8/>

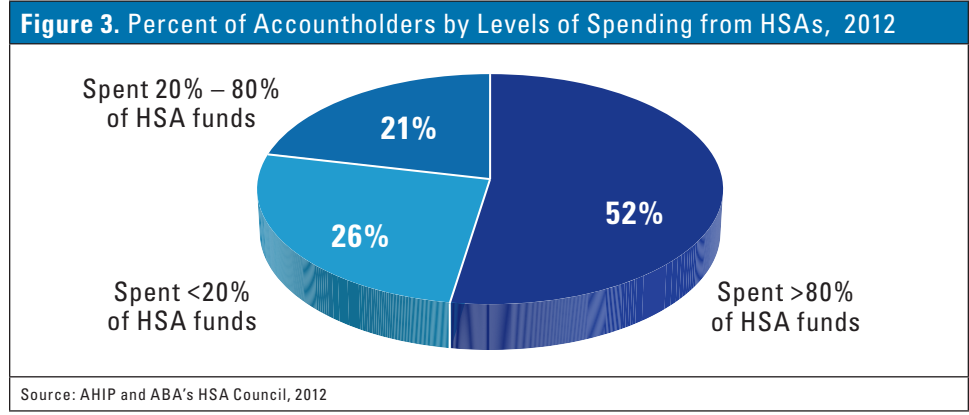
Account Balances. The average balance for all accounts that were in existence during 2012 was \$2,136, whether or not the account experienced any deposits, withdrawals, fees or interest during the year. Since 2004, balances in HSAs have grown steadily each year, indicating some consumers are putting aside money to insure against future medical bills. (See Figure 1.)



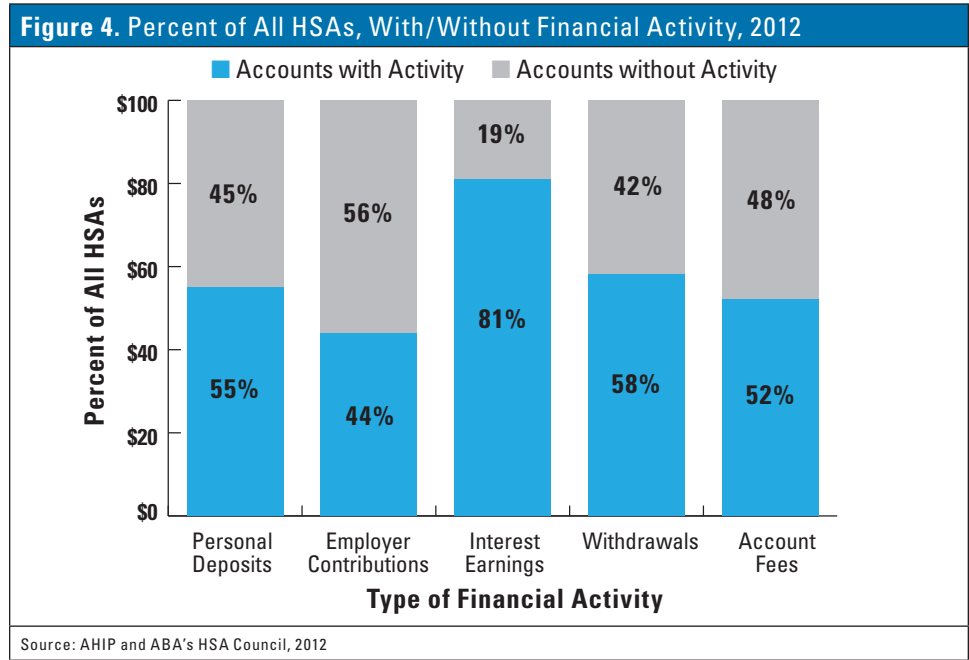
A distribution of year-end balances for all HSAs open during 2012 showed 19 percent of accounts had less than one dollar available at the end of 2012. The largest group of accounts fell into the \$1-\$499 range of available funds. (See Figure 2.)



In 2012, 52 percent of accountholders spent more than 80 percent of their accumulated funds on health care needs. Twenty-six percent of accountholders spent less than 20 percent of their balances on health care. The remainder of accountholders (21%) falls between these two categories; their level of spending is between 20-80 percent of accumulated balances. (See Figure 3.)



Account Activity. Figure 4 shows the percent of all accounts by type of financial activity during 2012. Fifty-five percent of all accounts open as of December 31, 2012 received personal deposits and 44 percent received employer contributions. Withdrawals were made from 58 percent of all accounts. Most accounts (81%) earned interest on balances and more than half (52%) of all accounts had fees.



During 2012 the average personal deposit was \$2,337, and the average employer contribution was \$1,142 for accounts that experienced at least one deposit in the respective category. The average amount withdrawn was \$2,081 for accounts with at least one withdrawal during 2012.

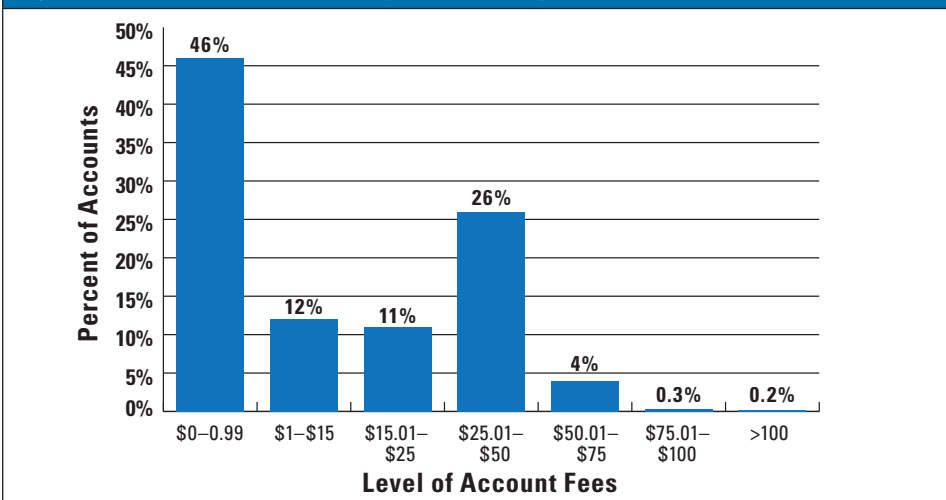
HSAs open during 2012 that earned any interest on balances gained an average of \$9 in interest during the year. Accounts subject to fees were charged on average \$29 in 2012. (See Table 2.)

Table 2. Average Annual Amount of Financial Activity, 2012

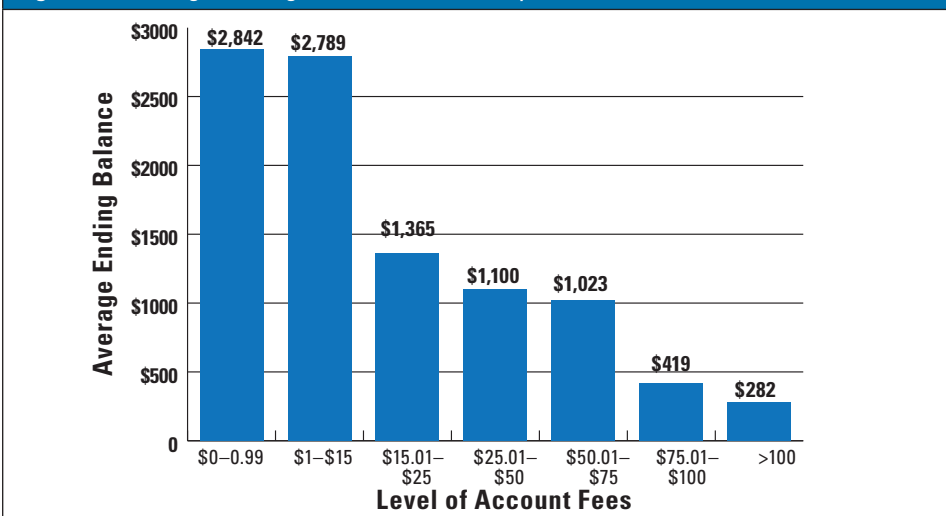
Financial Activity	Average Annual Amount
Personal Deposits	\$2,337
Employer Contributions	\$1,142
Interest Earnings	\$9
Withdrawals	\$2,081
Account Fees	\$29

Source: AHIP and ABA's HSA Council, 2012

Forty-six percent of all health savings accounts incurred fees of less than one dollar in 2012. (See Figure 5.) As a general banking principle, accounts with higher balances are subject to smaller administrative fees. For example, the survey shows health savings accounts with an average balance of \$2,800 were charged less than \$1 in fees, while accounts with an average balance of \$282 were charged the highest fees. (See Figure 6.)

Figure 5. Percent of Health Savings Accounts by Level of Annual Account Fees, 2012

Source: AHIP and ABA's HSA Council, 2012

Figure 6. Average Ending Balance of HSAs by Level of Annual Account Fees, 2012

Source: AHIP and ABA's HSA Council, 2012

ACKNOWLEDGEMENTS

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