

## Transformation

# HSAs through a gender lens

21 August 2023

### Key takeaways

- In a recent survey, 61% of pre-retirees reported being concerned about having enough money to pay for healthcare in retirement. And estimates show that an average 65-year-old couple retiring today will need about \$296,000 to cover out-of-pocket healthcare costs in retirement.
- It is no wonder then, how since first being introduced in 2003, Health Savings Accounts (HSAs) have grown to \$104 billion in assets and 35.5 million accounts at year-end 2022 - a 24% annual growth rate over the past 16 years.
- However, is there more to this growth? A recent Bank of America Chief Investment Office report, [2023: Gender Lens in Health Savings Accounts](#), aims to understand the potential gender and generational differences in the financial behavior and actions of plan participants.

### What is a Health Savings Account?

Since first being introduced in 2003, Health Savings Accounts (HSAs) have grown to \$104 billion in assets and 35.5 million accounts at year-end 2022—a 24% annual growth rate over the past 16 years.<sup>1</sup> And US healthcare spending continues to grow at a staggering pace. As discussed in our recent [Physician enablement: Value-based care](#) publication, over the past few decades, health spend has tripled from approximately 6% of GDP in 1970 to nearly 20% in 2020, while comparable developed countries have "only" doubled to 11%.

With the cost of healthcare on the rise, HSAs are one mechanism to potentially help save money, reduce medical inflation, and give patients more choice and control. An HSA is a resource for employees to manage and fund their immediate and long-term healthcare expenses. It is a potentially tax-advantaged personal savings account that helps those with a high-deductible health plan (HDHP) contribute money that can be used to pay for out-of-pocket medical expenses like doctor visits, vision and dental care and prescriptions. Typically, participants contribute funds into an HSA on a pre-tax basis through payroll deductions to save for current and future medical expenses, and employers can fund HSAs with contributions, too.

How much of a concern is the cost of healthcare? In one survey, 61% of pre-retirees reported being concerned about having enough money to pay for healthcare in retirement.<sup>2</sup> And estimates show that an average 65-year-old couple retiring today will need about \$296,000 to cover out-of-pocket healthcare costs in retirement.<sup>3</sup>

### Mind the gap

A recent Bank of America Chief Investment Office report, [2023: Gender Lens in Health Savings Accounts](#), was conducted to aid in understanding potential gender differences in the financial behavior and actions of plan participants. It is estimated that a healthy woman's lifetime healthcare insurance premiums are nearly \$200,000 higher than those of a healthy man.<sup>4</sup> That gap heightens the importance of women carefully planning to help cover their present and future medical expenses, which is particularly important given the fact that women's longevity is generally greater than men.<sup>5</sup>

<sup>1</sup> 2022 Year-End Devenir Health Savings Account Research Report.

<sup>2</sup> Society of Actuaries Research Institute, 2021 Retirement Risk Survey Brief Report: Identifying Retirement Risks and Trends, October 2022.

<sup>3</sup> EBRI "Projected Savings Medicare Beneficiaries Need for Health Expenses Spike in 2021", January 20, 2022. Note: These costs include deductibles, copays and premiums for Medicare Part A, Part B and Part D, as well as Medigap insurance costs. They do not include services not covered by Medicare, such as over-the-counter medications and most dental services.

<sup>4</sup> HealthView Services, "Addressing the Women's Longevity Gap," September 2020 (most current data available).

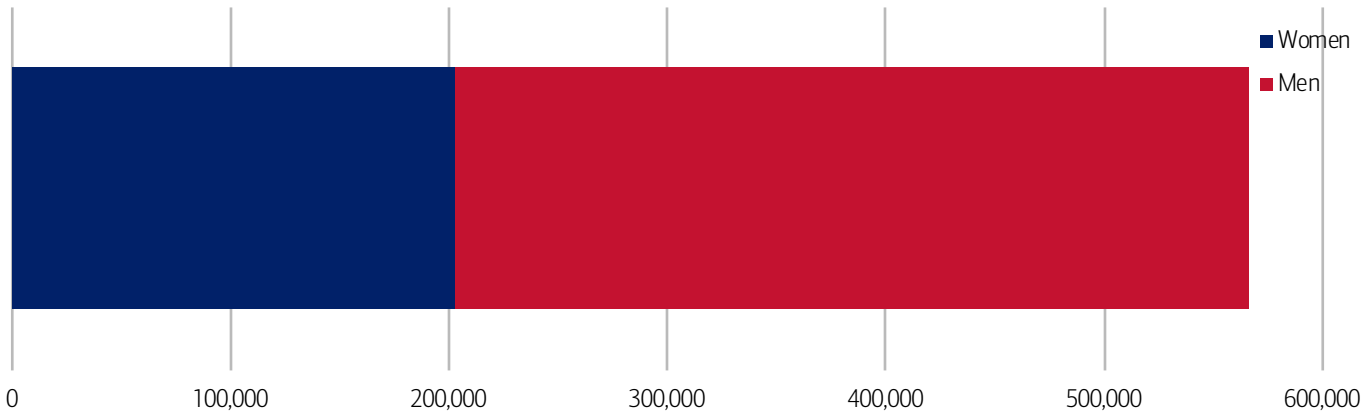
<sup>5</sup> According to the Social Security Administration: [www.ssa.gov/planners/lifeexpectancy](http://www.ssa.gov/planners/lifeexpectancy), at age 65, women can expect to live an average of 21.8 more years and men an average of 19.1 more years.

## Women’s and men’s HSA utilization rates are comparable

Of the 565,791 HSA participants in the bank’s study, there were 202,574 women with an HSA versus 363,217 men, as shown in Exhibit 1. The utilization rates of these participants were slightly lower for women, at 85%, than for men, at 89%. Exhibits 2 and 3 show the distribution of HSA participants by gender and generation. Most HSA participants are Millennial, Generation X and Baby Boomers, with little difference by gender for each age segment. Note that less than 1% of HSA participants are Gen Z.

### Exhibit 1: Number of HSA participants by gender

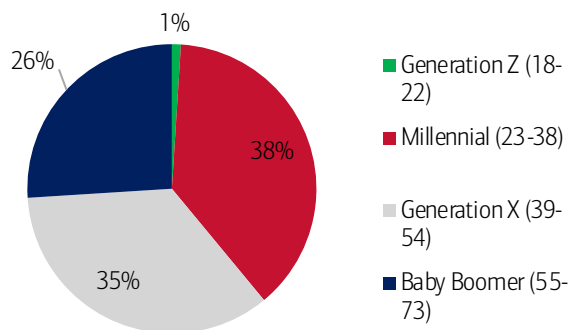
In the study, men outnumber women as HSA participants



Source: Bank of America, December 2022. Based on the records of 565,791 HSA participants. Calculations by Chief Investment Office.

### Exhibit 2: Distribution of HSA participants by generation for men

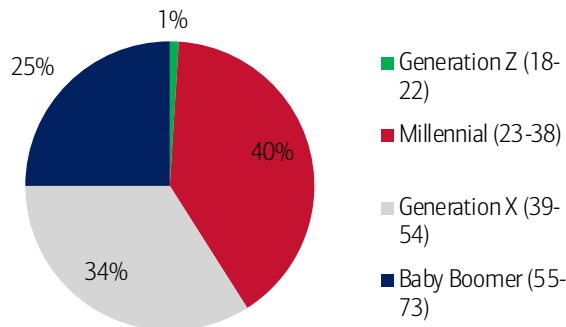
Men who participate in HSAs have a fairly even split across generations



Source: Bank of America, December 2022. Based on the records of 565,791 HSA participants. Calculations by Chief Investment Office.

### Exhibit 3: Distribution of HSA participants by generation for women

Women share a similar breakdown in distribution of HSA participants as men



Source: Bank of America, December 2022. Based on the records of 565,791 HSA participants. Calculations by Chief Investment Office.

## Contributions

Employers may contribute to HSA accounts, so an employee does not necessarily need to contribute. Of those active HSA participants, about 70% contributed in 2022, and the percentage of women and men actively contributing was similar. However, the percentage of participants making the maximum contribution was low, under 10%, for both women and men.<sup>6</sup>

Across various generation groupings the contributions were lower for women versus men, most notably in Generation X and Baby Boomers. And overall, a higher percentage of Gen Z, Millennials and Gen Xers contributed than Baby Boomers (Exhibit 4), yet a larger percentage of Baby Boomers and Generation X are contributing the maximum amount (Exhibit 5).

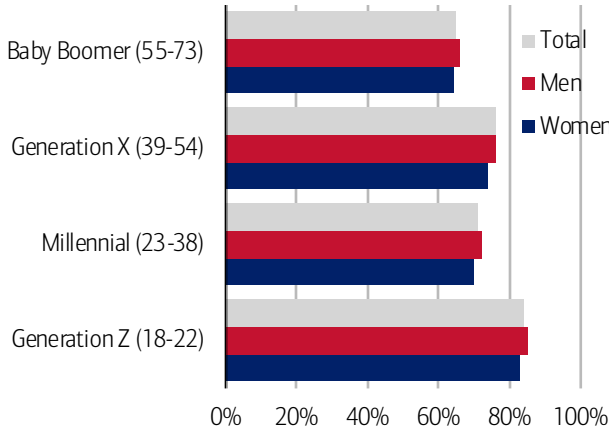
HSA contributions for men were greater than for women at the median and 75th percentile, as shown in Exhibit 6. The median annual HSA dollar contribution was \$1,100 for women versus \$1,300 for men and the average was \$2,000 for women versus

<sup>6</sup> The maximum contribution limit is based on 2022 contribution limits. Those covered by an individual plan could contribute up to \$3,650 annually, while those covered by a family plan could contribute up to \$7,300. If offered, employer contributions count toward these maximums. Individuals aged 55 and older can contribute an additional \$1,000 each year.

\$2,300 for men. Interestingly, the average participant contribution was higher than industry studies as evidenced by the recent Employee Benefit Research Institute (EBRI) report, which reported an average participant annual contribution of \$927.11.<sup>7</sup>

**Exhibit 4: Percentage making an HSA contribution by gender and generation**

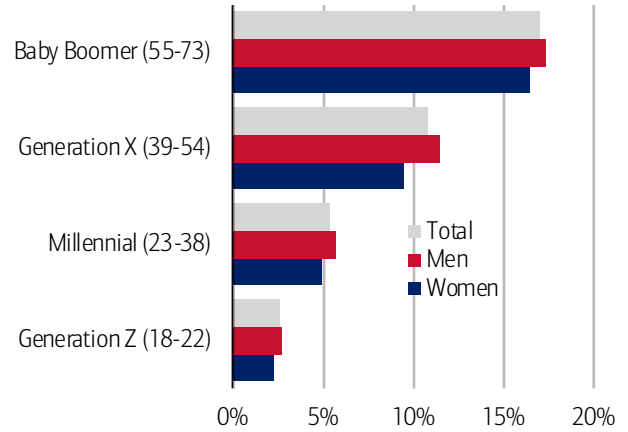
A higher percentage of Gen Z, Millennial and Gen X cohorts contributed than Baby Boomers across gender



**Source:** Bank of America, December 2022. Based on the records of 565,791 HSA participants. Calculations by Chief Investment Office.

**Exhibit 5: Percentage making the maximum HSA contribution by gender and generation**

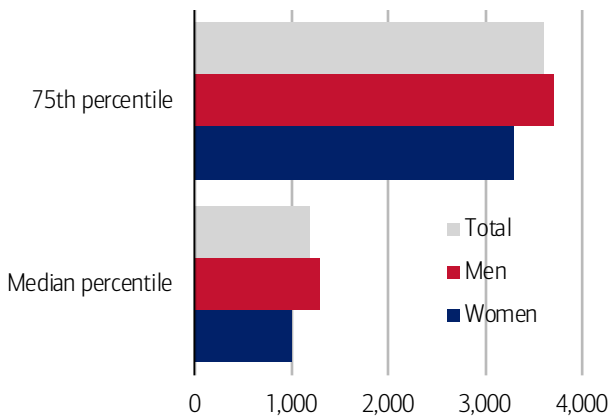
Yet, a larger percentage of Baby Boomers and Gen X are making the maximum contribution to an HSA



**Source:** Bank of America, December 2022. Based on the records of 565,791 HSA participants. Calculations by Chief Investment Office. Note: The above analysis is based on 2022 contribution limits. Those covered by an individual plan could contribute up to \$3,650 annually, while those covered by a family plan could contribute up to \$7,300. If offered, employer contributions count toward these maximums. Individuals aged 55 and older can contribute an additional \$1,000 each year.

**Exhibit 6: HSA contribution amount by gender and wealth percentile (\$)**

HSA contributions for men were greater than for women at the median and 75th percentile.



**Source:** Bank of America, December 2022. Based on the records of 565,791 HSA participants. Calculations by Chief Investment Office. Note: The above analysis is based on 2022 contribution limits. Those covered by an individual plan could contribute up to \$3,650 annually, while those covered by a family plan could contribute up to \$7,300. If offered, employer contributions count toward these maximums. Individuals aged 55 and older can contribute an additional \$1,000 each year.

**Distributions**

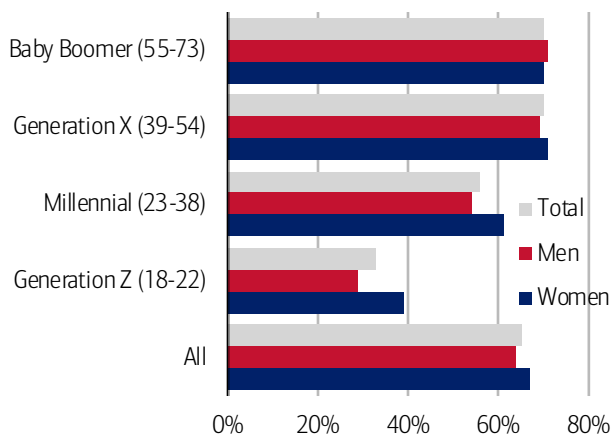
While two-thirds of HSA participants took a distribution in 2022, the study found that women are more likely to take distributions than men. Sixty-seven percent of women took a distribution versus 64% of men, and a higher percentage of Generation X and Baby Boomers took a distribution than Millennials (Exhibit 7).

<sup>7</sup> EBRI "Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2021" February 23, 2023.

From a dollar amount perspective, HSA distribution amounts for women and men were similar. The median HSA dollar distribution was \$500 for women versus \$497 for men while the average was \$1,400 for women versus \$1,700 for men – in line with the EBRI industry report.<sup>8</sup> For the Generation X and Baby Boomer groups, the distributions were lower for women than for men, as shown in Exhibit 8.

**Exhibit 7: Percentage making an HSA distribution by generation and gender**

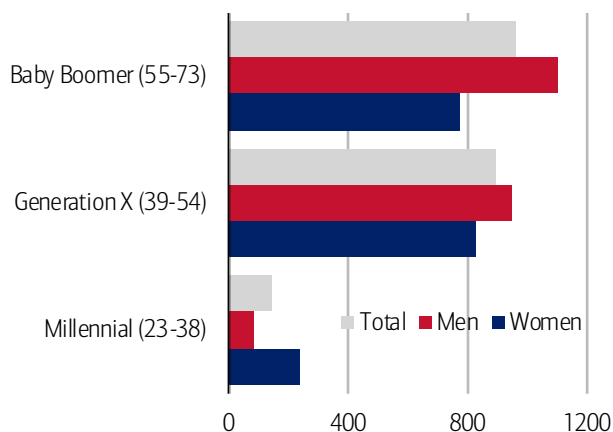
A higher percentage of Generation X and Baby Boomers took a distribution than Millennials



Source: Bank of America, December 2022. Based on the records of 565,791 HSA participants. Calculations by Chief Investment Office.

**Exhibit 8: HSA distribution amount by gender and generation (\$)**

Millennial women outpace men in HSA distribution amounts



Source: Bank of America, December 2022. Based on the records of 565,791 HSA participants. Median values are shown. Calculations by Chief Investment Office.

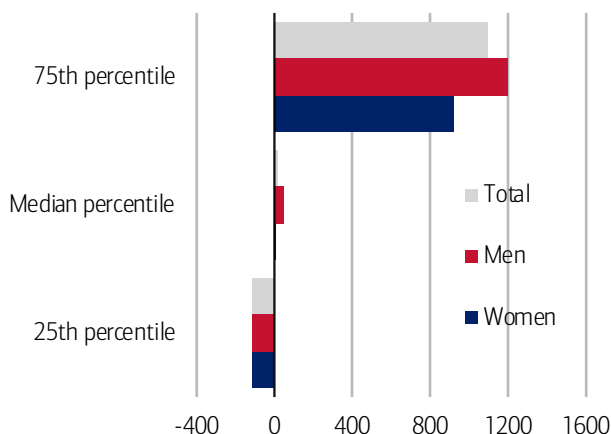
**Savers versus spenders**

Fifty-two percent of HSA participants had positive “in-year” net savings in 2022 (contributions higher than withdrawals) with similar savers between genders. For both women and men, higher percentages of Generation Z were saving than Millennial, Generation X and Baby Boomers, according to the study.

HSA savings for women were lower than for men across percentiles, as shown in Exhibit 9. The median HSA net dollar savings was only \$1 for women versus \$47 for men and the average was \$512 for women versus \$640 for men. And across generational groupings, saving was lower for women than for men, as shown in Exhibit 10. Notably, 25% of participants withdrew more than they contributed in 2022.

**Exhibit 9: HSA savings amount by gender (\$)**

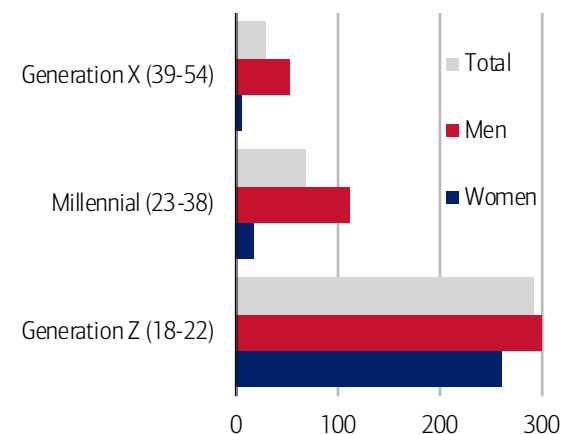
Women lagged men in savings amount across wealth percentiles



Source: Bank of America, December 2022. Based on the records of 565,791 HSA participants. Calculations by Chief Investment Office.

**Exhibit 10: HSA savings amount by gender and generation (\$)**

Higher percentages of Generation Z were saving than all other generations across gender



Source: Bank of America, December 2022. Based on the records of 565,791 HSA participants. Median values are shown. Calculations by Chief Investment Office.

<sup>8</sup> EBRI “Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2021,” February 23, 2023.

## Women’s cash and investment balances lag

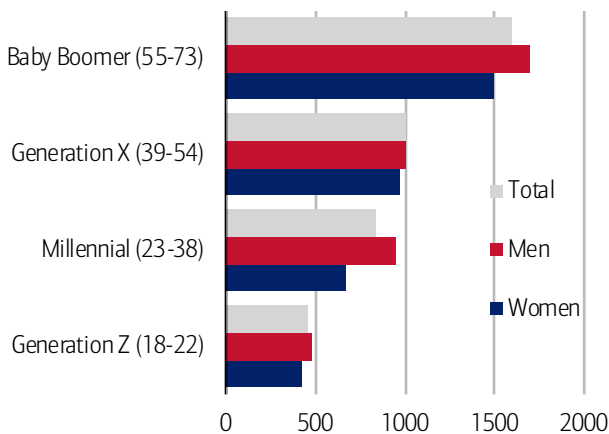
HSA’s offer participants the ability to save balances longer term and invest those balances in more diversified investments. Even with that ability, over 90% of HSA participants hold a significant part of their account balance in cash or highly liquid investments, with the percentages of women and men about the same. The study also found that there were also no generational differences in HSA cash balances.

The *median* HSA cash balance for women and men was comparable at about \$1,000, while the *average* was \$2,800 for women versus \$3,200 for men. HSA cash balances of women were lower than those of men across all generation groups, as shown in Exhibit 11. Relative differences between women and men were greatest for Millennials where the median balance for women was \$675, about two-thirds that of men, at \$951.

On the flip side, however, fewer than one in five participants maintained an investment balance; however, this is greater than an industry study that shows only 12% of participants invested in assets other than cash.<sup>9</sup> Only 13% of women and 19% of men maintained an investment balance, but a larger portion of Baby Boomers and Generation X had an investment balance over Millennials and Gen Z.

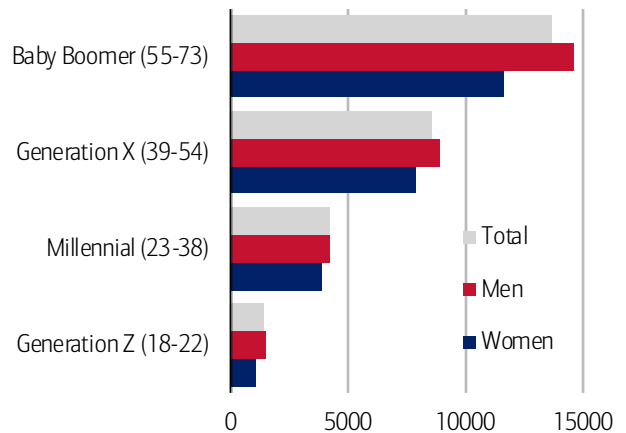
The *median* HSA investment balance for women was \$6,900 versus \$7,900 for men and the average was \$12,700 for women versus \$15,000 for men. HSA investment balances of women were lower than those of men across all generation groups as shown in Exhibit 12. Similar to what we discussed in [Working life inequality spills into retirement](#), this difference could be attributed to less aggression amongst women when it comes to their investing strategy, including their HSA balance. Relative differences between women and men were greatest for Baby Boomers where the median balance for women was \$11,600, about 80% of that for men at \$14,600.

**Exhibit 11: HSA cash balance amount by gender and generation (\$)**  
HSA cash balances of women were lower than those of men across all generation groups



**Source:** Bank of America, December 2022. Based on the records of 531,843 HSA participants. Median values are shown. Calculations by Chief Investment Office.

**Exhibit 12: HSA investment balance amount by gender and generation (\$)**  
Across all generations, women’s HSA investment balances fell short of men’s



**Source:** Bank of America, December 2022. Based on the records of 96,184 HSA participants. Median values are shown. Calculations by Chief Investment Office.

<sup>9</sup> EBRI “Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2021,” February 23, 2023.

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## **Sources**

### **2023: Gender Lens in Health Savings Accounts, Bank of America**

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