

# Optimizing Health Savings Accounts

Increase health care affordability and improve the consumer experience

In the United States, per capita spending on health care is at its highest level in history, exceeding an average of \$11,000 annually. Health care costs for families have doubled over the last decade, and nearly 80% of Americans are dissatisfied with the cost of health care. The challenge for millions of Americans to afford health care results in gaps in care, fragmented care, and misaligned incentives. A meaningful opportunity to address these affordability challenges and improve the consumer experience exists by expanding access to health savings accounts (HSAs) and allowing HSAs to be used for a wider array of health care services.

## HSAs Are a Proven Tool to Improve Health Care Affordability

HSAs were created to give individuals tax-preferred treatment of money saved for medical expenses. Generally, an individual who is covered by a high-deductible health plan (and has no other first-dollar coverage) may establish an HSA. HSAs are effective savings vehicles that engage and enable consumers to plan and pay for a range of health care purchases, such as out-of-pocket costs, copays, and other qualified medical expenses including some health products from drug stores. In addition, individuals can use their HSAs to prepare for health expenses during retirement.

Use of HSAs has increased significantly over the last 15 years, with approximately 22 million individuals benefiting from HSAs today. While HSAs are common in the private insurance market, several States – including Indiana and Kentucky – have deployed HSA-like products in their Medicaid programs to reward enrollees for demonstrating healthy behaviors and encourage savings for future health care needs.

## Expand Access and Use of HSAs

Significant limitations still exist for HSAs. For example, HSA funds generally cannot be used to pay for health insurance premiums. In addition, annual contributions to HSAs are capped and people over age 65 cannot contribute to their accounts. Expanding HSAs can help more people manage out-of-pocket costs, providing consumers with more control over health care spending and preventing gaps in care caused by lack of funds. To expand access to HSAs, policy-makers should:

- Allow HSAs to be used in conjunction with any health care coverage, including Medicare and military health programs.
- Increase permitted HSA contributions to cover an individual's maximum out-of-pocket expenses under their benefits plan.
- Remove medical necessity limits to allow HSA funds to be used for fitness products and services that are part of a consumer engagement program.
- Allow spouses to make catch-up contributions to the same HSA account.
- Permit HSA funds to be used for more over-the-counter medications.
- Authorize HSAs to be used for first-dollar coverage of out-of-pocket health care expenses at employer-sponsored on-site clinics.



### Out-of-pocket health care

spending is expected to rise to \$434 billion by 2021



### Consumers are projected

to save for only 32% of their out-of-pocket health costs



**50%**

of the population enrolled in HSA plans are Millennials or Gen X