



Health Savings Accounts: A year-long look at adoption, usage and funding patterns

Various stakeholders across the health care industry have sought information to help assess whether HSAs are meeting their promise of engaging consumers and helping them save for future medical costs. UnitedHealthcare conducted a full-year analysis of 2006 data to offer perspectives on HSA adoption, characteristics and saving/spending habits of account holders.

This study was made possible because of the integration between UnitedHealthcare and its fully-owned bank. Few other health plans have a comprehensive view across both health and financing arenas to provide a similar level of detail and insight.

When an employer contributed to the HSA, 86 percent of consumers opened an account versus only 27 percent when the employer did not contribute.

Identifying the constituents.

UnitedHealthcare examined activity across 212,000 individuals enrolled in DefinitySM Health Savings Accounts for the full year of 2006. We explored three fundamental questions:

- Who opens an HSA?
- Who funds an HSA?
- Who saves or spends their HSA funds?

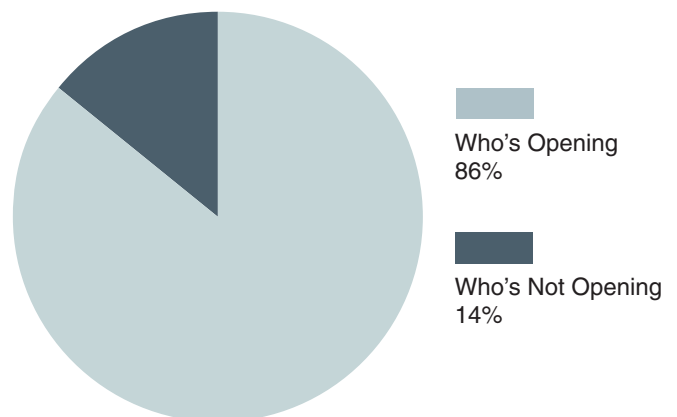
In order to understand the impact that various factors have on participation, funding, saving and spending behaviors, the following characteristics were considered:

- Age
- Income
- Gender
- Life stage
- Employer size
- Employer funding decision

Who is opening their HSA?

Consumers are far more likely to open an account when the employer contributes on their behalf.

When the employer contributes:



1. Consists of small, mid-sized, and large employers.

2. Excludes one large employer who would skew the results to 37% due to this employer not contributing to the account. This could mean that employees were less motivated to open an account.

3. For this analysis, "young families" is defined as families with all children under 13, while "mature families" is defined as couples where at least one child is equal to or older than 13 years of age. Couples are defined as "young," where they are under 40 years old, while "mature" is defined as 40 years or older.

Employer size¹

Account opening rates based on employer size varied greatly, but showed employees of small companies opened accounts at the highest rate (74 percent).

- Small employers: 74 percent
- Mid-sized employers: 67 percent
- Large employers: 45 percent²

Income

Across income levels, account adoption was highest among those earning less than \$25,000.

- Under \$25,000: 64 percent
- \$25,000 – \$49,999: 56 percent
- \$50,000 – \$99,999: 52 percent
- \$100,000+: 50 percent

Age & life stage³

We observed remarkable consistency in account opening activity despite age, gender and life status.

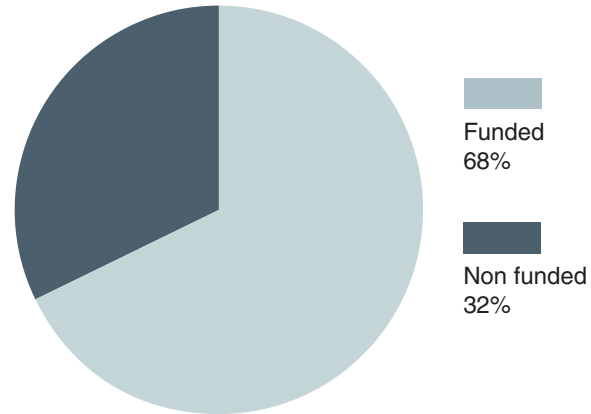
- Singles: 62 percent
- Young families: 59 percent
- Couples under 40: 58 percent
- Mature families: 55 percent
- Singles over 40: 52 percent



Who is funding their own HSA?

Overall, 68 percent of account holders contributed their own money to their account, and 32 percent did not.

Individuals funding their account:



Employer funding decision

When the employer contributed to the account, self-funding percentages remained relatively unchanged. However, when the employer did not contribute to the account, self-funding increased 7 percent. Perhaps because account holders anticipated the need to fund the account without employer help.

Employer size

Employees in mid-sized companies contributed at the highest rate (79 percent).

- Mid-sized employers: 79 percent
- Small employers: 66 percent
- Large employers: 62 percent

When the employer contributed to the accounts, the self-funding rate was consistent across all employer sizes. However, when the employer did not contribute, employee self-funding was far greater among small (80 percent) and mid-size (92 percent) employers.

Income

Self-funding was high across all income groups, ranging from 59 percent (under \$25,000) to 73 percent (over \$100,000), and varied only slightly based on whether or not the employer contributed to the accounts.

Age & life stage

Overall, mature families (76 percent) and young families (74 percent) contributed at the highest rates.

Who is saving the money in their HSA? Spending?

88 percent of account holders had account balances greater than zero at the end of the year.

Employer size

Regardless of whether or not the employer contributed to the account, most employees across all employer sizes contributed and used the account for approved medical expenses, but still had a balance at the end of the year.

Age & life stage

- Overall, young singles and couples under 40 trend as above average spenders and below average savers.
- Mature couples and families have the highest average year-end balance.

Income

- Across all income ranges, employees used their accounts and had a remaining balance at the end of the year.

Income Range	Average Contribution	Average Balance
Under \$25,000	\$1,166	\$597
\$25,000 – \$49,999	\$1,422	\$757
\$50,000 – \$99,999	\$1,823	\$1,063
\$100,000+	\$2,290	\$1,463

Conclusion

- HSAs have application across income groups, consumer life stages and varied employer environments.
- To encourage participation and make plans as useful as possible, employers should consider making contributions to the accounts. Even in their early years, HSAs show evidence of flexing to the specific needs of savers versus spenders.
- Positive balances at year-end are an encouraging indicator of HSAs ability to help make health care more affordable.

This analysis is conducted by UnitedHealth Group's Health Services analysis team.

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The DefinitySM Health Savings Account (HSA) high deductible health plan (HDHP) is designated to comply with IRS requirements so eligible enrollees may open a Health Savings Account with a bank of their choice or through OptumHealth Bank, Member FDIC. "Definity HSA" refers generally to the DefinitySM HSA product, which includes a HDHP, although at times "Definity HSA" may refer only and specifically to the Definity Health Savings Account provided in conjunction with OptumHealth Bank and not to the associated HDHP.