



Health Savings Accounts are Providing Comprehensive Benefits to a Diverse Group of Consumers

A recent report from the Government Accountability Office (GAO) concludes that, on average, HSA accountholders had higher incomes than other tax filers. In fact, HSAs appear to have broad appeal with consumers and employers and are providing individuals with a wide range of ages and incomes with the ability to save tax-free dollars to pay for medical expenses.

- **The GAO report is based on an analysis of a narrow population of taxpayers.**
 - The GAO report uses IRS data from 2005 on tax filers ages 19 – 64 who reported HSA activity (contributions to or distributions from an HSA) compared to tax filers who did not report HSA activity and concludes that the average adjusted gross income (AGI) was higher for tax filers with HSA activity. However, this is not a true “apples to apples” comparison – the “other filers” group includes individuals who may have received coverage through public programs (such as Medicaid) and have lower overall incomes. A more appropriate comparison would look at the AGI of tax filers that purchased private health insurance coverage. Additionally, a more thorough analysis would examine the distribution of HSA filers by income categories, since a few tax filers with significantly higher incomes could potentially result in a higher “average.”

 - **Data on “early-adopters” does not accurately reflect current enrollment trends.**
 - The most recent AHIP Census of the HSA market released in April 2008 indicates that 6.1 million individuals are covered by a HSA qualified plan. The GAO study is based on IRS data on 2005 tax filers who may represent a different demographic in terms of age and income. For example, many of the individuals who were early adopters of HSAs were individuals who switched from Archer Medical Savings Accounts which were only available on a limited basis. The current HSA population is greater and represents a wider range of individuals.

 - **The GAO report may have “undercounted” the number of HSAs.**
 - The IRS sample used in the GAO report does not include individuals who did not make contributions to or distributions from their accounts in 2005. This group may include middle and modest income individuals and families. The GAO report also fails to account for individuals who purchased a high-deductible health plan mid-year but waited until the following tax year to open and fund an account.
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□ **As noted in the GAO report, a significant number of HSA participants have incomes under \$60,000.**

- The IRS data used in the GAO report indicates that 41% of tax filers for 2005 had adjusted gross income under \$60,000 (this number includes joint filers with combined incomes). This data is confirmed by a report from eHealthInsurance (which provides on-line broker services for individual and small employers) that 45% of HSA plan purchasers in 2005 had annual incomes of \$50,000 or less. These data show that a significant number of individuals who purchased HSA products in 2005 had lower incomes.

□ **More recent data show that many small employers are adopting HSAs for their employees.**

- As noted in AHIP's recent market survey, over 6.1 million individuals are now covered by an HSA qualified plan. Of these individuals, 1.8 million are in the small group market – generally, employers with 50 or fewer employees. Small employers, who typically have lower wage rates, make up the fastest growing segment of HSA enrollees.

□ **Current data show that HSAs are not being used as tax shelters.**

- Some have interpreted the GAO report to prove that since HSA tax filers have higher incomes, the accounts are only being used as “tax shelters” and not to pay for health care expenses. The most recent AHIP Census shows that the average account balance for 2007 was \$1,382 and the average amount spent from HSAs in 2007 was \$1,083. These data indicate that individuals are funding the accounts for current health care costs and not using them to “shelter” large amounts of income from federal and state income taxes (in fact, some states do not allow HSAs to qualify for state income tax deductions).

□ **HSAs provide a valuable option for individuals and employers.**

- HSAs allow individuals to decide how to spend their health care dollars and to save money for health care. Our surveys of the market indicate that these accounts have a number of important features:
 - Most HSA products cover preventive benefits “first-dollar.” As a result, enrollees have access to routine doctor office visits and tests, well-baby care, immunizations, and other preventive services without having to pay out-of-pocket.
 - HSAs provide an account that can be funded by individuals and by their employers to pay for medical care on a tax-favored basis. According to the Kaiser Family Foundation/HRET 2007 employer benefits study, employers that funded HSAs put in an average of \$428 for individuals and \$728 for families -- these amounts are in addition to the employer funding of premiums.
 - The average lifetime benefit caps for most individual and small group policies are almost \$4 million – and between one-fourth and one-third of policies do not include any limits on lifetime benefits.

