HSA Growth ▶ *by Chris Bettner*

Still Strong 10 Years Later & Poised to Grow Under ACA and Exchanges

Health savings accounts (HSAs) will have the highest growth rate among all consumer driven healthcare accounts (CDH) in 2014, according to the Consumer Driven Health Care Institute (CDHCI). HSAs are expected to hit close to 21 million covered lives. By mid-2013, there are expected to be 18 million HSAs with assets hitting $18.1 billion and growing.

National carriers and economists confirm that HSAs are the product to watch in 2014. Growth in private exchanges, based on employer defined contributions, should accelerate HSA growth.

The fear that the Affordable Care Act (ACA) would crush HSAs has been put to rest in a private study by HSA Consulting Services (December 5, 2013). The study states conclusively that HSAs will do well on the federally run exchanges. The plans are widely available and attractively priced. HSA eligible plans are 11% less expensive than older legacy plans; and families save an average of over $1,000 a year on premiums, according a report by CDHCI. Forty-four percent of the Bronze plans are HSA compatible, a critical indicator.

Cost is not the only growth factor. The basic tenants of HDHP/HSA lead people to become savvy healthcare consumers. This has been reported for the 10 years that HSAs have been available (since 2004). People make more thoughtful decisions on their healthcare spending. This does not mean that people do not get necessary care. Quite the contrary; people ask for generic medication; use emergency rooms for true emergencies; and use preventive care services at a much higher rate than do their counterparts in other products.

The triple tax advantages of a HSA, unlike a Roth IRA, never appear as income when deducted from payroll. So people have the tax advantage of money going into the account pre-tax, growing tax-free and, when used for qualified medical expenses, being used tax-free as well. Some people with a HSA never make withdrawals to cover medical expenses. These people, Baby Boomers for the most part, consider their HSA a retirement account. Other people use the money each year to pay for their deductible expenses. That's the beauty of a HSA. They are extremely flexible, triple tax advantaged accounts.

The investment opportunity with a HSA is only limited by IRS regulations. The instrument must be liquid (stocks, bonds, mutual funds). The ability to invest is very flexible but determined by your HSA administrator. Year-over-year growth of balances in these accounts proves that people really will walk into Medicare with a nest egg. ❑

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