2024 Health Savings Account Landscape

Morningstar Manager Research
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Executive Summary

Health savings accounts continue to grow in popularity and to improve. Total HSA assets rose by a factor of 22 from 2006 through 2023 to about USD 123 billion.[1] The spread of high-deductible health insurance plans—the only place where participants can use HSAs—and the accounts' plentiful tax benefits have fueled this growth. Meanwhile, plans have gotten better in important ways. Both investment and spending account fees have continued to decline, for example, and investment option quality keeps improving.

HSA transparency and ease of use could still improve, though, and costs—particularly investing and custodial fees—could drop further. The process of investigating, signing up for, and funding accounts remains complicated. Fewer top providers charge maintenance fees, but some still do—and they often require minimum account balances before participants can invest. Most providers also pay paltry interest rates on spending account balances below relatively lofty levels, even two years after rates began rising.

Morningstar evaluated 11 of the top HSA providers offered to individuals on two different use cases: as spending accounts for current medical costs and as long-term investment accounts. Just four providers—Fidelity, HealthEquity, HSA Bank, and Saturna—earned Above Average assessments or better on both scenarios. New to this year's report: NueSynergy, a business service provider that is expanding its HSA offerings nationally.

Morningstar does not assess employer-offered HSAs, as details can vary depending on employer/provider relationships and headcount.

Nine of the 11 providers responded to our surveys; we relied on publicly available data this year for previous survey respondents Bank of America and Optum, who did not respond this year.

1 Devenir 2023 HSA Market Statistics & Trends.

Exhibit 1 Morningstar Assessments of HSAs as Spending Accounts

Provider	Overall	Score	Maintenance Fee	Score	Interest Rate	Score	Additional Fees	Score
Fidelity	High	5.0	High	5	High	5	High	5
First American Bank	Above Average	4.1	High	5	Below Average	2	Average	3
HealthEquity	Above Average	3.8	High	5	Low ↓	1	Average	3
HSA Bank	Above Average	3.8	High	5	Low	1	Above Average	4
Lively	Above Average	3.8	High	5	Low	1	High	5
Saturna	Above Average ↑	3.8	High ↑	5	Low	1	Above Average	4
UMB	Above Average	3.8	High	5	Low	1	Above Average ↑	4
Associated Bank	Average	3.4	Above Average ↑	4	Below Average	2	Above Average	4
NueSynergy	Average	3.1	Above Average	4	Low	1	Above Average	4
Optum	Below Average ↓	2.4	Average ↓	3	Low	1	Above Average	4
Bank of America	Below Average	2.0	Below Average	2	Below Average	2	Above Average ↓	4

↑ = Upgrade since last year, ↓ = Downgrade since last year.

Source: Morningstar, Inc. Assessments as of Aug. 31, 2024. Note: High or Above Average assessments for Maintenance Fee or Additional Fees indicate attractive fees, while Low or Below Average assessments indicate unattractive fees. The Additional Fees score is listed above for investors' convenience but is not considered in the overall assessment. Overall scores may appear slightly larger or smaller than the sum of the components because of rounding.

Exhibit 2 Morningstar Assessments of HSAs as Investment Accounts

Provider	Overall	Score	Menu Design	Score	Quality of Investments	Score	Price	Score	Investment Threshold	Score
Fidelity	High	4.6	Above Average	4	Above Average	4	High	5	High	5
HealthEquity	Above Average	4.2	Average	3	Above Average	4	High	5	Above Average	4
HSA Bank	Above Average ↑	3.8	Above Average ↑	4	Above Average	4	Above Average ↑	4	Average	3
NueSynergy	Above Average	3.8	Average	3	High	5	Above Average	4	Average	3
Saturna	Above Average ↑	3.6	High ↑	5	High	5	Below Average	2	Above Average	4
Associated Bank	Average ↓	3.4	High	5	Above Average	4	Below Average ↓	2	Above Average	4
Bank of America	Average	3.2	Average	3	Above Average	4	Average	3	Average	3
First American Bank	Average	3.2	Average ↑	3	Above Average	4	Average	3	Average	3
Lively	Average	3.2	High	5	Above Average	4	Low ↓	1	High	5
UMB	Average	3.0	Below Average	2	Above Average	4	Average ↓	3	Average	3
Optum	Average	2.8	Average	3	Above Average	4	Average ↑	3	Low ↓	1

↑ = Upgrade since last year, ↓ = Downgrade since last year.

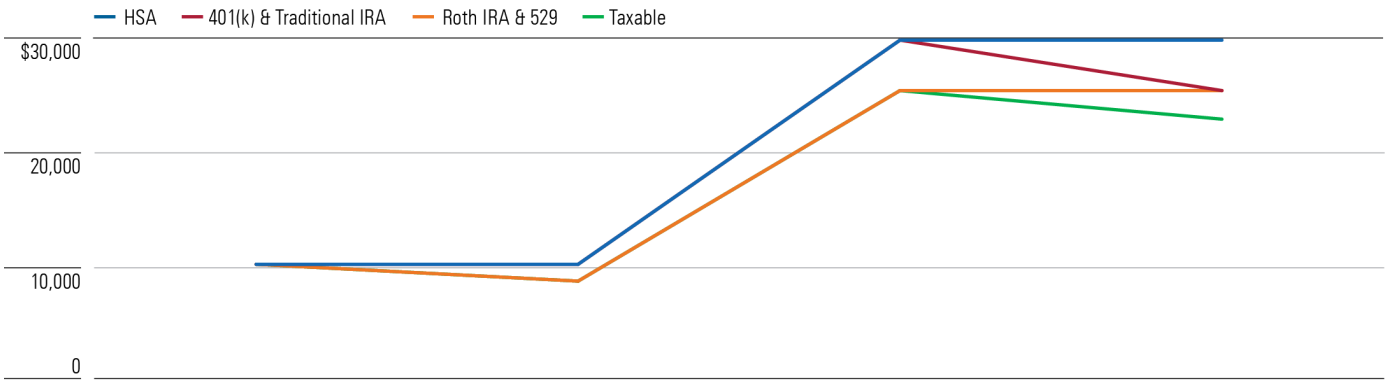
Source: Morningstar, Inc. Assessments as of Aug. 31, 2024. Note: High or Above Average assessments for Price indicate attractive fees, while Low or Below Average assessments indicate unattractive fees. A High assessment for Investment Threshold indicates no investment threshold exists, while a Low assessment indicates an investment threshold of USD 2,000. Overall scores may appear slightly larger or smaller than the sum of the components because of rounding.

HSA Features

Tax Benefits

HSAs offer exceptional tax advantages—better than those of 401(k)s, IRAs, and 529 plans. HSA contributions are tax-deductible, and growth, dividends, and interest are tax-exempt. Furthermore, withdrawals for qualified medical expenses incurred at any time are tax-free. Exhibit 3 shows the tax impact on a USD 10,000 investment in each account type including a regular taxable account, assuming a consistent marginal tax rate of 15% and a cumulative 20-year return of 200%. Also, there's no penalty for having saved money over and above medical expenses in an HSA during the participant's lifetime, and withdrawals after age 65 are taxed the same as IRAs and 401(k)s. One caveat: Withdrawals before age 65 that aren't for qualified medical expenses trigger a 20%-plus income tax.

Exhibit 3 Triple Tax Benefit



	Pretax Amount USD	Value After Contribution USD	Investment Growth USD	Withdrawal Amount USD
Tax Implications	HSA	Tax-deductible	Tax-free	Tax-free
	401(k) and Traditional IRA	Tax-deductible	Tax-free	Taxed
	Roth IRA and 529	Aftertax	Tax-free	Tax-free
	Taxable	Aftertax	*	Taxed

Source: Author calculations. Regular distributions (dividends and interest) are taxed; unrealized capital gains grow tax-free.

Contribution limits for HSAs are rising, broadening their appeal. Exhibit 4 shows the 2025 caps. Pending legislation in the US House of Representatives would widen HSAs' potential user base. The bill, as approved by the House Ways and Means Committee for consideration by the full House, would allow individuals to contribute to HSAs even if their spouses use flexible spending accounts. It would also allow participants to roll over funds from certain FSAs or health reimbursement arrangements into HSAs.

Exhibit 4 2025 Contribution and Limits for HSAs and HDHPs

2025 HSA/HDHP Details	Single ($)	Family ($)
HSA Contribution Limit (Aged 54 or Lower)	4,300	8,550
HSA Contribution Limit (Aged 55 and Above)	5,300	10,550
Minimum Deductible for Qualifying HDHP	1,650	3,300
Maximum Out-of-Pocket Expenses for HDHP	8,300	16,600

Source: Internal Revenue Service.

HDHPs are far more common than they were when HSAs were introduced, thus fueling asset growth (see Exhibit 11). Health savings accounts make such plans more attractive. Exhibit 5 demonstrates that HDHPs' lower insurance premiums and employer contributions to HSAs outweigh the lower maximum deductibles of other health insurance plans, like preferred provider organizations. And if an HDHP participant doesn't hit the maximum deductible each year, that money stays in the HSA, earning interest or seeking higher returns in other investment options. That said, high medical costs could keep participants from building up their HSA balances.

Exhibit 5 Comparing the Average HDHP and PPO Insurance Plans

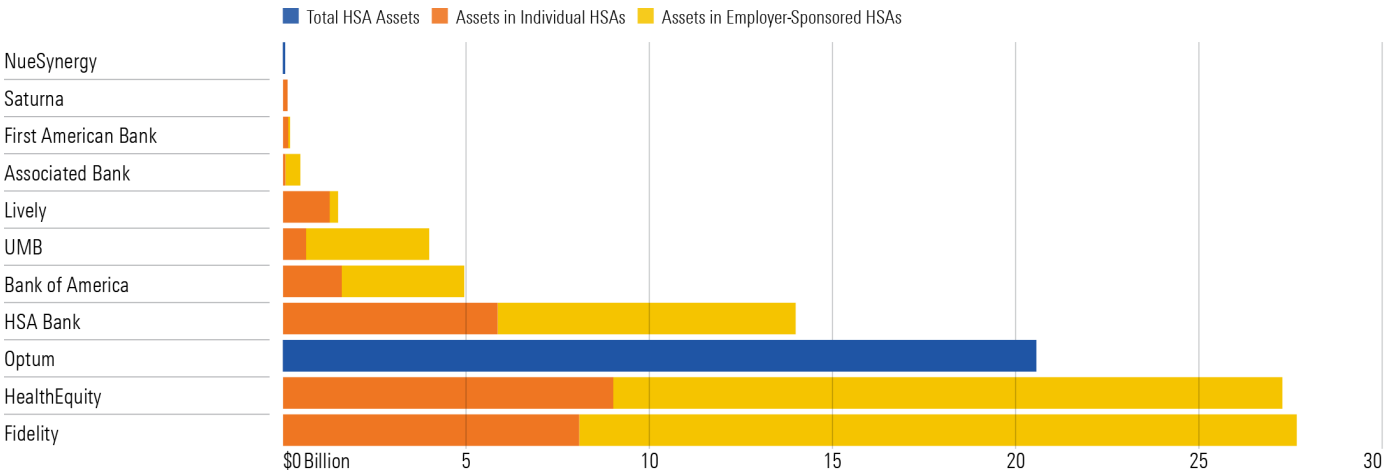
Insurance Plan	Annual Deductible ($)	Annual Worker Contribution to Premium ($)	Employer Contribution to HSA ($)
Average PPO	2,979	7,108	0
Average HDHP	4,909	5,302	1,203
Difference	-1,930	1,806	-1,203

Source: The Kaiser Family Foundation's 2023 Employee Health Benefits Survey.

Employer HSA Options

Individuals who are eligible to start HSAs should consider their employer's plan. Exhibit 5 shows many employers contribute to those accounts. That can help participants build savings. Exhibit 6 shows such accounts tend to garner more assets. (NueSynergy and Optum did not provide splits between individual and employer accounts.)

Exhibit 6 Assets in Individual and Employee Accounts (USD Billions)



Source: Morningstar, Inc. Data as of June 30, 2024. Bank of America and Optum assets as of June 30, 2023. NueSynergy and Optum only provided total assets.

Even after choosing an HSA, participants should look out for better options, as HSAs are more portable than 401(k)s for participants who stay with the same employer (see Exhibit 7). Many providers, however, charge a transfer fee of about USD 25 to move assets from one HSA to another, which can reduce the benefits of switching. Morningstar's HSA assessments can help participants decide whether to stay or switch.

Exhibit 7 HSA Transfer Options

Method	Account Funding	Transfer Mechanism	Tax Implications	Frequency
Transfer	Payroll Deduction	Provider > Provider	No	As needed
Rollover	Payroll Deduction	Provider > Employee > Provider	Potentially	Once every 12 months
Self	Self-Funded	Employee > Provider	Yes	As needed

Source: Morningstar.

Using an HSA for Investing

Many participants don't or aren't able to take advantage of HSAs' investing feature—an average of 74% of the clients of the surveyed providers only use their accounts for spending.

Participants may not be able to meet and maintain the minimum investment account balances most providers require. At the end of 2022, the average American spent roughly USD 13,500 on healthcare, according to the Centers for Medicare & Medicaid Services, which, for many HSA participants, would not leave much for longer-term investment.

For 2025, the maximum HSA contribution for an individual aged 54 or younger is USD 4,300.

Those who do use their HSAs as long-term investment accounts must consider factors that don't apply to standard retirement plans. Because at least some HSA money may be needed to cover sudden medical expenses, it makes sense to limit aggressive investments to a small portion of holdings. Exhibit 8 demonstrates the outcomes of three recent market downturns using mutual funds with varying risk levels that are staples of many HSA providers' investment menus. Each case assumes an HSA balance of USD 14,000, which is close to the average among surveyed providers. If participants need to use that money during downturns, they can lock in a loss of principal that could have grown in the future.

Exhibit 8 How Recent Selloffs Affected HSA Investing Account Balances

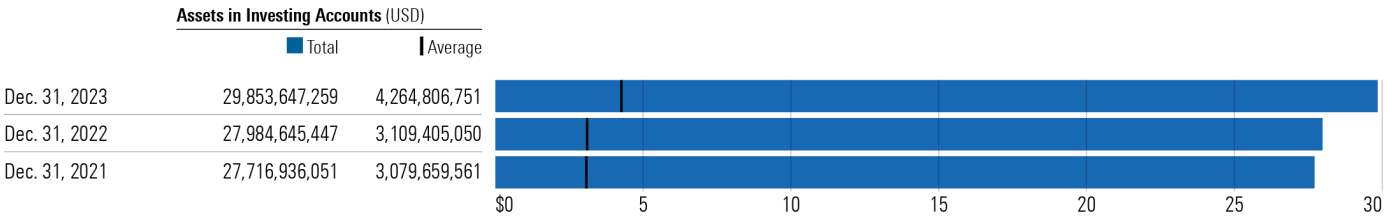
				2018 Q4 Selloff Sept. 18 – Dec. 24		**2020 COVID Turmoil** Feb. 20 – Mar. 23		**2022 Inflation Concerns** Jan. 1 – Dec. 31	
Fund Name	Ticker	Morningstar Medalist Rating	Equity Target (%)	Return (%)	Ending Balance ($)	Return (%)	Ending Balance ($)	Return (%)	Ending Balance ($)
Vanguard 500 Index	VFIAX	Gold	100	–19.4	11,287	–33.8	9,268	–18.2	11,459
Vanguard Target Retirement 2050	VFIFX	Silver	90	–16.2	11,734	–31.3	9,612	–17.5	11,556
Vanguard LifeStrategy Growth	VASGX	Silver	80	–14.3	11,995	–28.5	10,006	–17.1	11,607
Vanguard LifeStrategy Moderate Growth	VSMGX	Silver	60	–10.5	12,524	–22.4	10,859	–16.0	11,760
Vanguard LifeStrategy Conservative Growth	VSCGX	Silver	40	–6.6	13,072	–15.9	11,777	–15.0	11,901
Vanguard LifeStrategy Income	VASIX	Silver	20	–2.6	13,640	–8.9	12,750	–13.9	12,050

Source: Morningstar Direct.

Investors in HSAs Showed Resiliency in 2022 and Continued Saving in 2023

Broad equity and bond indexes, such as the S&P 500 and Bloomberg US Aggregate Bond Index, suffered double-digit declines in 2022. Despite these losses, both the total and average assets in HSA investing accounts among the providers Morningstar surveyed rose from the end of 2021 to the end of 2022. Those figures continued to grow in 2023 when equity and fixed-income returns were much more favorable. Most providers did not disclose average contributions and withdrawals in 2023, but most reported that the percentage of participants that started investing increased in 2021, 2022, and 2023.

Exhibit 9 HSA Investing Account Assets Continue to Rise



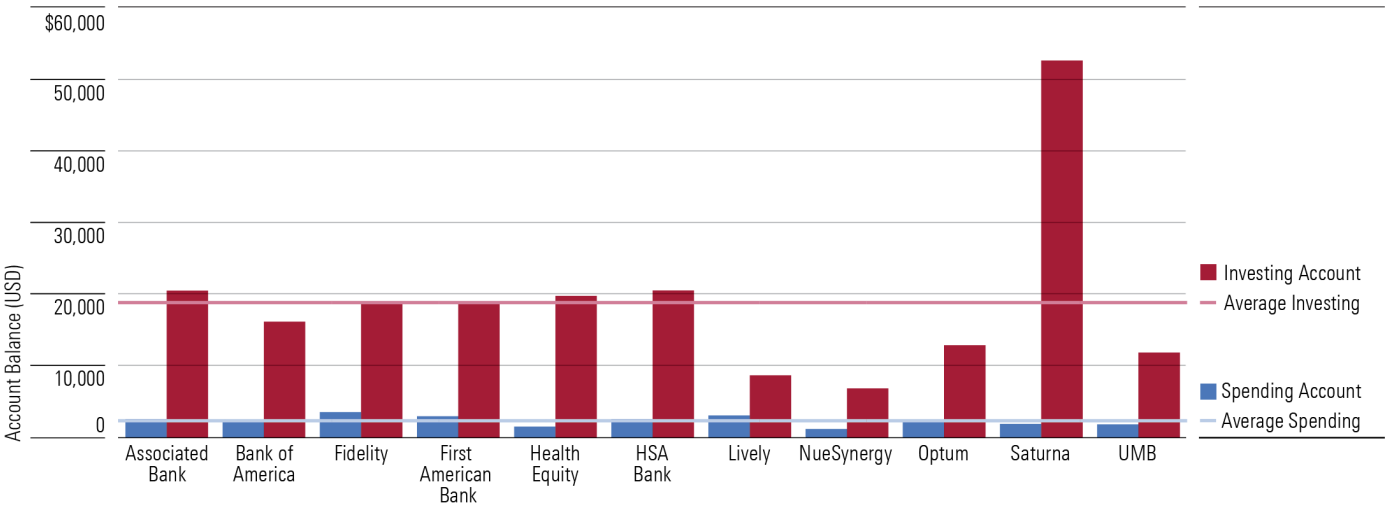
Source: Morningstar, Inc. Data as of June 30, 2024. Bank of America, NueSynergy, and Optum not included in 2023 data.

Encouraging More Participation

HSA providers and regulators can do more to motivate HSA participants to take advantage of their plans' investment features. While employers can automatically enroll employees in employer-sponsored retirement plans, the government has not yet allowed them to do the same for employees who are eligible for HSAs. Automatic enrollment has boosted retirement plan participation.[2]

Another barrier to increased HSA investing is that participants sometimes aren't aware of investment-account options. Providers could simplify the account-opening process and better teach participants both how to transfer between the two account types and about the benefits of long-term investing. Providers that offer better guidance and tools tend to have higher average investment account balances. Exhibit 10 shows investing and spending account balances for the surveyed providers; note that Saturna offered an investing-only HSA before launching a new offering in 2023.

Exhibit 10 Average Account Balances (USD)



Source: Morningstar, Inc. Data as of June 30, 2024. Bank of America and Optum data as of June 30, 2023.

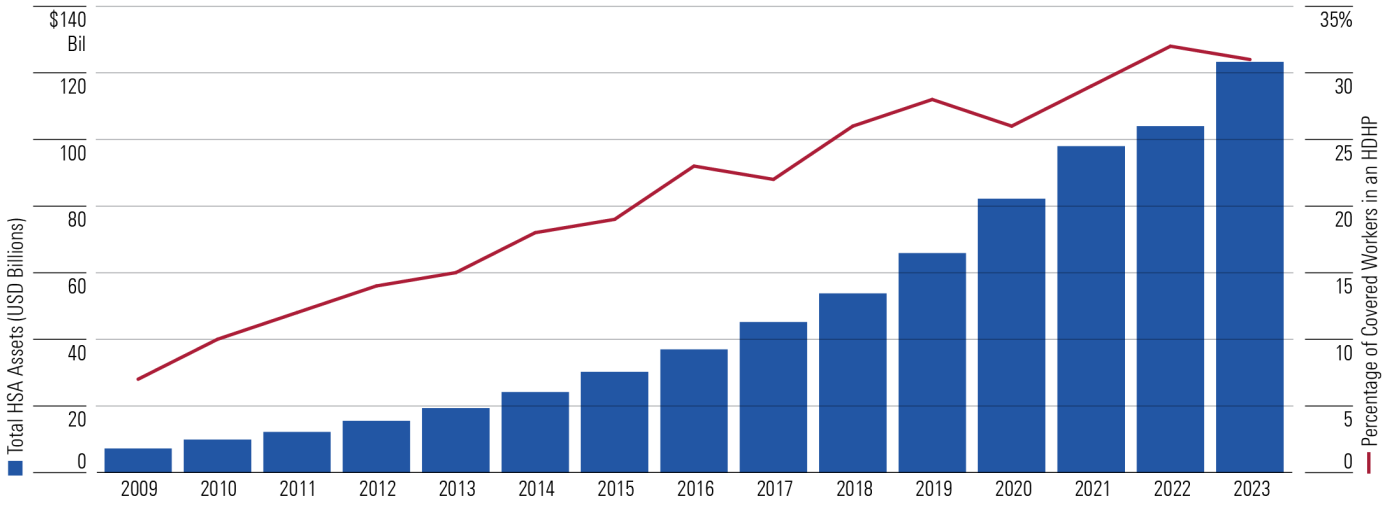
2 Automatic Enrollment's Impact on Retirement Savings, T. Rowe Price Retirement Plan Services.

Many HSA providers also require minimum account balances before participants can invest. Given the relatively low USD 2,500 average spending account balance among surveyed providers, many participants may fall short of those investment thresholds.

Industry Leaders and Asset Growth

HSAs were introduced in 2003 to make high-deductible health plans more attractive. Exhibit 11 suggests that strategy has worked. The increasing adoption of HDHPs has coincided with HSA asset growth. The percentage of workers in employer-sponsored medical insurance plans that have chosen HDHPs grew from roughly 7% in 2006 to 32% by the end of 2022, before slipping to 31% in 2023. Over the same period, HSA assets rose from about USD 5 billion to USD 123 billion.

Exhibit 11 Growth of HSA Assets and Percentage of Covered Workers With a High-Deductible Health Plan

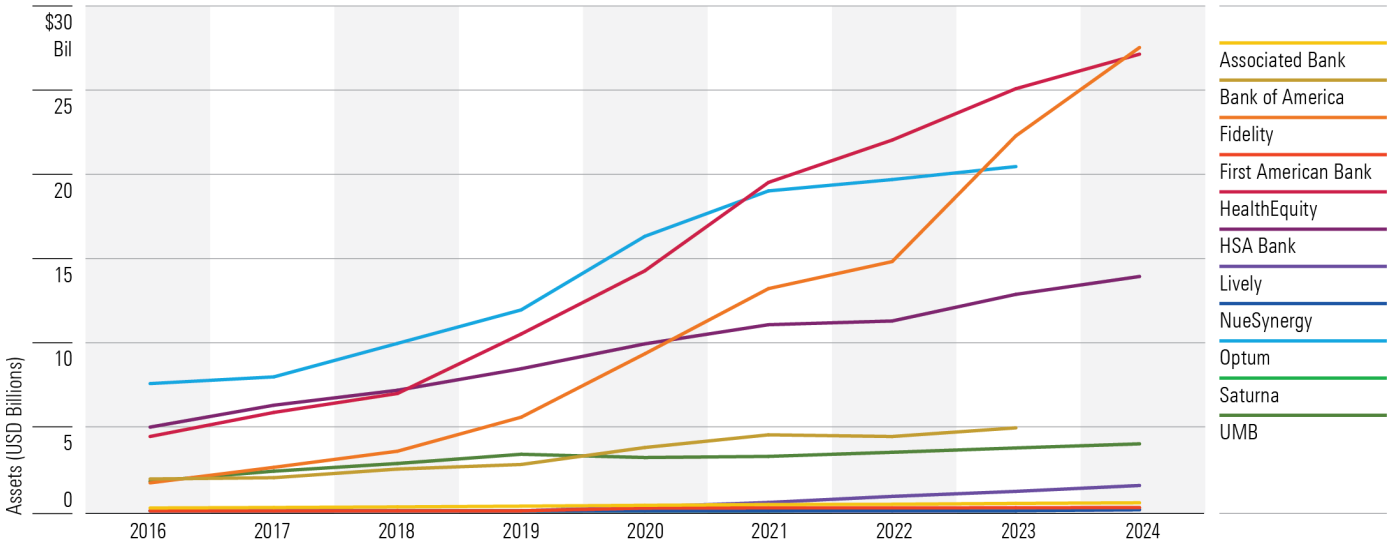


Sources: Devenir and the Kaiser Family Foundation's Employer Health Benefits 2023 Annual Survey. Data as of Dec. 31, 2023.

Four providers have dominated the HSA industry: HealthEquity, Optum, Fidelity, and HSA Bank. However, Exhibit 12 shows HSA Bank has lost ground to the other three.

HealthEquity, which has grown in part through multiple acquisitions, passed Optum in 2021. The growth of Fidelity's six-year-old accounts, which offer industry-leading interest rates, have found a new gear since interest rates rose in 2022 and 2023. Bank of America and Optum declined to fill out surveys this year, so their asset data is from June 2023 when they ranked second and first, respectively, in assets among surveyed providers. But Fidelity's June 2024 asset total has at least surpassed those figures.

Exhibit 12 Total HSA Assets by Provider (USD Billions)



Source: Morningstar, Inc. Data as of June 30, 2024.

The HSA industry consolidated significantly from mid-2019 to mid-2022; providers that this paper used to cover, including HSA Authority, have been acquired, though there haven't been any major deals since interest rates started rising two years ago.

Exhibit 13 Ongoing Consolidation in the HSA Industry

Date	Acquirer	Acquiree	HSA Assets ($USD Billions)
8/30/19	HealthEquity	WageWorks	1.70
9/29/21	HealthEquity	Fifth Third HSA portfolio	0.49
11/1/21	HealthEquity	Further	1.90
2/18/22	HSA Bank	Bend	0.02
3/2/22	HealthEquity	HealthSavings HSA portfolio	1.30
6/1/22	Millennium Trust	PayFlex	3.70
6/27/22	UMB	HSA Authority	0.50

Source: Corporate filings. Data as of June 30, 2024.

Spending Account Analysis

Best practices for spending accounts:

- No ongoing maintenance fees.
- Competitive interest rates on account balances.
- Few or no additional fees.
- FDIC insurance on the spending account.

Summary of Spending Account Assessments

Participants use HSAs as spending accounts far more often than they do as investment platforms, so it's important to evaluate spending account features. Some aspects of such accounts are becoming more attractive. Rising interest rates have allowed them to pay higher interest, and fewer providers charge an ongoing maintenance fee now than in the past.

Exhibit 14 Morningstar Assessments of HSAs as Spending Accounts

Provider	Overall	Score	Maintenance Fee	Score	Interest Rate	Score	Additional Fees	Score
Fidelity	High	5.0	High	5	High	5	High	5
First American Bank	Above Average	4.1	High	5	Below Average	2	Average	3
HealthEquity	Above Average	3.8	High	5	Low ↓	1	Average	3
HSA Bank	Above Average	3.8	High	5	Low	1	Above Average	4
Lively	Above Average	3.8	High	5	Low	1	High	5
Saturna	Above Average ↑	3.8	High ↑	5	Low	1	Above Average	4
UMB	Above Average	3.8	High	5	Low	1	Above Average ↑	4
Associated Bank	Average	3.4	Above Average ↑	4	Below Average	2	Above Average	4
NueSynergy	Average	3.1	Above Average	4	Low	1	Above Average	4
Optum	Below Average ↓	2.4	Average ↓	3	Low	1	Above Average	4
Bank of America	Below Average	2.0	Below Average	2	Below Average	2	Above Average ↓	4

↑ = Upgrade since last year, ↓ = Downgrade since last year.

Source: Morningstar, Inc. Assessments as of Aug. 31, 2024. Note: High or Above Average assessments for Maintenance Fee or Additional Fees indicate attractive fees, while Low or Below Average assessments indicate unattractive fees. The Additional Fees score is listed above for investors' convenience but is not considered in the overall assessment. Overall scores may appear slightly larger or smaller than the sum of the components because of rounding.

Fidelity, for the third year in a row, is the only HSA provider to earn an overall assessment of High for its spending account features. The wide gulf between Fidelity's interest rate—2.69% on all balances—and those of the other 10 providers (none exceeded even 1.00%) drove most scoring differences. Although some of the 10 other providers paid more than they did before interest rates rose, none paid as much as the average FDIC-insured money market fund on average spending account balances.

Maintenance fees also are an important consideration. Seven of the 11 providers surveyed don't charge such a fee on any size account, the same as in 2023 and more than 2021's five. The number of additional fees remains stable, with most providers charging for a handful of services that participants may or may not use, such as a debit card replacement or paper statements.

Methodology

Exhibit 15 explains the factors that determine these assessments.

Exhibit 15 Spending Account Methodology Framework

	Criteria Evaluated	Best Practices	Scoring Framework		Weight
Maintenance Fees	Does the provider charge a monthly fee and waive it when assets hit a certain threshold? If so, does it waive all or part of the fee when assets reach a certain threshold?	Providers do not charge a maintenance fee regardless of the account's balance.	**High:**	No maintenance fee.	70%
			Above Average:	A maintenance fee less than $50 per year that's waived once assets reach $2,500.	
			Average:	A maintenance fee less than $50 per year that's waived once assets reach $5,000.	
			Below Average:	A maintenance fee less than $50 per year that's never waived or only waived once assets exceed $5,000.	
			Low:	A maintenance fee of $50 or more per year that's never waived or only waived once assets exceed $5,000.	
Interest Rate	What interest rates do providers offer on varying account balances?	The account's assets earn a reasonable interest rate.	Interest-rate scores are determined based on a provider's interest-rate schedule. Interest-rate scores are more subject to change year over year because it is a relative rank to other HSA providers in our report. We also compared interest rates offered by each provider with the average national savings account interest rate.		30%
Additional Fees	Does the provider levy other fees, such as for excess contributions or paper statements?	Providers do not have any one-off fees.	**High:**	No additional fees.	0%
			Above Average:	One to five additional fees.	
			Average:	Six to 10 additional fees.	
			Below Average:	Eleven to 15 additional fees.	
			Low:	Sixteen-plus additional fees.	
Overall Assessment	Our evaluations are limited to offerings with FDIC insurance. The HSA industry remains young, and FDIC insurance gives us—and participants—confidence that healthcare spending dollars are protected from a catastrophic event at the provider.		Score = (0.7*Maintenance Fee score) + (0.3*Interest Rate score)		

Source: Morningstar, Inc. Assessments as of Aug. 31, 2024.

Maintenance fees determine 70% of the overall assessment. Interest rates, which rose sharply in 2022 and early 2023, constitute the other 30%. We document the number of additional fees charged by providers, but they don't affect the scoring, as very few participants pay any of them, because they rarely make use of those services, according to our surveys. These weightings may change as the industry evolves.

High Assessments

Fidelity stands alone, and with good reason. It recently paid a 2.69% interest rate on all balances, while most other providers start with very low rates (often 0.10% or less) for small balances—and the average spending account was recently modest at roughly USD 2,500. Even the rates other providers pay for larger balances don't come close to Fidelity's payout. The firm also doesn't charge a maintenance fee.

Above Average Assessments

All six HSA providers at this level—First American, HealthEquity, HSA Bank, Lively, Saturna, and UMB—don't charge maintenance fees, either, but their spending account interest rates are minuscule at low balance levels. (See Exhibits 16 and 17.) None paid more than 0.20% on a spending account balance of USD 2,500. First American pays as much as 0.90% but only on account balances of USD 100,000 or more. Saturna earned an upgrade from Below Average a year ago because it eliminated its maintenance fee.

Average Assessments

Only Associated Bank and NueSynergy receive Average assessments. Associated waives maintenance fees for the first 12 months and then waives them on an ongoing basis for balances of USD 2,500 or more. Balances below that may pay as much as USD 36 annually. The bank paid an interest rate of 0.15% on a USD 2,500 balance. NueSynergy charges a USD 24 maintenance fee on balances below USD 2,500 and pays a 0.06% interest rate on USD 2,500 balances.

Below Average Assessments

Bank of America and Optum garner the lowest scores; the latter was downgraded this year. The providers charge respective USD 30 and USD 45 maintenance fees. Bank of America does not waive its fee, while Optum does waive its fee when balances reach USD 5,000. Bank of America does pay a 0.30% interest rate on spending accounts when the balance exceeds USD 2,500. Optum pays just 0.01% no matter the balance—the lowest among HSA providers we assessed.

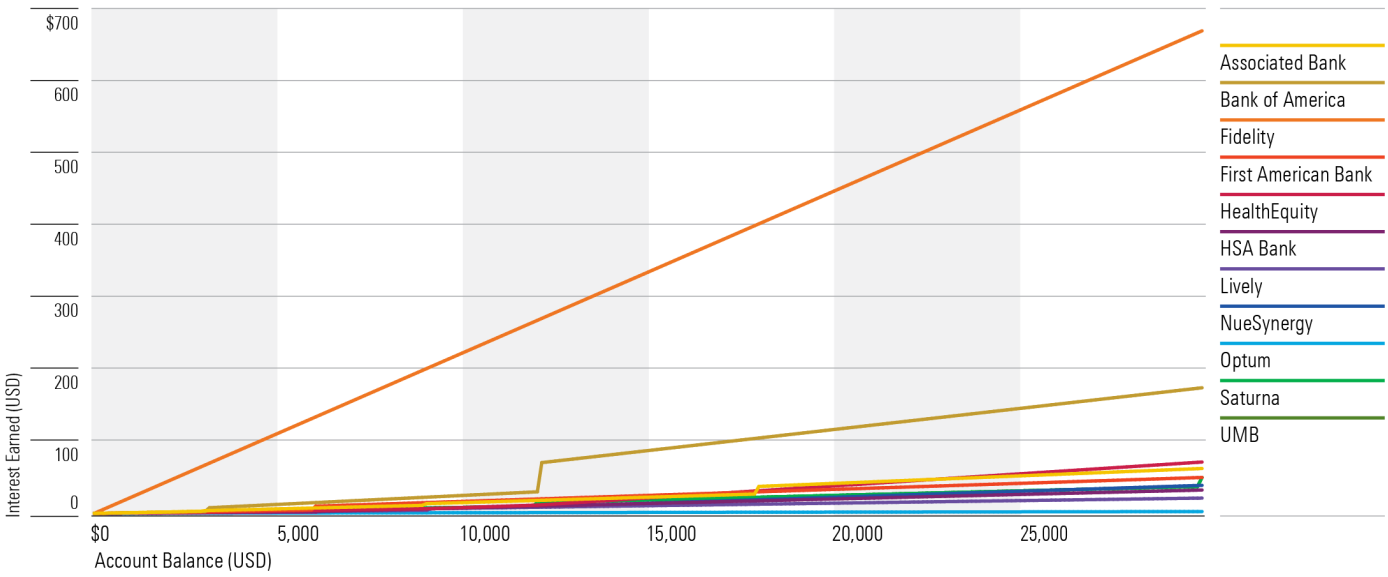
No providers earned a Low assessment for their spending accounts.

Exhibit 16 Interest-Rate Assessments

Provider	Assessment	Interest Schedule Type	Interest Rate Schedule				
Fidelity	High	Entire Balance	2.69% $1				
Associated Bank	Below Average	Entire Balance	0.12% $1	0.15% $2,500	0.18% $7,500	0.25% $15,000	
Bank of America	Below Average	Entire Balance	0.10% $1	0.30% $2,500.01	0.70% $10,000.01		
First American Bank	Below Average	Entire Balance	0.10% $1	0.20% $1,000	0.30% $5,000	0.60% $50,000	0.90% $100,000
HealthEquity	Low	Progressive	0.05% $1	0.10% $2,000 .01	0.20% $7,500.01	0.40% $10,000	
HSA Bank	Low	Progressive	0.05% $1	0.15% $5,000	0.30% $25,000	0.50% $50,000	
Lively	Low	Entire Balance	0.02% $1	0.03% $2,501	0.06% $5,001	0.09% $7,501	
NueSynergy	Low	Progressive	0.05% $1	0.10% $2,000	0.20% $10,000	0.40% $25,000	
Optum	Low	Progressive	0.01% $1				
Saturna	Low	Entire Balance	0.05% $1	0.10% $5,000	0.15% $10,000	0.20% $25,000	0.50% $50,000
UMB	Low	Entire Balance	0.05% $1	0.10% $5,000	0.15% $10,000	0.20% $25,000	0.50% $50,000

Source: Morningstar, Inc. Interest rates received from the providers or pulled from their websites. Data as of June 30, 2024. Optum interest rate as of June 30, 2023.

Exhibit 17 Interest Dollars Earned on Different Account Balances



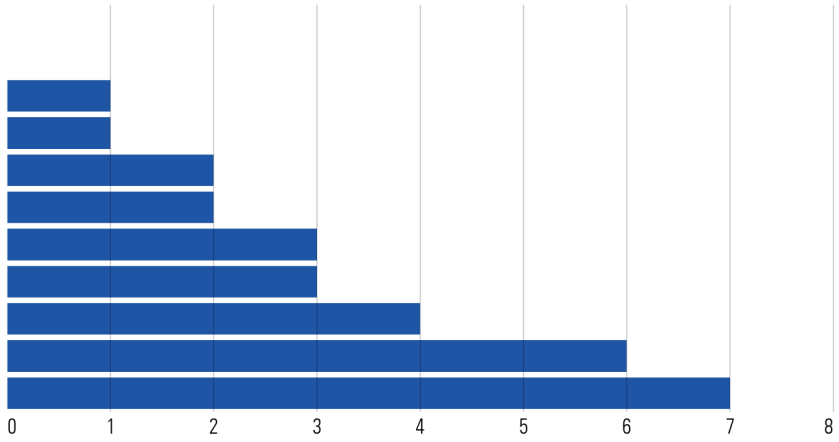
Source: Morningstar. Interest rates received from the providers or pulled from their websites. Data as of June 30, 2024.

Additional Fees

Two HSA providers surveyed, Fidelity and Lively, don't charge any additional fees. While the other nine listed as many as seven different charges, very few participants use those services.

Exhibit 18 Number of Additional Fees

Provider	Assessment	Number of Additional Fees
Fidelity	High	0
Lively	High	0
Associated Bank	Above Average	1
Bank of America	Above Average	1
HSA Bank	Above Average	2
UMB	Above Average	2
Optum	Above Average	3
Saturna	Above Average	3
NueSynergy	Above Average	4
First American Bank	Average	6
HealthEquity	Average	7



Source: Morningstar, Inc. Assessments as of Aug. 31, 2024. Note: High or Above Average assessments for Additional Fees indicate attractive fees, while Low or Below Average assessments indicate unattractive fees.

Investing Account Analysis

Best practices for investing accounts:

- Investment menus that cover core areas and limit overlap and volatile or niche strategies.
- Investment options that earn Morningstar Medalist Ratings of Bronze or better.
- Low fees.
- No minimum balance in a spending account required before investing.

Summary of Investment Account Assessments

Fidelity again earned the only High overall investment account assessment. Four others got Above Averages: HealthEquity, HSA Bank, NueSynergy, and Saturna; HSA Bank and Saturna improved from Average a year earlier. The other six surveyed providers earned Average assessments.

Exhibit 19 Morningstar Assessments of HSAs as Investment Accounts

Provider	Overall	Score	Menu Design	Score	Quality of Investments	Score	Price	Score	Investment Threshold	Score
Fidelity	High	4.6	Above Average	4	Above Average	4	High	5	High	5
HealthEquity	Above Average	4.2	Average	3	Above Average	4	High	5	Above Average	4
HSA Bank	Above Average ↑	3.8	Above Average ↑	4	Above Average	4	Above Average ↑	4	Average	3
NueSynergy	Above Average	3.8	Average	3	High	5	Above Average	4	Average	3
Saturna	Above Average ↑	3.6	High ↑	5	High	5	Below Average	2	Above Average	4
Associated Bank	Average ↓	3.4	High	5	Above Average	4	Below Average ↓	2	Above Average	4
Bank of America	Average	3.2	Average	3	Above Average	4	Average	3	Average	3
First American Bank	Average	3.2	Average ↑	3	Above Average	4	Average	3	Average	3
Lively	Average	3.2	High	5	Above Average	4	Low ↓	1	High	5
UMB	Average	3.0	Below Average	2	Above Average	4	Average ↓	3	Average	3
Optum	Average	2.8	Average	3	Above Average	4	Average ↑	3	Low ↓	1

↑ = Upgrade since last year, ↓ = Downgrade since last year.

Source: Morningstar, Inc. Assessments as of Aug. 31, 2024. Note: High or Above Average assessments for Price indicate attractive fees, while Low or Below Average assessments indicate unattractive fees. A High assessment for Investment Threshold indicates no investment threshold exists, while a Low assessment indicates an investment threshold of USD 2,000. Overall scores may appear slightly larger or smaller than the sum of the components because of rounding.

Methodology

We made no changes to our methodology. In 2023, we raised the spending account balance to USD 2,500 to more closely approximate the average balance. Providers that did not keep pace with the trend toward lower costs, however, sometimes saw Price downgrades, which affected many overall scores since it accounts for 40% of them. Associated Bank's overall investing account assessment, for example, fell to Average from Above Average.

Consistent with 2022 and 2023, we averaged underlying fund fees and counted each target-date and target-risk series as a single strategy.

Exhibit 20 Investment Account Methodology Framework

	Criteria Evaluated	Best Practices	Scoring Framework		Weight
Menu Design	The asset classes available to investors through the investment menu.	Offer investment strategies in all core asset classes while limiting overlap among options.	**High:**	Covers all the core asset classes and offers essentially no overlap.	20%
			Above Average:	Leaves modest room for improvement, such as overlap in several asset classes or the presence of one niche fund.	
			Average:	Overlap across the menu and/or more than one niche sector strategy available.	
			Below Average:	Large lineups with excessive overlap and/or multiple niche funds available.	
			Low:	An overwhelming amount of options that makes the menu very difficult to navigate.	
Quality of Investments	A forward-looking assessment of how the funds in the investment menu will perform.	Provide strong investment strategies that earn Morningstar Medalist Ratings of Bronze or better.	Utilizing Morningstar Medalist Ratings, we created a numerical scale to calculate an Average Quality Score.		20%
			Rating: Gold / Silver / Bronze / Neutral / Negative Score: 5 / 4 / 3 / 2 / 1		
			Scores correspond to the following ratings: **High:** 4.50 to 5.00 **Above Average:** 3.50 to 4.49 **Average**: 2.50 to 3.49 **Below Average:** 1.50 to 2.49 **Low**: 0 to 1.49		
Price	The total cost imposed on an investor, including maintenance fees, investment fees, and underlying fund fees.	Charge low fees for both active and passive strategies.	Price scores are determined based on a provider's total fees (including underlying fund fees, maintenance fees, and investment fees). We converted dollar-based fees to percentage terms, assuming an investment account balance of $14,000 and a spending account balance of $2,500. Then we calculated the average expense ratio of all strategies offered by a provider—counting one target-date fund per series where offered—to determine the underlying fund fee. Price scores are more subject to change year over year because it is a relative rank to other HSA providers included in our report.		40%

Source: Morningstar, Inc. Assessments as of Aug. 31, 2024.

Exhibit 20 Investment Account Methodology Framework (continued)

Investment Threshold	The amount of money required to be kept in an investor's spending account prior to putting dollars toward investments.	Don't require investors to keep money in the spending account before investing, which creates an opportunity cost.	**High:** No investment threshold **Above Average:** $500 **Average:** $1,000 **Below Average:** $1,500 **Low:** $2,000+	20%
Overall Assessment	Score = (0.2 *Menu Design score) + (0.2 *Quality of Investments score) + (0.4 *Price score) + (0.2 *Investment Threshold score)		**High** ≥ 4.5 **Above Average** = 3.5 < 4.5 **Average** = 2.5 < 3.5 **Below Average** = 1.5 < 2.5 **Low** < 1.5	

Source: Morningstar, Inc. Assessments as of Aug. 31, 2024.

Menu Design

Best Practice

HSA providers should offer investment menus that are easy to navigate, are focused on high-quality active and passive options, and don't include a lot of strategic overlap or volatile niche funds.

Research has shown that a plethora of choices can overwhelm investors and impair their results. Of the seven providers who disclosed the average number of funds their participants owned, all but one said they held two to four. So, the most attractive menus have two strong core options—perhaps an active and a passive choice—in the biggest asset classes, US large-cap stocks, US smaller-cap stocks, non-US stocks, and US investment-grade bonds. One solid, relatively less-volatile choice in narrower areas such as emerging-markets equities and high-yield debt is probably enough. Niche specialty funds, such as those focused on a single stock sector, are too volatile and hard to use responsibly for these accounts.

Exhibit 21 Investment Menu Design

Allocation			
Target-Date Series	At least one		
Target-Risk Series			
Other Allocation			
Equity	Value	Blend	Growth
US Large Cap	At least one		
US Mid Cap	At least one		
US Small Cap			
International Developed	At least one		
World Stock			
Emerging Markets	One is plenty		
Specialty Equity	Not necessary		
	Cash Equivalent / Short Term	Core	Specialty Fixed Income
Fixed Income	At least one	At least one	One is plenty
Alternatives / Other	Not necessary		

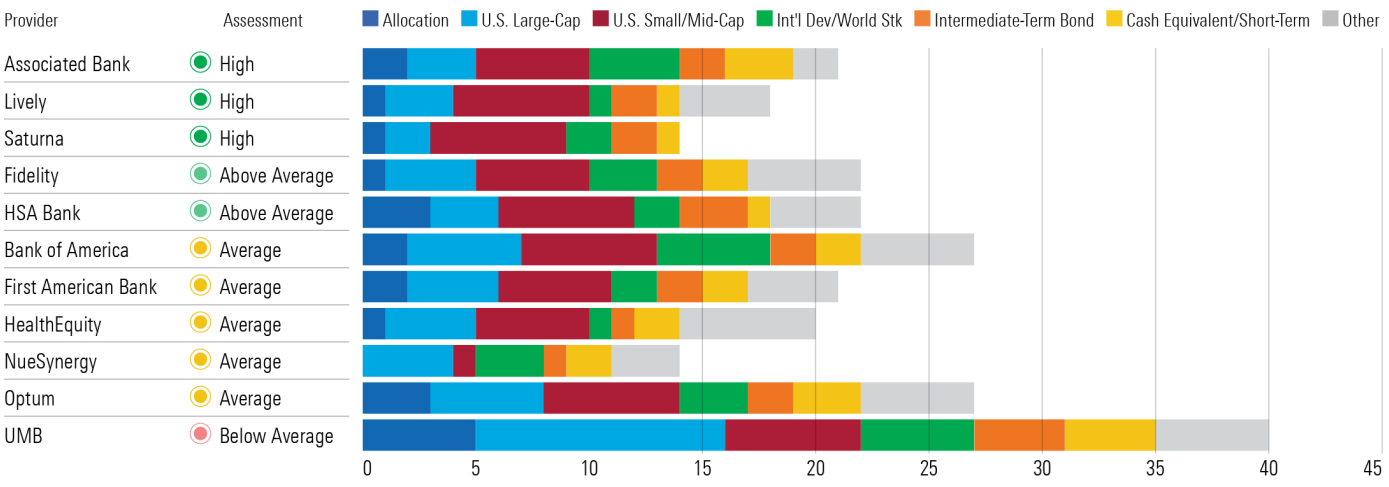
Source: Morningstar, Inc.

Menus with 12 to 24 options strike the best balance between offering broad diversification and keeping the number of strategy choices manageable. All but two of the 11 HSA providers land in a range of 14-22.

Menu Design Assessments

The number of strategies isn't the only factor. Coverage of core asset classes and limiting the number of niche options and strategy overlap are important, too.

Exhibit 22 Menu Design Assessment



Source: Morningstar, Inc. Data as of Aug. 31, 2024. Note: A target-date series and a target-risk series each count as one option.

Most providers don't make big changes to their investment menus annually. HSA Bank, however, completely revamped its lineup over the past year.

High Menu Design Assessments

Associated Bank and Lively retain their High assessments from a year ago, while Saturna was upgraded from Above Average. Each offers a menu that covers all the core asset classes, includes passive choices, limits overlap, and keeps a lid on niche offerings.

Above Average Menu Design Assessments

Fidelity continues to earn an Above Average. Participants can build well-diversified portfolios and don't have too many strategies to sift through. The plan does offer two emerging-markets equity strategies (one active and one passive) when one strong one would do. HSA Bank earned an upgrade from Average with its all-new lineup, which has fewer niche offerings.

Average Menu Design Assessments

Bank of America, First American, HealthEquity, NueSynergy, and Optum make up this group. Their menus hit most of the essential areas but also have shortcomings. Bank of America, HealthEquity, and Optum offer more specialty strategies than most. Bank of America's menu is the only one covered that offers a commodities strategy. HealthEquity has a materials sector fund on its menu. And Optum's list covers most bases but has just one dedicated non-US equity vehicle and two high-yield bond options. First American earned an upgrade from Below Average as it dropped a water fund from the lineup. NueSynergy's menu of broad exchange-traded funds lacks allocation options, which have wide appeal.

Below Average Menu Design Assessments

UMB scored the lowest, with a Below Average assessment. UMB earned a High mark for its menu design in 2022, but the provider then roughly doubled the size of its menu to 40 strategies, introducing strategy overlap and making it tougher for individuals to navigate. The menu hasn't changed since.

No providers earned a Low for menu design.

Quality of Investments

Best Practice

HSA providers should offer strong investment strategies that earn Morningstar Medalist Ratings of Bronze or better. This group of 11 firms does that. NueSynergy and Saturna earn a High assessment based on Morningstar Medalist Ratings, and the other nine get Above Averages. NueSynergy's fund offerings include no Neutral- or Negative-rated funds, and 64% of its menu was Gold-rated as of August 2024. Seventy-seven percent of Saturna's menu was Gold-rated, and just one of its funds was Neutral-rated, while none were Negatives. Just one provider, UMB, had a Negative-rated fund on its menu, and five providers had no Neutral-rated funds.

Utilizing a numerical scale, with 1 as a Negative rating and 5 as a Gold, the lineups scored an average of 4.20. Funds placed under review were omitted from the Average Quality Score. Funds with Gold, Silver, or Bronze ratings made up at least 89% of each lineup.

Exhibit 23 Quality of Investments Assessments

			Morningstar Medalist Rating %				
Provider	Assessment	Average Quality Score	Gold	Silver	Bronze	Neutral	Negative
Saturna	High	4.54	76.92	7.69	7.69	7.69	0.00
NueSynergy	High	4.50	64.29	21.43	14.29	0.00	0.00
HSA Bank	Above Average	4.43	42.86	57.14	0.00	0.00	0.00
HealthEquity	Above Average	4.35	60.00	20.00	15.00	5.00	0.00
UMB	Above Average	4.24	52.63	28.95	10.53	5.26	2.63
First American Bank	Above Average	4.20	40.00	40.00	20.00	0.00	0.00
Fidelity	Above Average	4.19	38.10	42.86	19.05	0.00	0.00
Lively	Above Average	4.12	23.53	64.71	11.76	0.00	0.00
Optum	Above Average	4.04	34.62	38.46	23.08	3.85	0.00
Associated Bank	Above Average	3.95	42.11	21.05	26.32	10.53	0.00
Bank of America	Above Average	3.69	15.38	46.15	30.77	7.69	0.00
Average		**4.20**	**44.58**	**35.31**	**16.23**	**3.64**	**0.24**

Source: Morningstar, Inc. Data as of Aug. 31, 2024. Note: A target-date series and a target-risk series each count as one option.

Price

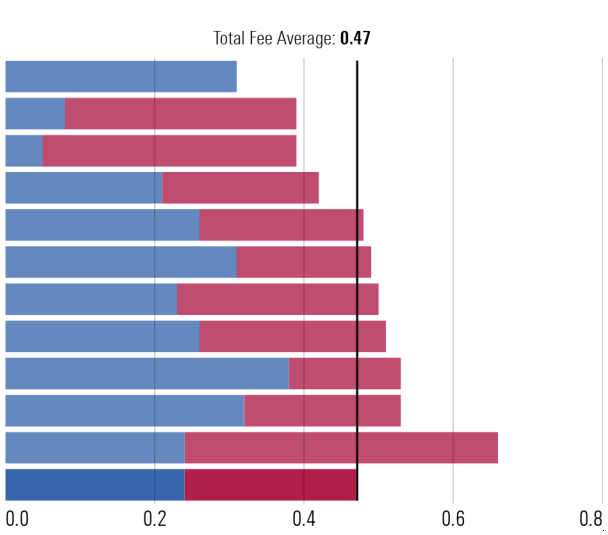
Best Practice

Providers should charge low fees for investment options.

The Price assessment is based on the average total fee an investor would incur in the investment account. The total fee includes the underlying fund, maintenance, and investment fees. The evaluation calculated the average expense ratio of the funds each provider offered to determine the costs of the underlying funds. It then assumed a USD 14,000 investment account balance and a USD 2,500 spending account balance to determine each provider's maintenance and investment fees. Price assessments range from High (the cheapest) to Low (the most expensive). Exhibit 24 shows each provider's Price assessment along with the calculated fees.

Exhibit 24 Price Assessments

Provider	Assessment	Total Fee %	Underlying Fund Fee %	Maintenance and Investment Fee %
Fidelity	High	0.31	0.31	0.00
HealthEquity	High	0.38	0.08	0.31
NueSynergy	Above Average	0.39	0.05	0.34
HSA Bank	Above Average	0.43	0.21	0.21
UMB	Average	0.48	0.26	0.22
Bank of America	Average	0.50	0.31	0.18
Optum	Average	0.50	0.23	0.27
First American Bank	Average	0.52	0.26	0.25
Associated Bank	Below Average	0.53	0.38	0.15
Saturna	Below Average	0.53	0.32	0.21
Lively	Low	0.66	0.24	0.42
Average		**0.47**	**0.24**	**0.23**



Source: Morningstar, Inc. Data as of Aug. 31, 2024. Assumes a USD 14,000 investment account balance and a USD 2,500 spending account balance. Total Fee numbers may appear slightly larger or smaller than the sum of the two components due to rounding.

HSA fees have consistently declined since Morningstar began evaluating the accounts in 2017. Bank of America and, later, Fidelity distinguished themselves by offering investment accounts at no additional cost. Other providers have also trimmed fees. HSA Bank still levies a 0.25% annual fee on investment account assets, a hefty price for those with larger account balances, but its maintenance fee waiver has helped lower costs. Underlying fund fees have dropped as well, from an average of 0.29% a year ago to 0.24%. Providers who didn't keep up with this trend were vulnerable to downgrades.

Nine of these 11 providers don't charge maintenance fees for participants with these balances. However, Fidelity is the only one that doesn't charge a maintenance, investment, or custodial fee, a substantial advantage over the competition. Exhibit 25 shows the maintenance and investment fees charged by each provider. It also shows the total fee in dollars and as a percentage, assuming a USD 14,000 investment account balance.

Exhibit 25 Maintenance and Investment Fees

	Annual Fees			Fees assuming a $2,500 balance in Spending Account and $14,000 in Investing Account	
HSA Provider	Maintenance Fees ($)	Investment Fee ($)	Custodial Fee (%)	Total Annual Fee ($)	Equivalent Expense Ratio (%)
Fidelity	—	—	—	0	0
Associated Bank	—	24	—	24.0[1]	0.15
Bank of America	30	—	—	30.0	0.18
Saturna	—	—	0.25[2]	35.0	0.21
HSA Bank	—	—	0.25[3]	35.0	0.21
UMB	—	36	—	36.0	0.22
First American Bank	—	—	0.30	42.0	0.25
Optum	45	—	—	45.0	0.27
HealthEquity	—	—	0.36[4]	50.4	0.31
NueSynergy	—		0.40[5]	56.0	0.34
Lively	—	—	0.50	70.0	0.42
Average				**38.5**	**0.23**

Source: Morningstar, Inc. Data as of Aug. 31, 2024.

1 Associated Bank's USD 36 maintenance fee is waived when spending account assets surpass USD 2,500. The maintenance fee is also waived after the first 12 months for all customers.

2 Saturna charges a 0.3% fee on non-Saturna managed mutual funds; the 0.25% figure is a result of weighting the non-Saturna funds in its menu.

3 HSA Bank's custodial fee is waived for the remainder of 2024. Those with HSA balances over USD 7,500 will have their fees waived in 2025.

4 HealthEquity's custodial fee is capped at USD 10 per investor per month. The custodial fee is only charged on the first USD 33,333 of invested assets.

5 NueSynergy charges a minimum of USD 0.99 and a maximum of USD 10 per month.

High Price Assessments

Fidelity is the cheapest provider. Its menu of underlying funds charges, on average, an expense ratio on the higher side, but its lack of additional fees vaults it to the top of the rankings. HealthEquity's 0.36% custodial fee is one of the highest account-based charges. However, its lineup of passive underlying funds is the second cheapest of the group.

Above Average Price Assessments

HSA Bank and NueSynergy scored well on this measure. HSA Bank's 0.25% custodial charge is offset by the lack of a maintenance fee, and its new fund lineup charges a bit less than the group average, meriting an upgrade from Average. NueSynergy doesn't charge a maintenance fee, either. It does levy a hefty 0.40% custodial fee, but its all-ETF lineup is the cheapest of the bunch, with a low average expense ratio of just 0.05%.

Average Price Assessments

Bank of America charges a maintenance fee, though no investing fees, and the average expense ratio of its underlying funds is above average. First American does not charge a maintenance fee, but its 0.30% custodial fee hurt its score and its fund menu isn't cheap. Optum charges a USD 45 maintenance fee, while its lineup now charges a lower average fee—it earned an upgrade from Below Average. UMB charges dollar-based fees that are modest for the combined spending and investment account balances

used here, while the cost of its fund lineup is roughly average. It earned a downgrade from Above Average last year as costs barely budged.

Below Average Price Assessments

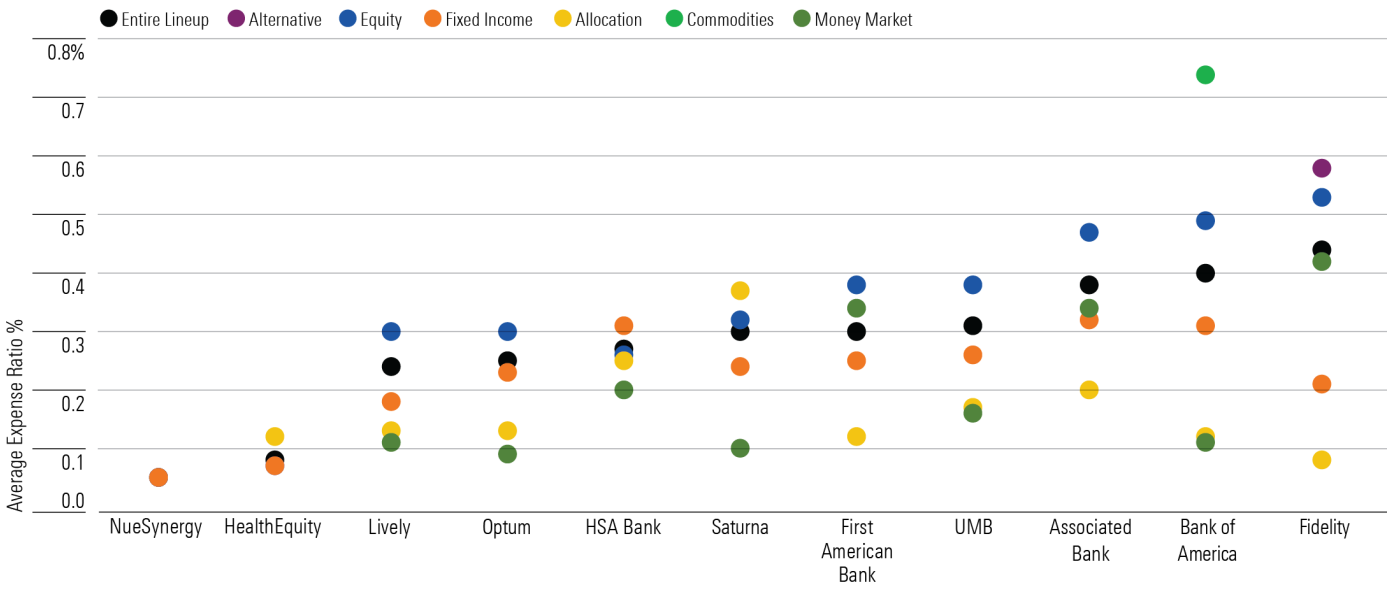
Associated Bank charges a modest investment fee and waives its maintenance fee when spending account assets hit USD 2,500. However, its underlying funds are the most expensive of the group, and it was downgraded on this measure from Average. Saturna's investment fee and above-average fund expense ratios keep it at a Below Average, despite the elimination of its maintenance fee. The firm doesn't charge the investment fee on the two Saturna-managed options in its lineup, but those two funds' expense ratios are among the three priciest on that menu.

Low Price Assessment

Lively's 0.50% custodial fee, the highest in the group, more than offsets a fund lineup that charges an average fee. It merited a downgrade from Below Average.

Exhibit 26 illustrates where HSA participants can best cut costs within these providers' fund menus.

Exhibit 26 All Providers Surveyed Offer Relatively Cheap, Broadly Diversified Allocation Strategies



Source: Morningstar, Inc. Data as of Aug. 31, 2024. Assumes a USD 14,000 investment account balance and a USD 2,500 spending account balance. Total Fee numbers may appear slightly larger or smaller than the sum of the two components due to rounding.

Investment Threshold

Best Practice

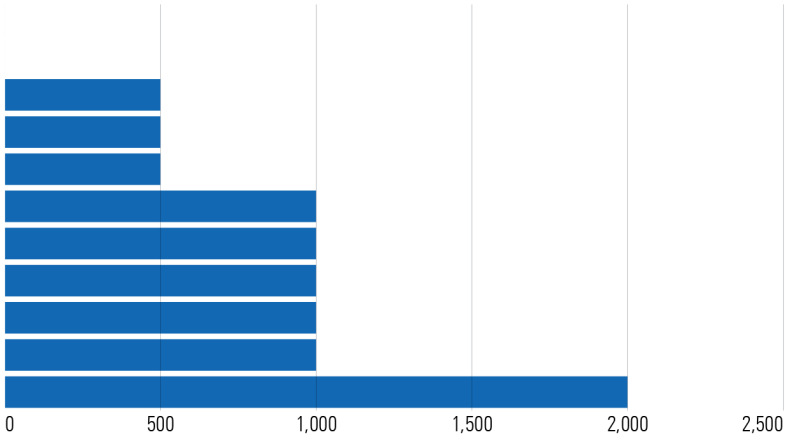
HSA providers should allow participants to invest without having to meet an account balance minimum. Consider the opportunity costs imposed by such investment thresholds. While higher interest rates reduce the gap between what participants earn in their HSA spending accounts and what they could

have earned in their investment accounts, they still can be forgoing a lot. Assume the average HSA investor has USD 16,500 in their account, can earn 6% annually, and garners an interest rate of 0.45%. The annual opportunity cost of parking USD 1,000 in the checking account is USD 55.50. These opportunity costs can weigh on long-term results. HSA investors are better off selecting providers with a low or no investment threshold.

Fidelity and Lively each earn a High assessment for not requiring an investment threshold. Associated Bank, HealthEquity, and Saturna earn an Above Average for their USD 500 minimums. Bank of America, First American Bank, HSA Bank, NueSynergy, and UMB each require a USD 1,000 balance and thus earn an Average. Optum's USD 2,000 threshold merits a Low.

Exhibit 27 Investment Threshold Assessments

Plan Name	Assessment	Investment Threshold USD
Fidelity	High	0
Lively	High	0
Associated Bank	Above Average	500
HealthEquity	Above Average	500
Saturna	Above Average	500
Bank of America	Average	1,000
First American Bank	Average	1,000
HSA Bank	Average	1,000
NueSynergy	Average	1,000
UMB	Average	1,000
Optum	Low	2,000



Source: Morningstar, Inc. Data as of Aug. 31, 2024.

Appendix

HSA Terms, Definitions, and Tax Advantages

High-Deductible Health Plan: A health insurance plan with lower premiums and higher deductibles than other plan types, such as a PPO.

Health Savings Account: A tax-privileged medical savings account available to HDHP enrollees.

Health Savings Provider: A firm that offers HSAs.

Deductible: As of 2024, to qualify for an HSA, an HDHP must have a deductible of at least USD 1,600 for self-only coverage or USD 3,200 for family coverage. The HDHP's annual out-of-pocket expenses, including deductibles but not premiums, cannot exceed USD 8,050 for self-coverage and USD 16,100 for family coverage. For 2025, an HDHP must have a deductible of at least USD 1,650 for self-only coverage or USD 3,300 for family coverage, and annual out-of-pocket expenses, including deductibles but not premiums, cannot exceed USD 8,300 for self-coverage and USD 16,600 for family coverage.

Contributions: HSA participants have annual contribution limits. In 2025, those covered by an individual plan can contribute up to USD 4,300 annually, while those covered by a family plan can contribute up to USD 8,550. If offered, employer contributions count toward these maximums. Individuals aged 55 and older can save an additional USD 1,000 each year. All contributions are deductible from taxable income. Unlike an FSA, there is no limit to how much money may be rolled over from year to year in an HSA, providing the opportunity for accountholders to accumulate significant HSA assets.

Withdrawals: Funds withdrawn for nonhealthcare expenses are taxed at the accountholder's marginal tax rate. If the funds are withdrawn before age 65, the funds are subject to an additional 20% penalty.

Portability: Much like an IRA, HSAs are tied to the accountholder and are independent of the workplace, though workers must be currently enrolled in an HDHP to contribute to one. Thus, workers can open and maintain an HSA outside their employer-provided one that fits best with their financial goals.

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