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Study: Customers investing more in health savings accounts

By [Beth Fitzgerald](#)

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Money is flowing into health savings accounts, which permit individuals to save money tax-free to pay medical bills, according to a new study by **J.P. Morgan Treasury Services**, which manages more than 530,000 HSAs worth about \$800 million nationwide.

HSAs have become an "integral part of helping Americans save and pay for medical expenses," according to J.P. Morgan, which found that by the end of 2009, 45 percent of its HSA customers had more than \$1,000 in their accounts — up from 35 percent a year earlier. During that time, the percentage of accounts with balances over \$2,000 also increased, from 20 percent to 31 percent, and last year, 68 percent of account holders contributed more to their HSAs than they spent each month.

The study found most HSA account holders — 52 percent — invest the money that they have saved in these accounts in stock market mutual funds.

HSAs are part of the movement to encourage Americans to become better consumers of health care. They are paired with high-deductible health insurance policies that, in exchange for lower premiums, may require individuals to pay the first \$2,500 of their medical bills, while families pay \$5,000. Employers and their workers put money into the HSA tax-free, and that money can be used to pay the deductibles.

As long as the money is used for medical expenses, no taxes are paid. On Jan. 1, the penalty for withdrawing money from an HSA for non-medical purposes will rise to 20 percent, though after age 65, individuals can withdraw the money without penalty, pay the taxes, and use the cash for any purpose.

David Oscar, benefit consultant at **Altigro**, in Fairfield, said more than 30 percent of his clients offer HSA accounts to their employees. Until recently, employers were paying lower premiums for the high-deductible policies, then using the savings to fund employee HSAs.

But Oscar said premiums are rising on these high-deductible policies — with some of his clients seeing increases of 20 percent and 30 percent this year. Neither use of the health care system nor the cost of care have declined; in fact, both have risen, pushing up premiums, Oscar said.

"A lot of people are managing their health care better, but in the grand scheme of things, utilization has not gone down," he said.

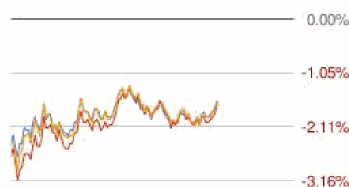
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