
With HSAs, raising contribution limits will raise contributions: EBRI

By Editorial Staff *Thu, Aug 2, 2018*

House passed a bill raising contribution limits to health care savings accounts (HSAs). The Employee Benefit Research Institute expects individual contributions to HSAs to rise as a result.

In a boon to financial companies that manage the assets in health savings accounts (HSAs) and a boost to employers who hope to reduce the rising burden of providing health insurance to employees, the House of Representatives has significantly raised the limits on employee deferrals into the tax-favored accounts.

The “Increasing Access to Lower Premium Plans and Expanding Health Savings Accounts Act of 2018,” which the U.S. House of Representatives passed last week, would raise the annual limits on contributions to HSAs, according to a release this week by the Employee Benefits Research Institute.

The new legislation would allow HSA contributions to match the out-of-pocket deductibles of the high-deductible health plans that the accounts were implemented to support. It would nearly double statutory limits on annual contributions to HSAs for those with single, employee-only, health coverage (to \$6,550 from \$3,450) and raise the limits for those with family coverage to \$13,300 (\$6,400 more than the current \$6,900 limit).

Account holders over age 55 can contribute an additional \$1,000 regardless of their health coverage level.

To find out if the increases would prompt additional funding into HSAs, EBRI consulted data in its HSA database. It found that only 13% of account owners contributed the maximum in 2016. HSAs enjoy a triple-tax advantage: tax-deductible employee contributions, tax-deferred growth, and tax-exempt distributions for qualified medical expenses.

Account holders who held their HSAs for a longer period of time tend to contribute more, EBRI found. “The longer someone has had an HSA, the more likely they are to contribute the maximum,” said Paul Fronstin, EBRI’s director of health research.

“Only six percent of the HSAs opened in 2016 received the maximum annual contribution, whereas 30% of the accounts opened a decade earlier, in 2006, did,” he said, concluding that the longer an individual contributes to an HSA, the more they may appreciate the benefits of the accounts.

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