

Health Savings Accounts (HSAs)

A LEVER TO LESSEN THE BURDEN of paying for health care now and future health care expenses in retirement.

An HSA is:

an account that lets you set aside money on a tax-advantaged basis to pay for qualified medical expenses. HSAs are only available to those with an HSA-eligible health plan and who meet other requirements.

HEALTH SAVINGS ACCOUNTS HELP people pay for medical expenses now or in retirement due to the following tax benefits:

- Contributions to an HSA are tax-free
- Earnings are tax-free
- Withdrawals to pay for qualified medical expenses are tax-free¹⁴

OTHER BENEFITS



UNSPENT HSA BALANCES CAN BE INVESTED, and carried over year-to-year to help people budget for unanticipated medical expenses.



PREMIUMS ARE GENERALLY LOWER for HSA-eligible health plans. On average, they are **12%** cheaper than premiums for tradition health plans.²



EMPLOYERS MAY CONTRIBUTE to an employee's HSA. At Fidelity, **85%** of employers offering an HSA contribute to their employees' account.³

LEGISLATORS SHOULD INCREASE HSA CONTRIBUTION LIMITS

2020 CONTRIBUTION LIMIT FOR FAMILIES:

\$7,100

BUT

The average family of four in the U.S. (covered by an employer-sponsored preferred provider organization (PPO) plan) spends:

\$28,653

TOTAL ANNUAL COST⁴

\$12,300

EMPLOYEE OUT OF POCKET⁴

The \$7,100 limit may not cover a family's deductible and is roughly half of a family's maximum out of pocket cost.

20%

OF FAMILIES WITH HSA-ELIGIBLE HEALTH PLANS HAVE DEDUCTIBLES ABOVE \$6,000⁷

57%

HAVE DEDUCTIBLES ABOVE \$4,000⁷

\$9,000

TO TREAT CHRONIC MIGRAINES PER PERSON ANNUALLY⁸



\$2,500

TO TREAT A BROKEN WRIST⁹



The current contribution level isn't high enough for most families to cover annual health costs AND save and invest for future health care costs. Only 7.7% of Fidelity HSA account owners are investing any portion of their HSA savings¹



RAISING CONTRIBUTION LIMITS TO MEET MAXIMUM OUT OF POCKET COSTS (\$6,900 for individuals and \$13,800 for families in 2020) WOULD HELP PEOPLE BETTER MANAGE THEIR CURRENT AND FUTURE HEALTHCARE EXPENSES.

FIDELITY POINT OF VIEW: MAKING HSAs MORE USEFUL

With 1,476,000 HSA account holders and more than \$6.68 billion in assets at Fidelity, we understand the benefits of HSAs.¹⁰

We estimate that **AN AVERAGE 65-YEAR-OLD COUPLE RETIRING TODAY WILL SPEND ABOUT \$295,000 ON HEALTH CARE** during retirement⁵ More than half of Americans have named **rising health care costs** as a top financial concern.⁶



POLICYMAKERS CAN MAKE IT EASIER for people to manage their current health care costs and save for health care costs in retirement.

IN ADDITION TO INCREASING CONTRIBUTION LIMITS, WE ARE ACTIVELY ENCOURAGING POLICYMAKERS TO consider the following concepts to increase HSA efficacy as both a health and retirement savings vehicle:

- Promote automatic enrollment and automatic increase programs for HSAs.
- Decouple HSAs from HSA-eligible health plans', so that more employees and families can benefit from an HSA.
- Allow Direct Primary Care (DPC) arrangements under HSA-eligible health plans.
- Allow spousal "catch-up" contributions to the same HSA.



80% of individuals reported overall satisfaction with their HSA and HSA-eligible health plan.¹¹

PEOPLE WITH AN HSA ARE MORE LIKELY TO feel "somewhat" or "very prepared" for health care costs in retirement.¹²

EXPAND ACCESS TO HSAs BY EASING THE ELIGIBILITY RULES We believe HSAs should be available to more than just HSA-eligible health plan participants. Any health plan with an actuarial value at **80%** or less should qualify for an HSA. Currently there are **28 million** HSAs nationwide.¹³

Easing eligibility rules would **allow millions of people to manage their health care costs more effectively** with an HSA.

¹ Fidelity Investments, Building Healthy Futures, May 2018

² Stephen Miller, Society For Human Resource Management, For 2018, Expect Steeper Health Plan Premium Increases, September 26, 2017

³ Fidelity Investments Information as of March 2019

⁴ Milliman, 2020 Milliman Medical Index, May 2020

⁵ Estimate based on a hypothetical couple retiring in 2020, 65-years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuity rates with Mortality Improvements Scale MP-2016. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Cost Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

⁶ Fidelity Investments Financial Resolutions Study, December 2017

⁷ Henry J Kaiser Family Foundation, 2019 Employer Health Benefits Survey, September 29, 2019.

⁸ Gooch, C. L., Pracht, E. and Borenstein, A. R. (2017), The Burden of Neurological Disease in the United States: A Summary Report and Call to Action. Ann Neurol. Accepted Author Manuscript. doi:10.1002/ana.24897.

⁹ New Choice Health, Forearm X-Ray Cost and Procedure Information

¹⁰ Fidelity Investments HSA business data as of January 31, 2020

¹¹ Online survey conducted among a demographically representative U.S. sample consisting of 5,133 adults, 18 years of age and older. Interviewing for this CARAVAN® Survey was completed Dec. 9-21, 2016, by ORC International, which is not affiliated with Fidelity Investments. A total of 1,309 respondents enrolled in an HSA-eligible health care plan were included in the analysis. The results of this survey may not be representative of all adults meeting the same criteria as those surveyed for this study.

¹² Data represents insights from Fidelity Investments' survey on Bridging the Gap to Medicare. The online survey was conducted among a random sample of 2017 1,003 adults, between the ages of 50 and 64 who had retired in the past three years. The survey was fielded in November 2017 by Greenwald and Associates Inc., an independent third-party research firm.

The results of this survey may not be representative of all adults meeting the same criteria as those surveyed for this study.

¹³ 2019 Year-End Devenir HSA Research Report

¹⁴ With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation.

The information provided herein is general in nature. It is not intended, nor should it be construed, as legal or tax advice. Because the administration of an HSA is a taxpayer responsibility, you are strongly encouraged to consult your tax advisor before opening an HSA. You are also encouraged to review information available from the Internal Revenue Service (IRS) for taxpayers, which can be found on the IRS website at IRS.gov. You can find IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, and IRS Publication 502, Medical and Dental Expenses, online, or you can call the IRS to request a copy of each at 800.829.3676.

