



Highlights of [GAO-08-802T](#), a testimony before the Subcommittee on Health, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

With health care spending increasing, Congress enacted legislation effective in 2004 establishing Health Savings Accounts (HSA) to be coupled with eligible high-deductible health plans. The novel structure of eligible health plans coupled with HSAs has raised questions about who selects them and how they are used. Proponents contend that the lower premiums of the health plans and the tax-free savings potential of HSAs appeal to consumers, while the health plans' high deductibles encourage enrollees to be more astute health care consumers. However, critics are concerned that HSA-eligible plans may attract enrollees who seek lower premiums but lack the resources to contribute to an HSA, and wealthy enrollees who may use the HSA primarily to accumulate tax-advantaged savings.

This statement focuses on (1) participation in HSA-eligible high-deductible health plans and HSAs, (2) the income characteristics of HSA account holders, and (3) the funding and use of HSAs. This statement is based primarily on findings from GAO's April 2008 report entitled *Health Savings Accounts: Participation Increased and Was More Common among Individuals with Higher Incomes* ([GAO-08-474R](#)). For that report GAO reviewed industry data on the participation in HSA-eligible plans and HSAs, and analyzed Internal Revenue Service (IRS) data on tax filers who claimed deductions for HSAs. The statement also draws on findings from related GAO reports issued in 2006.

To view the full product, including the scope and methodology, click on [GAO-08-802T](#). For more information, contact John E. Dicken at (202) 512-7114 or dickenj@gao.gov.

HEALTH SAVINGS ACCOUNTS

Participation Grew, and Many HSA-Eligible Plan Enrollees Did Not Open HSAs while Individuals Who Did Had Higher Incomes

What GAO Found

GAO found that the number of individuals participating in HSA-eligible high-deductible health plans and HSAs increased significantly since 2004. A series of health insurance carrier surveys reported that the number of lives covered by HSA-eligible plans increased significantly from about 438,000 in September 2004 to an estimated 6.1 million in January 2008. GAO's analysis of IRS data showed that the number of tax filers ages 19 to 64 reporting HSA activity nearly tripled from about 120,000 in 2004 to about 355,000 in 2005. Industry estimates indicated continued growth in HSA participation in 2006 and 2007. However, many HSA-eligible plan enrollees did not open an HSA. From 2005 through 2007, 42 percent to 49 percent of HSA-eligible plan enrollees reported that they had not opened an HSA, and 20 percent to 24 percent did not plan to open an HSA, citing their inability to afford an HSA or a belief they did not need an account.

Tax filers who reported HSA activity and enrollees in certain HSA-eligible plans had higher incomes on average than other tax filers. For example, among tax filers between the ages of 19 and 64, the average adjusted gross income (AGI) for those reporting HSA activity in 2005 was about \$139,000, compared with about \$57,000 for other filers. About 59 percent of HSA filers had AGIs of \$60,000 or more, compared with 26 percent of other tax filers. Moreover, income differences between HSA and other filers existed across all age groups and within different tax filing statuses, such as single or joint tax filers.

Among all filers reporting HSA activity in 2005, average contributions—reflecting both individual and employer contributions—were about \$2,100, compared to average withdrawals of about \$1,000. Among filers who reported HSA contributions in 2005, about 41 percent did not withdraw any HSA funds that year, while about 22 percent withdrew as much or more than their reported contributions. About 93 percent of reported withdrawals were claimed for qualified medical expenses. Some HSA-eligible plan enrollees GAO interviewed for a 2006 report were unsure what medical expenses qualified for payment using their HSAs, and few researched the cost of services before obtaining care.