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A Preliminary Analysis of  
Health Savings Account  
Balances, Contributions  
and Withdrawals  
2007 & January–  
June 2008

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## SUMMARY AND HIGHLIGHTS

In July 2008, AHIP launched a comprehensive study of financial activity in health savings accounts (HSAs). Five large bank trustees of HSAs provided de-identified data, which were blinded and aggregated into a combined database of more than 1.1 million HSA accounts open as of June 30, 2008. The data for each account include detailed information on account balances, contributions, and withdrawals for calendar year 2007, and for the first six months of 2008. The five responding banks likely represent a large share of the HSAs in place, and include data from all 50 states and the District of Columbia.

Here are some highlights:

- ▶ Among the five banks, the number of HSA accounts in place has increased over time, with approximately 200,000 new accounts opened in 2005, 300,000 opened in 2006, 400,000 in 2007, and 175,000 opened in the first six months of 2008.<sup>1</sup>
- ▶ Based on 770,000 accounts for which the age of the accountholder was known, the average age of HSA accountholders as of June 2008 was 44.5 years. Approximately 13 percent of accountholders were age 20-29; 23 percent were age 30-39; 27 percent were age 40-49; 26 percent were age 50-59; and 11 percent were age 60 and older.
- ▶ In the first six months of 2008, 70 percent of HSA accounts in the study had a personal deposit, 40 percent had an employer contribution, 71 percent had withdrawals, 86 percent reported interest earnings, and 60 percent were charged a fee. Importantly, many of the accounts in the study were based on individually purchased (non-employer) HSA/HDHP coverage, and thus may not be eligible for employer contributions.<sup>2</sup>
- ▶ The average balance for all HSA accounts open as of June 2008 was \$1,449.<sup>3</sup> Average balances ranged from \$747 for accounts opened in the first six months of 2008 to \$1,080 for accounts opened in 2007, \$1,736 for accounts opened in 2006, \$1,766 for accounts opened in 2005, and \$3,125 for accounts opened in 2004 or earlier (including rollovers from Archer Medical Savings Accounts).
- ▶ In June 2008, approximately 12 percent of open HSAs had a “zero” balance; 52 percent had a balance between \$1 and \$1,000; 15 percent had a balance of \$1,000 to \$2,000; 14 percent had a balance between \$2,000 and \$5,000; and 6 percent had a balance of \$5,000 or more.
- ▶ Among accounts with personal deposits in 2007, the average amount deposited averaged \$1,517. Among accounts with employer contributions in 2007, the average contribution was \$1,680. The average amount withdrawn from accounts that had withdrawals was \$1,486 in 2007. Interest earnings and fees averaged \$48 and \$46, respectively, in 2007, among accounts reporting interest earnings and fees.

<sup>1</sup> The universe for this study is accounts that were open on June 30, 2008. Accounts that were opened at some point, but were subsequently closed prior to June 30, 2008, are not included in the study or in these figures of accounts opened. Thus, these figures represent accounts opened and maintained through June 30, 2008. For shorthand, we refer to “open” or “opened” accounts by this definition throughout the report.

<sup>2</sup> The Kaiser Family Foundation/HRET Employer Health Benefits Survey for 2008 reports that among employers with HSA/HDHP plans, 74 percent of employees had

an employer contribution. Kaiser Family Foundation/HRET, Employer Benefits, 2008 Annual Survey (September 2008) <http://ehbs.kff.org/pdf/7790.pdf>.

<sup>3</sup> Average account balances in this instance include accounts with “zero” balances—that is, accounts for which withdrawals have 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.<sup>4</sup> Most HDHPs cover preventive care services (e.g., routine medical exams, immunizations, well-baby visits) on a first-dollar basis, without requiring the enrollee to first meet the deductible. The 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. These 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 6 million in January 2008.<sup>5</sup>

Starting in 2008, AHIP's annual census also began collecting information on the HSA accounts at financial institutions. This information, however, is not comprehensive because the health insurance plans responding to the census often do not have detailed data on accounts maintained by the financial institution trustee.

In the summer of 2008, AHIP developed a data specification to allow detailed analysis of financial activity in HSAs. Five bank trustees of HSAs provided data for the study, representing a total of over 1.1 million HSA accounts with activity in 2007 and 2008. We believe that the 1.1 million accounts comprise a large and likely representative sample of the HSA market. The data represents accounts that were open as of June 30, 2008, with information on contributions and withdrawals for calendar year 2007 and for the period January through June of 2008.

This report provides a preliminary overview of the basic characteristics of these 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. The final section contains a listing of the states in which accountholders represented in this study lived.

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

For this study, the five bank trustees reported de-identified data on the financial characteristics of the HSAs, which were aggregated into one dataset. The data include account balances at three points in time: January 1, 2007, December 31, 2007, and July 30, 2008. Total personal deposits, employer contributions, withdrawals, interest earnings and account fees were recorded for all of calendar year 2007, and for the first six months of 2008.

### 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. For 2009, the annual contribution limits are \$3,000 for single HDHP coverage and \$5,950 for family coverage. Individuals who are 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 here reflect accounts established for both single-person and family coverage combined.

### Number of Months Open.

Each bank reported the number of months every account had been opened, as of June 30, 2008. However, some banks may have reported an account opened in June of 2008 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 May or June of 2008 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 decided to assume that accounts reported as being open 0-6 months would be

<sup>4</sup> For 2009 a self-only HDHP must have a deductible of at least \$1,150 and a maximum out-of-pocket limit of not more than \$5,800. Family HDHPs must have a deductible of at least \$2,300 and a maximum out-of-pocket limit of not more than \$11,600.

<sup>5</sup> AHIP, "January 2008 Census Shows 6.1 Million People Covered by HSA/High-Deductible Health Plans," (April 2008) [http://www.ahipresearch.org/pdfs/2008\\_HSA\\_Census.pdf](http://www.ahipresearch.org/pdfs/2008_HSA_Census.pdf).

classified as open in the first six months of 2008, accounts open 7-18 months would be 2007 accounts, and so on.

### Interpreting Part-Year 2008 Results.

It is very important to remember that results calculated from the first six months of 2008 should not necessarily be “doubled” to get an estimate for the full year 2008. This is because contributions, spending, interest and fees may not occur evenly across the year. For example, account fees may be charged on the first of the year; contributions may be made in lump sums, not on a month-to-month basis; and medical needs leading to account withdrawals may be more prevalent in certain times of the year.

Because of seasonal variations in the establishment of accounts, and because we do not know if these particular banks have the same growth trends as the market as a whole, conclusions from this report should be limited to the characteristics of HSA accounts themselves. In general, the data in this report are not well suited for inferences about growth trends or patterns in the market as a whole.

### Employer Contributions.

These 1.1 million accounts include many that are related to employment-based HDHP coverage, and many that are related to individually purchased (non-group) coverage. However, except for the accounts with reported employer contributions, we cannot distinguish between the accounts associated with group and non-group HDHP coverage.

According to the KFF/HRET annual survey of employer benefits, 74 percent of employees with group HDHP coverage had an employer contribution.<sup>6</sup> Since we cannot 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 an employer contribution -- about 40 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 1.6 percent of accounts in this study were reported to be open longer than 54 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, since they have been in effect for a longer period of time than the more recently established HSAs.

### Extra Contributions Made By People Over Age 55.

HSA accountholders over age 55 were allowed “catch-up” contributions of an extra \$800 and \$900 for 2007 and 2008 respectively; thus some older HSA accountholders in the study had higher reported contributions than would otherwise have been possible.

### Investments Not Controlled By the Bank Trustees.

Once HSAs accumulate balances of at least \$1,000, some banks may permit accountholders to invest excess amounts in non-bank controlled investment options. This may affect the account balances of some accounts. In general, 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 June 30, 2008, the five banks reporting data for this study had 1,153,124 HSA accounts in place (see Table 1). Most of these accounts were opened in 2005 (17 percent of the study sample), 2006 (26 percent), and 2007 (35 percent). During the first six months of 2008, 174,935 accounts were opened, representing about 15 percent of the accounts in the study.

Year Account Opened	Number of Accounts	Percent of Accounts
January – June 2008	174,935	15%
2007	407,447	35%
2006	300,322	26%
2005	195,914	17%
2004 and earlier (includes MSA rollovers)	74,506	7%
All HSA Accounts in Study (Five Banks)	1,153,124	100%

Source: America's Health Insurance Plans.  
 Note: MSA refers to Archer Medical Savings Accounts, which were authorized prior to 2004.

<sup>6</sup> Kaiser Family Foundation/HRET, Employer Benefits, 2008 Annual Survey (September 2008) <http://ehbs.kff.org/pdf/7790.pdf>.

The average age of HSA accountholders in the study was 44.5 years, based on a subset of 768,919 accounts for which the age of the accountholder was reported. The distribution of accountholders by age ranged from 3.3 percent in the 20-24 age bracket, to 9.9 percent in the 25-29 age range, 10.5 percent aged 30-34, 12.2 percent aged 35-39, 12.9 percent in the 40-44 age range, 13.8 percent aged 45-49, 12.8 percent aged 50-54, 13.1 percent aged 55-59, 8.9 percent aged 60-64, and 2.6 percent age 65 and older (see Table 2).

**Table 2. Distribution of Ages of HSA Accountholders, As of June 30, 2008**

	Number of Accounts	Percent of Total (Age Known)
Age 19 and Younger	713	0.1%
Age 20-24	25,747	3.3%
Age 25-29	75,923	9.9%
Age 30-34	81,018	10.5%
Age 35-39	93,840	12.2%
Age 40-44	98,882	12.9%
Age 45-49	106,162	13.8%
Age 50-54	98,188	12.8%
Age 55-59	100,363	13.1%
Age 60-64	68,435	8.9%
Age 65 and Older	19,648	2.6%
Total (Age Known)	768,919	100%
Age of Account Holder Not Known or Missing	384,205	
All HSA Accounts in Study	1,153,124	

Source: America's Health Insurance Plans.  
 Note: In June 2008, the average age of accountholders was 44.5 years (based on 768,919 accounts with known age values).

### III. AVERAGE HSA BALANCES AND ACCOUNT ACTIVITY

Of the accounts in the study open on June 30, 2008, 70 percent had personal deposits in the first six months of 2008, and 40 percent had employer contributions. Seventy-one (71) percent reported withdrawals from the account, 86 percent reported interest earnings, and 60 percent had account fees (see Table 3).

One approach to illustrating the usage of HSA accounts is to show how account balances, inflows (personal deposits, employer contributions and interest earnings) and outflows (withdrawals and fees) play out over time. Table 4 summarizes these flows for calendar year 2007 and the first six months of 2008 for all accounts open at any time during each 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 2007 by this measure were \$1,053. Thus, this average includes accounts with no personal deposits during the year.

**Table 3. Account Activity in January-June 2008**

	All Accounts Open as of June 2008	
Accounts with Personal Deposits	811,231	70%
Accounts with Employer Contributions <sup>1</sup>	455,549	40%
Accounts with Withdrawals	819,562	71%
Accounts with Interest Earnings	992,100	86%
Accounts with Fees	687,582	60%
All Accounts	1,153,124	100%

Source: America's Health Insurance Plans.  
<sup>1</sup> Most employer contributions are made to accounts associated with employment-based coverage. The KFF/HRET survey of employer health benefits in 2008 found that approximately 74 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 the Year Shown, Calendar Year 2007 and January – June 2008**

	Average Balance or Activity
January 1, 2007 Average Balance	\$663
Calendar Year 2007 Account Activity	
Personal Deposits	\$1,053
Employer Contributions	\$531
Withdrawals	\$1,032
Interest Earnings	\$39
Account Fees (45% with \$0 account fees in avg)	\$28
December 31, 2007 Average Balance	\$1,195
January 1, 2008 to June 30, 2008 Activity	
Personal Deposits	\$750
Employer Contributions	\$360
Withdrawals	\$683
Interest Earnings	\$15
Account Fees (40% with \$0 account fees in avg)	\$19
June 30, 2008 Average Balance	\$1,449

Source: America's Health Insurance Plans.  
 Notes: Averages based on all accounts open at some point in the year shown. Spending and contributions in 2008 represent only half of the year. Contributions, withdrawals, interest, and fees may not accrue evenly across the year – thus it may not be appropriate to “double” the January-June averages to approximate full-year 2008 averages. (For example, account fees may be charged on the first of the year; contributions may be made in lump sums, not on a month-to-month basis; and medical needs leading to account spending may occur more often in certain times of the year.) Average balances will not exactly equal the sum of prior average balances and contributions (net of spending and fees) because some accounts contain investments whose value can fluctuate, and for other reasons.

The average balance for all accounts open on June 30, 2008 was \$1,449. Table 5 shows the average balances for accounts at different points in time for accounts opened in the first six months of 2008, the years 2007, 2006, and 2005, and those opened in 2004 and earlier (including Archer MSA rollover accounts). In general, account balances have increased as accounts are held for longer periods of time.

**Table 5. Average HSA Account Balances in 2007 and 2008, By Year Opened**

Year Account Opened	Average Balance January 1, 2007	Average Balance December 31, 2007	Average Balance June 30, 2008
Opened January–June 2008	NA	NA	\$747
Opened 2007	NA	\$644	\$1,080
Opened 2006	\$821	\$1,495	\$1,736
Opened 2005	\$1,155	\$1,578	\$1,766
Opened 2004 and Earlier (includes MSA rollovers)	\$2,255	\$2,777	\$3,125

Source: America's Health Insurance Plans.  
 Note: MSA refers to Archer Medical Savings Accounts.

However, the distribution of account balances is fairly wide. As of June 30, 2008, 12 percent of accounts had a “zero” balance, generally because withdrawals had equaled contributions at that point in time. Another 36 percent had a balance less than \$500; 16 percent had a balance between \$500 and \$1,000; 15 percent had a balance between \$1,000 and \$2,000; 14 percent had a balance between \$2,000 and \$5,000; and 6 percent had balances of \$5,000 or higher (see Table 6).

**Table 6. Distribution of Average HSA Account Balances in June 2008**

Account Balance	All Accounts Open as of June 30, 2008
\$0	12%
\$1-499	36%
\$500-999	16%
\$1,000-1,999	15%
\$2,000-4,999	14%
\$5,000 and Higher	6%
All Ranges	100%

Source: America's Health Insurance Plans.

Table 7 shows the average magnitude of account activity for accounts with activity in a particular category. For example, among accounts with personal deposits in 2007, the average deposit level was \$1,517. 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 size in 2007 was \$1,680, and among accounts with withdrawals, the average amount spent was \$1,486. Of plans with interest earnings, the average amount in 2007 was \$48, and the average size of account fees among those with fees was \$46.

**Table 7. Average Size of Contributions and Withdrawal Amounts, By Type of Contribution or Withdrawal, Calendar Year 2007**

Average Annual Amount	Average Amount in Calendar Year 2007	Number of Accounts
Personal Deposits	\$1,517	598,494
Employer Contributions	\$1,680	397,127
Withdrawals	\$1,486	600,016
Interest Earnings	\$48	707,830
Fees	\$46	523,732

Source: America's Health Insurance Plans.

Note: These averages are based on the accounts that had personal deposits, employer contributions, withdrawals, interest earnings, and/or fees. For example, the average size of personal deposit is based on 598,494 accounts with personal deposits in 2007; the average size of employer contributions is based on 397,127 accounts with employer contributions, and so on. Thus, for these average size calculations, no "zero" amounts are included.

#### IV. ACCOUNTS BY STATE

Using a geo-coding process, we estimated the number of accounts in each state (see Table 8). The technique maps the addresses of HSA accountholders to the their Census "tract" or neighborhood.<sup>7</sup> Of the 1,153,124 HSA accounts in place among these five banks on June 30, 2008, the geo-coding process was able to map neighborhood incomes to 1,024,767 accounts. Some addresses could not be coded because the address was listed as a P.O. Box, a rural or other route unknown to the mapping software, or for other reasons, such as the address being reported in an unusual format. Table 8 displays the states where the accountholders represented in this study resided.

**Table 8. Distribution of Accountholders in Study, By State**

	Number	Percent
Alabama	5,287	0.52%
Alaska	1,427	0.14%
Arizona	24,677	2.41%
Arkansas	11,011	1.07%
California	62,606	6.11%
Colorado	40,828	3.98%
Connecticut	21,202	2.07%
Delaware	2,582	0.25%
District of Columbia	1,589	0.16%
Florida	108,650	10.60%
Georgia	30,438	2.97%
Hawaii	111	0.01%
Idaho	3,230	0.32%
Illinois	49,115	4.79%
Indiana	45,421	4.43%
Iowa	10,755	1.05%
Kansas	12,726	1.24%
Kentucky	18,618	1.82%
Louisiana	16,193	1.58%
Maine	2,486	0.24%
Maryland	26,664	2.60%
Massachusetts	8,251	0.81%
Michigan	38,040	3.71%
Minnesota	36,535	3.57%
Mississippi	5,664	0.55%
Missouri	18,141	1.77%
Montana	4,053	0.40%
Nebraska	13,814	1.35%
Nevada	4,970	0.48%
New Hampshire	6,021	0.59%
New Jersey	12,909	1.26%
New Mexico	2,400	0.23%
New York	27,058	2.64%
North Carolina	35,889	3.50%
North Dakota	1,271	0.12%
Ohio	61,932	6.04%
Oklahoma	8,971	0.88%
Oregon	13,664	1.33%
Pennsylvania	23,440	2.29%
Rhode Island	3,198	0.31%
South Carolina	20,495	2.00%
South Dakota	1,845	0.18%
Tennessee	18,843	1.84%
Texas	83,310	8.13%
Utah	9,221	0.90%
Vermont	1,570	0.15%
Virginia	16,641	1.62%
Washington	16,662	1.63%
West Virginia	1,983	0.19%
Wisconsin	30,502	2.98%
Wyoming	1,858	0.18%
Total	1,024,767	100%

Source: America's Health Insurance Plans.

<sup>7</sup>For an example of the level of detail of Census tracts, a map of the tracts for New York City is available at <http://nyc.gov/html/dcp/pdf/census/mpsf3inc1.pdf> (accessed on February 9, 2009).

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