

December 2010

An Analysis of Health Savings Account Balances, Contributions, and Withdrawals in 2009

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SUMMARY AND HIGHLIGHTS

This report updates AHIP's 2009 analysis of the financial activity in health savings accounts (HSAs).¹ Three large bank trustees of HSAs provided de-identified data for the study, representing a combined total of more than 1.2 million HSA accounts open as of December 31, 2009.² The data for each account include detailed information on account balances, contributions, and withdrawals for calendar year 2009.

Unlike AHIP's annual census of HSA/HDHPs, which provides a nationwide count of enrollment in high-deductible health plans associated with HSAs, this report does not include data from all HSA accounts in the U.S. However, the three responding banks represent a substantial share of HSAs in place, and the characteristics of their HSA accounts are likely commonplace in the industry.

Here are some highlights:

- Among HSA accountholders at the three banks, the average age as of December 2009 was 43.0 years. Approximately 16 percent of accountholders were age 20-29; 25 percent were age 30-39; 27 percent were in age 40-49; 23 percent were age 50-59; and 8 percent were age 60 and older.
- In 2009, 67 percent of HSA accounts in the study had personal deposits; 42 percent had employer contributions; 61 percent had withdrawals; 72

- percent reported interest earnings; and 46 percent were charged fees. Importantly, many of the accounts in the study were based on individually-purchased (non-employer) HDHP/HSA coverage, and thus may not have been eligible for employer contributions.³
- The average balance for all HSA accounts open as of December 2009 was \$1,307.4 Average balances in prior years were: \$572 for accounts opened in 2009; \$1,146 for accounts opened in 2008; \$1,638 for accounts opened in 2007; \$2,516 for accounts opened in 2006; \$2,908 for accounts opened in 2005; and \$2,316 for accounts opened in 2004 or earlier (including rollovers from Archer Medical Savings Accounts).
- In December 2009, approximately 14 percent of open HSAs had zero balances; 54 percent had balances less than \$1,000; 13 percent had balances of \$1,000 to \$2,000; 13 percent had balances between \$2,000 and \$5,000; and 7 percent had balances of \$5,000 or more.
- Among accounts with personal deposits in 2009, the average deposit size was \$2,050. Among accounts with employer contributions in 2009, the average contribution was \$1,058. The average amount withdrawn from accounts with withdrawals was \$1,850 in 2009. Interest earnings and fees averaged \$17 and \$33, respectively, in 2009, among accounts reporting interest earnings and fees.

AHIP Center for Policy and Research. A Preliminary Analysis of Health Savings Account Balances, Contributions and Withdrawals, 2007 & January– June 2008 (February 2009). Available at: http://www.ahipresearch.org/pdfs/ PreliminaryAnalysisHSAsv2.pdf.

² The universe for this study is accounts that were open on December 31, 2009. Accounts that were opened at some point, but were subsequently closed prior to December 31, 2009, are not included in the study. Thus, these figures represent accounts opened and maintained through December 31, 2009. For shorthand, we refer to "open" or "opened" account by this definition throughout the report.

³ The Kaiser Family Foundation/HRET Employer Health Benefits Survey for 2009 reports that among employers with HSA/HDHP plans, 71 percent of employees had an employer contribution. Kaiser Family Foundation/HRET. *Employer Health Benefits, 2009 Annual Survey* (September 2009). Available at: http://ehbs.kff.org/pdf/2009/7936.pdf.

In calculating this average, we included accounts with "zero" balances—that is, accounts for which withdrawals had drawn the account balance down to zero at a particular point in time.

INTRODUCTION

Health savings accounts (HSAs) 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 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. Most HDHPs cover preventive care services (e.g., routine medical exams, immunizations, well-baby visits) without requiring enrollees to first meet the deductible. Funds in the HSA are owned by the individual and may be rolled over from year to year.

Since 2005, AHIP has conducted an annual census of the number of people enrolled in HDHPs that are designed to be accompanied by HSAs. Census results are obtained by asking all health insurance plans in the U.S. to report the number of people (including dependents covered under family plans) with HSA/HDHP coverage. Based on this census, the number of individuals covered by HSA/HDHPs has grown from 1 million in early 2005 to over 10 million in January 2010.6

In 2009, AHIP developed a data specification to allow detailed analysis of financial activity in HSAs in 2007 and the first six months of 2008. Five bank trustees of HSAs provided data for the 2009 study, representing over 1.1 million HSA accounts opened as of June 30, 2008.

This report provides an update of the basic characteristics of HSA accounts. The first section discusses the methodology of the data request. The second section shows the number of HSA accounts represented in the study, including the length of time open, single and family account data, and the average age of accountholders. The third section shows average balances, contributions, and withdrawals.

I. METHODOLOGY, LIMITATIONS, AND ISSUES OF INTERPRETING THE HSA ACCOUNT DATA

For this study, the three bank trustees reported de-identified data on the financial characteristics of the HSAs, which were aggregated together into one dataset. The data reported include account balances at four points in time: January 1, 2007; December 31, 2007; December 31, 2008; and December 31, 2009. Total personal deposits, employer contributions, withdrawals, interest earnings, and account fees were recorded for all of calendar year 2009.

Single vs. Family Coverage. The Internal Revenue Code allows larger annual contributions to HSAs associated with family coverage HDHPs, and family coverage deductibles in HSA/HDHPs are correspondingly higher. In 2009, the annual contribution limits were \$3,000 for single HDHP coverage and \$5,950 for family coverage. Individuals age 55 or older may make additional annual "catch-up" HSA contributions of \$1,000. However, the HSA information collected for this study does not identify whether the account was established to accompany single or family HDHP coverage. Thus the average balances, deposits, and withdrawals reported reflect accounts established for both single-person and family coverage combined.

Number of Months Open. Each bank reported the number of months for which every account had been open, as of December 31, 2009. However, some banks may have reported an account opened in December of 2009 as having been open "zero" months; others may have counted that account as open "one" month. Still other banks may not have posted accounts opened in November or December of 2009 to their monthly databases, preventing them from including data from those accounts in their submission for this study. For the purposes of these calculations, we classified accounts reported as being open 0-12 months as opened in 2009, accounts open 13-24 months as 2008 accounts, and so on.

For 2010, a self-only HDHP must have a deductible of at least \$1,200 and a maximum out-of-pocket limit of \$5,950. Family HDHPs must have deductibles of at least \$2,400 and maximum out-of-pocket limits of not more than \$11,900.
 AHIP Center for Policy and Research. January 2010 Census Shows 10 Million People Covered by HSA/High-Deductible Health Plans (May 2010). Available at: http://www.ahipresearch.org/pdfs/HSA2010.pdf.

Employer Contributions. These 1.2 million accounts include many that are related to employment-based HDHP coverage, and many that are related to individuallypurchased (non-group) coverage. However, except for accounts with reported employer contributions, we cannot distinguish between accounts associated with group and non-group HDHP coverage.

According to the KFF/HRET annual survey of employer benefits, 71 percent of employees with group HDHP coverage had received employer contributions. Because our data do not make it possible to distinguish between employer-based and individually- purchased accounts, we cannot estimate a comparable figure. Importantly, it is inaccurate to infer that the percentage of all accounts in this study reporting employer contributions – about 42 percent of all accounts, both employer-based and individually-purchased – represents the percentage of employers that subsidize their employees' accounts.

Medical Savings Account (MSA) Rollovers. Approximately one percent of accounts in this study were reported to have been open longer than 60 months. These accounts were almost certainly rollovers from the predecessor Archer MSAs, which were authorized prior to 2004. These MSA rollover accounts tend to have larger balances, because they have been in effect for longer time periods than the more recently established HSAs.

Investments Not Controlled by the Bank Trustees. Once HSAs accumulate balances of at least \$1,000, some banks allow accountholders to invest a portion of their HSA funds in securities outside of the banks' control. This may affect the balances of some accounts. We do not have information on net gains or losses due to outside investments not controlled by bank trustees.

II. NUMBER OF ACCOUNTS AND AVERAGE AGE OF ACCOUNTHOLDERS

As of December 31, 2009, the three banks reporting data for this study had 1,228,457 HSA accounts in place (see Table 1). During 2009, 420,768 accounts were opened, representing most of the accounts in the study (about 34 percent), with 30 percent (365,581) opened in 2008, and 18 percent (217,398) in 2007.

The average age of HSA accountholders in the study was 43.0 years, based on a subset of approximately 1.2 million accounts for which the age of the accountholder was reported. Four percent of accountholders were in the 20-24 age bracket; 12 percent were in the 25-29 age range; 12 percent were aged 30-34; 13 percent were aged 35-39; 13 percent were in the 40-44 age range; 14 percent were aged 45-49; 13 percent were aged 50-54; 10 percent were aged 55-59; 7 percent were aged 60-64; and 2 percent were age 65 and older (see Table 2).

Table 1. HSA Accounts in Study, by Year Opened

Year Account Opened	Number of Accounts	Percent of Accounts
2009	420,768	34%
2008	365,581	30%
2007	217,398	18%
2006	153,367	12%
2005	60,610	5%
2004 or Earlier (Includes MSA Rollovers)	10,733	1%
All HSA Accounts in Study (Three Banks)	1,228,457	100%

Source: AHIP Center for Policy and Research. Note: "MSA" refers to Archer Medical Savings Accounts, which were authorized

⁷ Kaiser Family Foundation/HRET. *Employer Benefits, 2009 Annual Survey* (September 2009). Available at: http://ehbs.kff.org/pdf/2009/7936.pdf.

Table 2. Distribution of Ages of HSA Accountholders, as of December 31, 2009

	Number of Accounts	Percent of Total (Age Known)
Age 19 and Younger	1,318	*
Age 20-24	52,660	4%
Age 25-29	136,358	12%
Age 30-34	141,379	12%
Age 35-39	150,937	13%
Age 40-44	156,583	13%
Age 45-49	166,276	14%
Age 50-54	154,154	13%
Age 55-59	120,604	10%
Age 60-64	78,707	7%
Age 65 and Older	19,586	2%
Total (Age Known)	1,178,562	100%
Age of Account Holder Not Known or Missing	49,895	
All HSA Accounts in Study	1,228,457	

Source: AHIP Center for Policy and Research.

Note: In December 2009, the average age of accountholders was 43.0 years

(based on 1,178,562 accounts with known age values).

Less than 0.5 percent.

III. AVERAGE HSA BALANCES AND ACCOUNT ACTIVITY

Of the accounts in the study open on December 31, 2009, 67 percent had personal deposits in 2009, and 42 percent had employer contributions. Sixty-one (61) percent reported withdrawals from the account, 72 percent reported interest earnings, and 46 percent had account fees (see Table 3).

Table 4 summarizes these averages for calendar year 2009 for all accounts open at any time during the year. These averages include accounts that did not have any activity in a particular category during the period shown. For example, the average personal deposits in 2009 by this measure were \$1,449. However, this average includes accounts with no personal deposits during the year.

The average balance for all accounts open on December 31, 2009 was \$1,307. Table 5 shows the

average balances for accounts at different points in time for accounts opened in 2009, 2008, 2007, 2006, and 2005, as well as those opened in 2004 or earlier (including Archer MSA rollover accounts). In general, account balances increase as accounts are held for longer periods of time.

However, the distribution of account balances is fairly wide. As of December 31, 2009, 14 percent of accounts had "zero" balances, generally because withdrawals equaled contributions at that point in time. Another 39 percent had balances less than \$500; 15 percent had balances between \$500 and \$1,000; 13 percent had balances between \$1,000 and \$2,000; 13 percent had balances between \$2,000 and \$5,000; and 7 percent had balances of \$5,000 or higher (see Table 6).

Table 7 shows the average magnitude of account activity for accounts with activity in particular categories. For example, among accounts with personal deposits in 2009, the average deposit level was \$2,050. Importantly, this is a different measure than that shown in Table 4, which shows the averages for all open accounts, including those with no activity in a category.

Among accounts with employer contributions, the average contribution in 2009 was \$1,058, and among accounts with withdrawals, the average amount withdrawn was \$1,850. Of plans with interest earnings, the average amount in 2009 was \$17, and the average interest amount of account fees among those with fees was \$33.

Table 3. Account Activity in 2009

	Number of Accounts Open as of December 31, 2009	Percent of Accounts
Accounts with Personal Deposits	823,288	67%
Accounts with Employer Contributions	515,073	42%
Accounts with Withdrawals	752,559	61%
Accounts with Interest Earnings	888,559	72%
Accounts with Fees	564,966	46%

Source: AHIP Center for Policy and Research.

Note: Most employer contributions are made to accounts associated with employment-based coverage. The KFF/HRET survey of employer health benefits in 2009 found that approximately 71 percent of enrollees in employment-based HSA/HDHP plans had an employer contribution to their HSA accounts.

Table 4. Summary of Average HSA Account Activity, All Accounts Open at Some Point in Calendar Year, 2009

	Average Balance or Activity
Calendar Year 2009 Account Activity	
Personal Deposits	\$1,449
Employer Contributions	\$496
Interest Earnings	\$12
Contributions Subtotal	\$1,957
Withdrawals	\$1,183
Account Fees	\$15

Source: AHIP Center for Policy and Research.

Note: Averages based on all accounts open at some point in the year shown.

Table 5. Average HSA Account Balances in 2007, 2008, and 2009, by Year Opened

Year Account Opened	Average Balance Jan. 1, 2007	Average Balance Dec. 31, 2007	Average Balance Dec. 31, 2008	Average Balance Dec. 31, 2009
Opened 2009	N/A	N/A	N/A	\$572
Opened 2008	N/A	N/A	\$747	\$1,146
Opened 2007	N/A	\$779	\$1,413	\$1,638
Opened 2006	\$1,298	\$1,955	\$2,337	\$2,516
Opened 2005	\$1,128	\$1,550	\$1,899	\$2,098
Opened 2004 or Earlier (Includes MSA Rollovers)	\$1,380	\$1,780	\$2,109	\$2,316

Source: AHIP Center for Policy and Research. Note: "MSA" refers to Archer Medical Savings Accounts.

Table 6. Distribution of Average HSA Account Balances, as of December 31, 2009

of December 31, 2009
14%
39%
15%
13%
13%
7%
100%

Source: AHIP Center for Policy and Research. Note: May not sum to 100 percent due to rounding.

Table 7. Average Size of Contribution and Withdrawal Amounts, Accounts with Contributions or Withdrawals, by Type of Contribution or Withdrawal, 2009

Average Annual Amount	Average Amount in Calendar Year 2009
Personal Deposits	\$2,050
Employer Contributions	\$1,058
Withdrawals	\$1,850
Interest Earnings	\$17
Fees	\$33

Source: AHIP Center for Policy and Research.

Note: These averages are based on the accounts that had personal deposits, employer contributions, withdrawals, interest earnings, and/or fees. For example, the average personal deposit amount is based on 823,288 accounts with personal deposits in 2009; the average employer contribution amount is based on 515,073 accounts with employer contributions, and so on. Thus, for these average size calculations, no "zero" amounts are included.

ACKNOWLEDGEMENTS

This report was compiled by Hannah Yoo, Christelle Chen, Karen Heath, and Kelly Buck of AHIP's Center for Policy and Research.

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