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New Research from EBRI:

Do Shifts in Health Accounts Portend Bigger Changes Ahead?

WASHINGTON—While account-based health plans continue to expand, a shift in account types may portend a change in how the accounts are funded, according to new research from the nonpartisan Employee Benefit Research Institute (EBRI).

The latest data, from the 2013 EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey (CEHCS), show that the overall number of these health accounts continue to grow—as do the assets in the accounts. However, EBRI found that health savings accounts (HSAs), which can be funded by employer and employee contributions, continue to expand, while employer-funded health reimbursement arrangements (HRAs) declined in 2013 for the first time in a decade.

According to the EBRI report, in 2013, there were 4.7 million HRA accounts, down from 5.1 million in 2012, while the number of individuals with HSAs increased from 6.6 million to 7.2 million between 2012 and 2013. Assets in HRAs fell slightly and were about \$5.8 billion in 2013, while assets in HSAs increased from \$11.3 billion to \$16.6 billion between 2012 and 2013.

As the EBRI report notes, account-based health plans are fairly new: They first came on the market in 2001, when a handful of employers began to offer HRAs: employer-funded health plans that reimburse workers for qualified medical expenses. Starting in 2004, employers were able to also start offering health plans with HSAs, tax-exempt trusts or custodial accounts that individuals can use to pay for health care expenses.

“Both HSAs and HRAs have been around long enough now that a growing percentage of the population has held them for a number of years. Together, they covered about 26 million people in 2013, representing about 15 percent of the privately insured market,” said Paul Fronstin, director of EBRI’s Health Research and Education program, and author of the report. “But two types of plans appear to be taking different directions.”

In 2013, the average account balance in an HSA was \$2,311, as compared with \$1,236 in HRAs. Average HSA balances increased from just above \$1,400 in 2008 to \$2,311 in 2013. In contrast, average HRA balances increased from \$1,130 in 2008 to \$1,236 in 2013.

“Currently, account balances are low and are therefore invested in relatively safe vehicles such as money market funds,” noted Fronstin. “However, as account balances grow, the potential to invest in more diverse investment vehicles, such as mutual funds and stocks, will grow.”

Among other highlights of the EBRI report:

- **Total Asset levels growing:** In 2013, there was a combined total of \$23.8 billion in health savings accounts (HSAs) and health reimbursement arrangements (HRAs), spread across 11.8 million accounts. The total number of accounts was up slightly from 2012, when there were 11.7 million accounts. Total assets were up from about \$18 billion in 2012.
- **After leveling off, average account balances increased:** The combined average HRA and HSA account balance increased to \$2,010 in 2013. It was \$2,311 among HSA participants and \$1,236 among HRA participants.
- **Rollovers increasing:** As the accounts age, the number of individuals with a rollover increased until 2013, and the total level of assets being rolled over has increased in all years except for 2010 and 2013. By 2013, 7.9 million individuals rolled over \$9.2 billion.

The full report, “Health Savings Accounts and Health Reimbursement Arrangements: Assets, Account Balances, and Rollovers, 2006–2013,” is published in the January *EBRI Issue Brief*, online at www.ebri.org

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