Americans are spending more on healthcare than anytime in American history. Despite Obamacare’s promise to lower healthcare costs, from 2010 to 2018, household health insurance expenditures almost doubled.\(^1\) Health Savings Accounts (HSAs) present a path for Americans to expand healthcare options while reducing costs and saving for retirement. HSAs give people power over their healthcare dollars and decisions, thereby incentivizing healthcare providers to compete on cost and quality. Congress can enact policies that allow more Americans to take advantage of their numerous benefits.\(^2\)

**BACKGROUND**

- An HSA is a tax-advantaged savings account that can be used for medical expenses.
- HSAs are available to patients enrolled in high-deductible health insurance plans.\(^3\) The annual deductible must be at least $1,400 for individual coverage and at least $2,800 for family.\(^4\)
- HSAs offer numerous benefits to patients:
  - They are tax-advantaged accounts: they are funded with pre-tax income, growth earnings are tax-deferred, and withdrawals are not taxed if they are used for qualifying medical expenses.\(^5\) Qualified expenses include deductibles, copayments, and coinsurance, among other expenses.\(^6\)
  - Any contributions made to HSAs rollover each year, remaining in the account until they are used.\(^7\)
  - They are portable accounts that may be kept even when changing employers. HSAs may also be transferred to a spouse after the owner’s death.\(^8\)
- HSAs serve as both savings and investment account for vital healthcare expenses. Because these tax-advantaged funds rollover each year, they can be saved to cover gaps in medical costs during retirement.\(^9\)
- As of December 2020, there were 11.4 million HSA accounts with assets totaling $32.9 billion, an increase from $28.1 billion in December 2019.\(^10\) In 2019, individual account balances averaged $3,221.\(^11\) The Employee Benefit Research Institute’s analysis found that HSA holders who hold their account longer are likely to use it as an investment and be prepared against unexpected medical bills.\(^12\)
- Because patients are allowed to keep their unused HSA funds, they have a strong financial incentive to utilize medical services when they are truly needed and to make healthy lifestyle choices that reduce overall medical visits and improve outcomes, which will reduce healthcare costs.
- Some improvements have been made to HSAs: In 2019, former President Trump signed an executive order that expanded opportunity for patients with chronic health problems to utilize HSAs. The order allows insurers to provide pre-deductible coverage for chronic health treatments and maintain eligibility for HSAs.\(^13\)

**POLICY SOLUTIONS**

More steps can be taken to improve usability and availability of HSAs.
- HSAs have an annual contribution limit of $3,550 for individuals and $7,100 for families.\(^14\) Congress may consider increasing the contribution limit. Individual and families should be given the opportunity to save an amount that works best for their personal health needs.
• Congress may consider detaching HSAs from high-deductible health insurance plans so more Americans utilize their benefits.

• Congress may also consider expanding qualified uses for HSA funds including: premium payments for additional health insurance after retirement, gym and health club memberships, direct primary care, over-the-counter medication, payments for nursing homes and long-term care, and other health related expenses.

• Members of Congress may consider supporting bills that have been introduced with these reforms. For example, H.R. 2808, Health Freedom and Flexibility Act, would repeal certain limitations on contributions, among other provisions. Also, H.R. 8032, Health Savings Account for All Act of 2020, would eliminate the requirement for HSA owners to be enrolled in a high deductible health plan, as well as repeal contribution limit and allow HSA fund to be used for insurance premiums.

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