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Health Savings Accounts

Issue Spotlight

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Executive Summary

A health savings account (HSA) is a type of tax-advantaged savings account available to consumers enrolled in High Deductible Health Plans (HDHPs) to use for certain healthcare expenses. The prevalence of HSAs among consumers has surged in recent years, with approximately 36 million HSAs reported in 2023.[1] These accounts collectively hold over $116 billion in assets, representing an increase of more than 500 percent since 2013.[2] This significant growth has coincided with the rising prevalence of HDHPs, as HSAs were established to provide tax benefits to individuals with HDHPs.

An HSA typically has an underlying consumer deposit account, and while HSAs share similarities with healthcare spending accounts like flexible spending accounts (FSAs) and certain tax-advantaged retirement accounts, they also have distinct elements. This report examines these unique characteristics and evaluates consumer experiences in the HSA market.[3] Overall, while the tax benefits associated with HSAs may add value for certain consumers, HSAs also present increased costs, primarily in the form of fees and low interest rates.

Key findings in this report include:

- **Costly and Complex Fee Structure:** Among the organizations that offer HSAs ("HSA trustees"), many charge various fees, including monthly maintenance fees, paper statement fees, outbound transfer fees, and account closure fees. This complex fee structure may obscure the true cost of the product, and the financial impact of these fees directly reduces the funds consumers can spend on healthcare expenses.
- **Switching Costs:** When consumers decide to switch HSAs, many companies impose "exit" fees. These fees, including outbound transfer fees and account closure fees, are costly and are typically unavoidable. Additionally, many individuals report encountering prolonged delays or lost funds during transfer attempts.

[1] "HSA Research Report," Devenir. 2023. https://www.devenir.com/research/2023-midyear-devenir-hsa-research-report/

[2] In 2013, there were $19.3 billion in HSA assets. "HSA Research Report," Devenir. 2023. https://www.devenir.com/research/2023-midyear-devenir-hsa-research-report/.

[3] In 2023, there were at least 189 consumers complaints submitted to the CFPB containing at least one of the following keywords or phrases – "health savings account," "health saving account," or "HSA" – compared to 52 in 2013.

- **Low Interest Yield:** Despite the recent increase in interest rates in the United States, most HSAs consistently offer relatively low interest rates, with annual yields of less than one percent. As a result, consumers could incur significantly more in fees than they earn in interest on their HSA funds.
- **Higher Upfront Costs**: HDHPs typically have lower premiums but higher deductibles than other health plans, and many individuals with these plans, especially people with chronic illnesses, experience higher upfront out-of-pocket healthcare costs. On top of this, consumers often face further expenses from the fees charged by financial institutions managing their HSA.
- **Pressure to Acquire**: Consumers may face varying degrees of pressure to obtain an HDHP, HSA, or both. These situations may arise when employers exclusively offer HDHPs, tie health benefits to a specific HSA trustee, or automatically enroll eligible employees in HSAs.
- **Lack of Competition:** Many HSA trustees' primary customers are health insurance companies and employers, not individual consumers. Without the need to market directly to individuals, these trustees may face less competitive pressure to improve their offerings. This could potentially result in consumers facing higher fees and earning lower interest compared to alternative options.

Background

The U.S. healthcare system is one of the largest and most complex in the world, requiring consumers to navigate various insurance offerings and administrative obstacles just to access care. Due to the high cost of healthcare, consumers often encounter a range of financing products that offer methods of covering healthcare expenses – an issue previously highlighted by the Consumer Financial Protection Bureau (CFPB).[4] While these products help some consumers manage their healthcare expenses, they can impose further financial burden on others. HSAs are one such product.

What is an HSA?

A health savings account is a type of personal savings account that consumers with qualifying HDHPs ("qualifying individuals") can use to cover certain healthcare costs.[5] Individuals can accumulate HSA funds, up to specified limits,[6] by contributing themselves,[7] and by receiving contributions from their employer or other parties.[8] HSA funds can be spent on various health-related expenses; consumers generally have the option of using a debit card linked to their HSA or paying upfront with taxable income and later reimbursing themselves with tax-free HSA funds. Additionally, some consumers use their HSA as a savings and investment vehicle rather than spending all of their contributions each year.[9] HSAs have a triple tax benefit, as contributions, dollars spent, and income earned on investing HSA funds are all tax exempt, within IRS limits. Individuals can contribute pre-tax income to their HSA, reducing their taxable

[4] See "Medical Credit Cards and Financing Plans" https://www.consumerfinance.gov/data-research/research-reports/medical-credit-cards-and-financing-plans/ and "Request for Information on Medical Payment Products" https://www.consumerfinance.gov/rules-policy/notice-opportunities-comment/open-notices/request-for-information-on-medical-payment-products/.

[5] Internal Revenue Service's HSA Tax Forms and Instructions as of December 13, 2023: https://www.irs.gov/pub/irs-drop/rp-23-23.pdf.

[6] In 2023, the IRS established maximum contribution limits of $3,850 for self-only coverage, $7,750 for family coverage (plus an additional $1,000 for individuals 55 and older). https://www.irs.gov/pub/irs-pdf/p969.pdf.

[7] Consumers can make after-tax contributions to their HSA and deduct that contribution amount when filing their taxes. Many consumers with employer-sponsored HSAs can also contribute pre-tax dollars through payroll deduction.

[8] 85 percent of HSA sponsors made account contributions in 2020. "National Survey of Employer-Sponsored Health Plans," Mercer. 2020.

[9] See Appendix B for more information on investing HSA funds.

income for the year; withdrawals or funds spent on qualifying medical expenses are tax-free; and any interest earnings and investment growth is not taxed.

HSA funds are owned by the individual, which carries several implications. First, eligible individuals can open an account at any financial institution offering HSAs and are permitted to have multiple HSAs. Additionally, any unused HSA funds from a given year roll forward indefinitely. Therefore, if an individual leaves their job or enrolls in a non-qualifying insurance plan (e.g., a preferred provider organization plan), they generally cannot make further contributions to their HSA, but they can still spend their savings on qualifying health expenses.[10] This is a key distinction between HSAs and FSAs, as FSAs do not allow indefinite rollovers.[11]

HDHP Growth

The histories and trajectories of HSAs and HDHPs are interconnected. The HSA and the modern conception of the HDHP were both established through the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.[12] Deductibles have existed in various forms throughout the history of the U.S. healthcare system, but this legislation set specific guidelines for what could be considered an HDHP. The bill also created HSAs as a tax-savings vehicle to make these high deductible plans more affordable and appealing.[13]

HDHP adoption has grown significantly in recent years. As of 2023, 24 percent of workers with employer-sponsored health coverage were enrolled in an HSA-qualifying HDHP, up from 11 percent in 2013.[14] This growth can be attributed to both consumer and employer decisions surrounding health benefits. Consumers may opt for an HDHP because these plans allow contributions to an HSA and offer lower premiums compared to other health plans. Conversely,

[10] Individuals can also draw funds from HSAs for non-medical purposes, but that withdrawal amount will be subject to federal income tax plus a 20 percent penalty, in most cases. Individuals 65+ do not face this additional penalty, so if they choose to spend HSA funds on non-medical expenses, they are only subject to income taxes.

[11] Both HSAs and FSAs hold funds that can be used for certain healthcare expenses, but FSAs are only available as an employer-offered benefit, the funds are held by the employer rather than the individual, and funds do not roll over in the case of a plan-year ending or an individual changing jobs.

[12] Medicare Prescription Drug, Improvement, and Modernization Act of 2003, December 8, 2003. https://www.congress.gov/108/plaws/publ173/PLAW-108publ173.pdf.

[13] “President Bush Discusses Quality, Affordable Health Care,” January 28, 2004. https://georgewbush-whitehouse.archives.gov/news/releases/2004/01/20040128-2.html.

[14] “Employer Health Benefits Survey,” *Kaiser Family Foundation*. 2023. https://files.kff.org/attachment/Employer-Health-Benefits-Survey-2023-Annual-Survey.pdf; and “Employer Health Benefits Survey,” *Kaiser Family Foundation*. 2013. https://www.kff.org/wp-content/uploads/2013/08/8465-employer-health-benefits-20131.pdf.

many individuals may end up with an HDHP because it is the only plan offered by their employer. In 2022, about 30 percent of employers offered HDHPs as the only insurance coverage option.[15] For some consumers, an HDHP may lead to financial strain. Depending on the plan and the individual's medical and financial situation, enrollment in an HDHP may result in higher out-of-pocket costs for consumers than enrollment in other types of health plans. Evidence suggests HDHPs may be more expensive or lead to foregone care for individuals with chronic illnesses or lower incomes.[16] As HDHPs have become more prevalent over the last decade, the number of HSAs has also grown, from approximately 11.8 million in 2013 to 36 million in 2023.[17]

HSA Market Dynamics

HSAs are a consumer product, yet they reach consumers through a complex network involving multiple parties, including trustees, payers, and employers. HSA trustees are organizations that administer HSAs and consist of both traditional banks, which directly hold deposited funds, and other IRS-approved non-bank entities that utilize a bank or credit union partner to hold funds.[18] Payers are insurance companies that are responsible for covering or reimbursing certain healthcare costs.[19] HSAs can be employer-sponsored or direct-to-consumer.[20] Although eligible individuals can choose any HSA trustee, payers and employers often influence their selection.

For direct-to-consumer HSAs, payers often promote a default or preferred HSA to their policyholders. In some cases, this relationship exists because the payer and HSA trustee are

[15] "2023 HSA Survey," Plan Sponsor Council of America. 2023. https://www.psca.org/research/HSA/2023report.

[16] *See* "The Challenges of High-Deductible Plans for Chronically Ill People," HealthAffairs. 2019. https://www.healthaffairs.org/content/forefront/challenges-high-deductible-plans-chronically-ill-people; and "Privately insured adults in HDHP with higher deductibles reduce rates of primary care and preventive services," Jetty, et al. 2018. https://pubmed.ncbi.nlm.nih.gov/29800401/.

[17] "HSA Research Report," *Devenir*. 2023. https://www.devenir.com/research/2023-midyear-devenir-hsa-research-report/; "HSA Research Report," *Devenir*. 2013. https://www.devenir.com/research/year-end-2013-devenir-hsa-research-report/.

[18] "Approved Nonbank Trustees and Custodians" Internal Revenue Service. https://www.irs.gov/retirement-plans/approved-nonbank-trustees-and-custodians. Banks and credit union accounts holding HSA funds are also subject to applicable laws governing these types of accounts, including the enumerated consumer laws listed in the Dodd-Frank Act.

[19] Other payers in the U.S. healthcare system include Medicare, Medicaid, and TRICARE, but these payers do not typically have HDHPs.

[20] Consumers with employer-sponsored HSAs are typically enrolled in an HDHP offered by their employer while consumers with direct-to-consumer HSAs typically purchased their HDHP on the private market, such as through a federal or state Marketplace like healthcare.gov. However, this is not always the case.

subsidiaries of the same parent company.[21] In other cases, the payer establishes a partnership with an independent HSA trustee.[22] While it is not legally required, the largest payers all have an HSA associated with their plans. These partnerships benefit the HSA trustee by providing access to a significant customer base and benefit the payer by enabling them to promote an integrated healthcare product that includes both a health plan and an HSA.

For employer-sponsored insurance, the most common type of coverage,[23] employers often influence HSA selection. Typically, employers providing health benefits to their employees purchase group health insurance plans from a payer.[24] Additionally, many employers choose an employer-sponsored HSA for employees enrolled in HDHPs. While some employers simply refer their employees to this HSA, others, particularly large businesses, offer HSA-related benefits, like employer contributions or the option for employees to contribute via pre-tax payroll deductions. In these cases, the employer-sponsored HSA is typically the exclusive avenue for employees to receive these HSA-related benefits. Some organizations choose the HSA associated with their payer, while others shop for an HSA from a different trustee. Factors that may influence an employer's decision include cost (e.g., monthly fees), customer experience (e.g., mobile app, customer service), and whether a trustee administers other programs, like 401(k)s, FSAs, or Continuation of Health Coverage (COBRA), to simplify their benefits offerings.

Notwithstanding that eligible individuals have the right to open an HSA with any trustee, evidence suggests that it is relatively uncommon for employees to stray from their employer-sponsored HSA.[25] Some consumers may opt for the employer-sponsored HSA because it is the simpler or faster choice. Others may not realize they have alternatives, as suggested by some

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[21] For example, UnitedHealth Group owns UnitedHealthcare (payer) and Optum Financial (HSA trustee). CVS Health Corporation previously owned Aetna (payer) and PayFlex (HSA trustee) until they sold PayFlex to Millennium Trust in 2022. The acquisition includes an agreement that "PayFlex will remain Aetna's preferred provider of HSA." https://www.businesswire.com/news/home/20220405005360/en/Millennium-Trust-to-Acquire-PayFlex-from-CVS-Health.

[22] For example, Cigna (payer) partners with HSA Bank (HSA trustee), and Centene (payer) partners with Fidelity (HSA trustee).

[23] https://www.census.gov/library/publications/2023/demo/p60-281.html.

[24] Employers typically work with a health insurance agent, broker, or consultant to purchase group plans. In general, an agent represents a particular insurance company, and is paid by that company for their services. A broker works with multiple insurance companies and is paid on commission once the employer selects a plan. A consultant is similar to a broker, in that they work with multiple insurance companies, but consultants generally charge a fee for service to the employer.

[25] In the first half of 2023, 89 percent of funds contributed to HSAs were associated with employer-sponsored accounts. While this metric reflects the dollars contributed, rather than number of accounts, it demonstrates the predominance of employer-sponsored accounts. HSA Research Report," *Devenir*. 2023. https://www.devenir.com/research/2023-midyear-devenir-hsa-research-report/

consumer complaints.[26] Additionally, some people may choose the employer-sponsored HSA because their employer offers benefits that are exclusive to that HSA. In these cases, benefits like employer contributions, payroll deductions, and waived monthly fees may be contingent upon remaining with the employer-sponsored HSA. Further, it has become increasingly common for employers to automatically enroll eligible employees in the employer-sponsored HSA. According to a recent survey, 46 percent of employers reported doing so.[27]

Given how many employers offer only HDHPs and the dynamics surrounding HSA selection, there are various situations where a consumer may be pushed into an HDHP or HSA. Consumers that are signed up for an HSA under these circumstances are still subject to all of the fees and responsibilities associated with it.

Who offers HSAs?

The largest trustees are HealthEquity, Optum, Fidelity, and HSA Bank, collectively accounting for almost two thirds of the market's $116 billion in assets.[28] HealthEquity, Optum, and Fidelity are non-bank trustees, while HSA Bank is division of Webster Bank. HealthEquity is the largest player with 5.5 million HSA members[29] and over $22 billion in HSA assets. Optum, a UnitedHealth Group subsidiary, and Fidelity follow closely, each with around $20 billion in HSA assets. Lastly, HSA Bank has HSA assets totaling over $11 billion.[30] While these four trustees comprise most of the market, other significant players include traditional banks like Bank of America and UMB, as well as healthcare technology company Lively. This report primarily focuses on the four largest trustees.

HSA trustees earn revenue through various charges to employers, health plan providers, and accountholders, along with interchange fees from debit card swipes. While each of the largest trustees offer both employer-sponsored and direct-to-consumer accounts, the majority of HSA assets are held in employer-backed accounts, indicating that these accounts drive a significant portion of total revenue.[31] HealthEquity reinforces this point in their financial statements,

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[26] *See* e.g., CFPB Consumer Complaint 4253852, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4253852.

[27] "2023 HSA Survey," Plan Sponsor Council of America. 2023. https://www.psca.org/research/HSA/2023report.

[28] "2023 Health Savings Account Landscape," Morningstar. 2023. https://www.morningstar.com/lp/hsa-landscape.

[29] "HSA Solutions," https://healthequity.com/hsa, accessed March 20, 2024.

[30] "2023 Health Savings Account Landscape," Morningstar. 2023. https://www.morningstar.com/lp/hsa-landscape.

[31] Over three quarters of HealthEquity's assets are associated with employee-sponsored HSAs. About two thirds of HSA Bank's assets are held in plans offered through employers.

reporting that their "business model is based on a B2B2C [business-to-business-to-consumer] distribution strategy, whereby [HealthEquity] work[s] with Network Partners and Clients to reach consumers."[32] In other words, HealthEquity relies on partnerships with health insurance companies (Network Partners) and employers (Clients) to reach consumers, rather than marketing directly to individuals.

[32] HealthEquity Q1 2023 10Q, filed Jun. 7, 2023. https://ir.healthequity.com/sec-filings/sec-filing/10-q/0001428336-23-000022.

HSA Product Analysis

In this section, we examine the fees and terms associated with HSAs. Figure 1 displays common fees charged by the four largest HSA trustees, which we analyze further below.[33] This analysis encompasses both employer-sponsored HSAs and direct-to-consumer HSAs.

FIGURE 1: SELECT FEE INFORMATION, FOUR LARGEST HSA TRUSTEES IN 2023

Common Fees	HealthEquity	Optum	Fidelity	HSA Bank
Monthly Account Maintenance Fee	$0 - $3.95	$0 - $3.95	$0 - $4.00	N/A
ATM Transaction Fee	N/A	$2.50	N/A	N/A
Outbound Transfer Fee	N/A	$20	N/A	N/A
Printed Statement Fee	$1.00	$1.50	N/A	$1.50
Account Closing Fee	$25.00	N/A	N/A	$25.00

Source: Publicly available disclosures from provider websites[34]

Maintenance fees

The three largest trustees, HealthEquity, Optum, and Fidelity, charge monthly maintenance fees of up to $3.95, $3.75, and $4.00, respectively (Figure 1). These monthly fees are presented as ranges in Figure 1 because the fee amounts may vary based on the type of account (employer-sponsored versus direct-to-consumer), account balance, and other factors. For example, Fidelity discloses monthly fees up to $4 per month for HSAs opened through an employer and no

33 Since these trustees offer accounts both directly to individuals and through employers, these fees may vary by consumer. For example, Fidelity discloses that it does not charge a monthly maintenance fee for individual accounts but may do so for employer-sponsored accounts. HealthEquity and Optum do not publish exact fees that individual consumers will incur. Therefore, this table uses a sample of fee schedules available online.

34 For HealthEquity, *see*: https://www.healthequity.com/doclib/regence-washington/general/employer-service-fees.pdf; www2.healthequity.com/doclib/SOM_FeeSchedule.pdf; https://www2.healthequity.com/hsabank/members/. For Optum, *see*: https://enrollhsa.optumbank.com/feeschedule/1/2Bq2Zd%2FwynnsBPfshuuclb7Wb2tDyVzGFl4ZxYgiVNc%3D. For Fidelity, *see*: https://www.fidelity.com/go/hsa/why-hsa; https://www.fidelity.com/go/hsa/faqs. For HSA Bank, *see*: https://www.hsabank.com/~/media/Files/CDH/fees/fees_standard_2_50_stdbw_c_gp_090518.ashx; https://thecollegeinvestor.com/34933/hsa-bank-review/; https://thehsareportcard.com/hsa-bank/.

monthly fee for direct-to-consumer accounts. Conversely, neither HealthEquity nor Optum publish a fee schedule detailing the monthly maintenance fees a potential customer will incur, so the monthly fee amounts are estimates pulled from a sample of publicly available fee schedules.

The party responsible for paying that monthly fee varies. Individuals with direct-to-consumer HSAs are responsible for their own fees, but employers have different policies regarding who bears the fee. An estimated 34 percent of employers place the burden on the employee, while 58 percent cover the fee only for active employees, and 7 percent cover the fee for both active and terminated employees.[35]

In situations where the employer pays the HSA maintenance fee for only active employees, if the employee leaves the employer, it is common practice for the trustee to start charging that fee to the individual. Numerous complaints submitted to the CFPB highlight being surprised by these fees. For example, one consumer said, "since I terminated [my employment], my [HSA] has been incurring a monthly 'account maintenance fee' which I did not [agree] to. This fee did not and still does not appear on the fee schedule on [the company's] website…and I did not receive any notification about it."[36]

Some consumers complained that they encountered unexpected fees after their HSA was acquired by another trustee. The HSA market has become more concentrated over time, largely due to acquisitions. This means that some consumers initially opened an account with one trustee only to see it acquired by another. In some of these cases, consumers complained that the new trustee started charging fees without informing the consumer in advance. For example, one consumer said, "I opened [an HSA] with [a bank]…At some point [another bank] bought out the account and started charging fees against my knowledge and permission."[37]

Transfer fees and other switching costs

When consumers decide to change HSAs, they often encounter fees and other obstacles in the process. For example, at least one major HSA trustee – Optum – charges a $20 outbound transfer fee for moving funds to a different HSA trustee. This fee is applicable whether a consumer is transferring part of their balance or their entire balance and does not vary based on the transfer amount. For example, if a consumer wants to transfer $25 out of their Optum

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[35] "2023 HSA Survey," Plan Sponsor Council of America. 2023. https://www.psca.org/research/HSA/2023report.

[36] CFPB Consumer Complaint 6495926, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6495926.

[37] CFPB Consumer Complaint 3540357, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3540357.

account, all but $5 may be deducted as a fee. Additionally, HealthEquity and HSA Bank each impose a $25 account closure fee. These "exit fees" are relatively uncommon compared to other types of deposit accounts; while it is typical for banks to charge account closure fees on deposit and checking accounts, these fees are usually applicable only when an account is closed shortly after opening (e.g., within 180 days). There do not appear to be exceptions to the HSA closure fees.

Some HSA trustees, including HealthEquity, automatically close an account and charge an account closure fee when all funds are transferred to another HSA. Therefore, even in situations where a consumer does not request an account closure, they still incur a fee. This practice has resulted in frustrations expressed by consumers, exemplified by one individual who shared their experience: "I was charged a $25 account closing fee, despite the fact that I never requested for my account to be closed. I only ever requested that assets be transferred [to another trustee]."[38]

In addition to fees charged, consumers face other switching costs in the form of months-long delays or funds lost in transit. Major HSA trustees disclose that transfers may take anywhere from two to eight weeks or more, and some trustees continue to charge maintenance fees during this time.[39] Further, multiple consumers reported that they experienced delays that exceeded these disclosed timeframes.[40] For example, one consumer said: "I requested a transfer from [the company] to [another trustee]. As of [over 10 weeks later], the account still has not been transferred. In the meantime, [the company] has been charging a monthly fee…"[41] Additionally, numerous consumer complaints detail experiences with funds lost in transit.[42] In these cases, either some or all of the funds transferred went missing, leading to considerable time spent working with customer service to eventually locate them, or the funds are still unaccounted for.

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[38] CFPB Consumer Complaint 3899150, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3899150.

[39] HealthEquity discloses the transfer process can take "eight weeks…or more," https://help.healthequity.com/en/articles/6026467-hsa-contributions-and-transfers, accessed March 20, 2024; Optum says the transfer process is completed "usually within 3–6 weeks," https://www.optumbank.com/resources/library/hsa-transfer.html, accessed March 20, 2024; Fidelity says transfers occur "usually within 2–5 weeks," https://www.fidelity.com/go/hsa/transfer, accessed March 20, 2024; HSA Bank does not disclose an estimate.

[40] *See* e.g., CFPB Consumer Complaint 5111282, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5111282; and Complaint 7069562. https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7069562.

[41] CFPB Consumer Complaint 4891342, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4891342. Edited for clarity.

[42] *See* e.g., CFPB Consumer Complaint 4961165, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4961165; and Complaint 6186649, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6186649.

Other fees

Consumers may also incur other fees for using an HSA, including for paper statements, ATM usage, and overdrafts.

Three of the largest HSA trustees – HealthEquity, Optum, and HSA Bank – all charge a paper statement fee, ranging from $1 to $1.50 per statement. Consumer complaint narratives suggest some trustees provide insufficient notification or insufficient opportunity to opt out of paper statements. One consumer shared their experience being charged a paper statement fee after opening a new HSA: "I was charged a paper statement fee on my new account…[after] I had already signed up for electronic statements with [the same trustee] on my old account and expected the same would carry over…The customer service agent said it is company policy not to refund this fee…"[43]

ATM fees are not widespread in the HSA market, but Optum imposes a $2.50 fee for every ATM transaction. Similarly, although the four largest HSA trustees do not charge overdraft or nonsufficient funds (NSF) fees, some other smaller HSA trustees do. One consumer reported their experience being charged a total of 20 different fees in the first month of their HSA being open due to deposit and transaction timing issues.[44]

Zero or low interest

The declared purpose of HSAs is to provide a vehicle for consumers to save and pay for healthcare expenses. In that way, HSAs are similar to a typical deposit or savings account. However, some consumers use HSAs much like they would an investment account; in 2023, about 2.7 million HSAs, or 7 percent of all HSAs, had funds in investments.[45] With respect to uninvested HSA funds, until recently, the HSA industry standard was to provide zero interest on deposits. However, since 2022, it has become more common for HSAs to offer relatively low interest rates.[46] For instance, HealthEquity's rate begins at 0.05 percent and Optum's starts at 0.015 percent. For a consumer maintaining a constant $1,000 balance for a year, this translates

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43 CFPB Consumer Complaint 5156338, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5156338.

44 CFPB Consumer Complaint 7845530, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/7845530.

45 This includes stocks, bonds, mutual funds, and other types of investments. While 7 percent of all HSAs have investments, 35 percent of HSA assets are in investments. "HSA Research Report," *Devenir*. 2023. https://www.devenir.com/research/2023-midyear-devenir-hsa-research-report/.

46 See Appendix A for a full interest rate schedule.

to per annum returns of 50 cents and 15 cents, respectively. Considering that annual maintenance fees could total to $47.40 and $45 for these HSAs, many consumers end up spending much more on fees than they earn in interest. Multiple complaints bring up concerns of low interest rates. For example, one consumer shared, "I have [an] HSA account with [a company] but [they pay] zero interest on the money which is parked there. Why is this?...[I]nflation is also eating away this money."[47]

Not all HSAs offer low rates; Fidelity, for instance, provides a 2.69 percent interest rate on all balances, resulting in $27.23 yield on a $1,000 annual balance.[48] This is over 13 times higher than the second most generous HSA.[49] Notably, competitive pressure has not driven other players to offer higher rates.

Bank and non-bank HSA trustees may resist raising interest rates because they make money on the spread between market interest rates and the rate provided to consumers. Banks earn money from interest rate spread directly, and non-banks do so indirectly via earnings from their bank partners. By not sharing these extra earnings with consumers, HSA trustees boost their bottom line. HealthEquity explicitly states this in a public filing: "A sustained increase in prevailing interest rates can increase our yield...[and] if our yield increases, we expect the spread to also increase between the interest offered to us by our Depository Partners and insurance company partners and the interest retained by our members, thus increasing our profitability."[50] While the motivations driving HSA trustees' choices are apparent, it is less clear why health insurance companies and employers choose to partner with trustees offering high-fee, low-yield products. The contract negotiation process involving HSA trustees, insurance companies, and employers is opaque. However, the presence of issues, such as complex and costly fees, in employer-sponsored HSAs suggests that employers might focus on factors other than the terms and features of their employees' HSAs.

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[47] CFPB Consumer Complaint 6553617, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6553617.

[48] "2023 Health Savings Account Landscape," Morningstar. 2023. https://www.morningstar.com/lp/hsa-landscape.

[49] First American Bank offers 0.25% interest on balance of $1,000. See Appendix A for more details.

[50] HealthEquity Q3 2023 10Q, filed Dec. 5, 2023. https://ir.healthequity.com/sec-filings/sec-filing/10-q/0001428336-23-000037.

Conclusion

Although HSAs offer some consumer benefits, such as tax advantages, they may also include costly fees, low interest rates, and issues with fund portability. In other words, the fees associated with HSAs often eat away at the benefits that Congress intended to provide. This concern is exacerbated by the fact that some consumers may be pushed to acquire an HSA, such as through automatic enrollment.

As this paper explains, many consumers have reported negative experiences with high-cost, low-yield HSAs. Employers often decide on which HSA to offer to their employees. Ideally, employers would prioritize selecting an HSA trustee that maximizes benefits to employees. However, the presence of fees and inferior terms in many employer-sponsored HSAs indicates a potential misalignment between employer and employee incentives. Given that HSA trustees primarily sell their products to employers, it may be less important for them to compete on features that are important to consumers, such as surprise fees, portability of funds, and interest rates.

When consumers end up with an HSA with high fees and inferior terms, it directly reduces the funds they can allocate to their healthcare needs.

APPENDIX A: INTEREST RATE SCHEDULE[51]

This table reports the HSA interest rate schedules for 10 of the largest HSA trustees. For trustees with interest rate schedules categorized as “entire balance,” when an HSA balance reaches the specified threshold, the interest rate on that tier applies to the entire balance. Conversely, for trustees that have interest rate schedules categorized as “progressive,” the disclosed interest rate only applies to the funds held within that tier.

Trustee	Schedule Type					
Associated Bank	Entire balance	0.12% $1	0.15% $2.5k	0.18% $7.5k	0.25% $15.0k	
Bank of America	Entire balance	0.10% $1	0.30% $2.5k	0.70% $10.0k		
Fidelity	Entire balance	2.69% $1				
First American Bank	Entire balance	0.10% $1	0.25% $1.0k	0.50% $5.0k	0.75% $50.0k	1.00% $100.0k
HealthEquity	Progressive	0.05% $1	0.10% $2.0k	0.20% $7.5k	0.40% 10.0k	
HSA Bank	Progressive	0.05% $1	0.15% $5.0k	0.30% $25.0k	0.50% $50.0k	
Lively	Entire balance	0.01% $1	0.03% $2.5k	0.05% $5.0k	0.08% $7.5k	0.10% $10.0k
Optum	Progressive	0.01% $1				
Saturna	Entire balance	0.05% $1	0.10% $5.0k	0.15% $10.0k	0.20% $25.0k	0.50% 50.0k
UMB	Entire balance	0.05% $1	0.10% $5.0k	0.15% $15.0k	0.20% $25.0k	0.50% $50.0k

[51] Reporting interest rate schedules for 10 of the largest HSA trustees evaluated by Morningstar. *See* “2023 Health Savings Account Landscape,” *Exhibit 16*. Morningstar. 2023. https://www.morningstar.com/lp/hsa-landscape.

APPENDIX B: INVESTING HSA FUNDS

Investment options are often only available to consumers that meet a certain balance threshold. Additionally, consumers often incur investment fees. Fee schedules from HealthEquity and Optum suggest that they charge a 0.03 percent monthly fee, with a $10 cap, which benefits consumers with higher balances. HSA Bank has a minimum fee of $1.50 per month, which, again, means consumers with higher balances incur lower fees as a proportion of total balances. The table below reports the minimum balance investment threshold and investment fee for the four largest HSA trustees.

Category	HealthEquity	Optum	Fidelity	HSA Bank
Minimum Balance Investment Threshold	$500	$2,000	N/A	$1,000
Investment Fee	0.03% monthly fee ($10 cap)	0.03% monthly fee ($10 cap)	N/A	0.075% quarterly fee ($1.50 min)

Source: Publicly available disclosures from provider websites[52]

[52] For HealthEquity, *see*: https://www.healthequity.com/hsa/investment; https://www.healthequity.com/doclib/regence-washington/general/employer-service-fees.pdf; www2.healthequity.com/doclib/SOM_FeeSchedule.pdf; https://www2.healthequity.com/hsabank/members/. For Optum, *see*: https://enrollhsa.optumbank.com/feeschedule/1/2Bq2Zd%2FwynnsBPfshuuclb7Wb2tDyVzGFl4ZxYgiVNc%3D; https://thehsareportcard.com/optum-bank. For Fidelity, *see*: https://www.fidelity.com/go/hsa/faqs. For HSA Bank, *see*: https://www.hsabank.com/~/media/Files/CDH/fees/fees_standard_2_50_stdbw_c_gp_090518.ashx; https://thecollegeinvestor.com/34933/hsa-bank-review/; https://thehsareportcard.com/hsa-bank/. HSA Bank's investment fee is assessed only on the first $50,000 of investment account balance. There is a minimum fee of $1.50 per quarter.