WHITEPAPER

The Rise in HSAs and ICHRAs:

Promoting Consumer Freedom in Healthcare Benefits

Executive Summary

Employer-sponsored healthcare is undergoing a major transition as rising premiums, workforce expectations, and modern benefits technology push organizations toward more flexible, consumer-directed models. Health Savings Accounts (HSAs) and Individual Coverage Health Reimbursement Arrangements (ICHRAs) are leading this shift, offering employers predictable costs and giving employees greater control over their healthcare decisions.

HSAs help employees build tax-advantaged savings for both immediate medical needs and long-term financial security. ICHRAs allow employers to set defined contributions while enabling workers to choose individual health plans that fit their personal circumstances. Adoption is accelerating across companies of all sizes, and retention rates among employers who implement these models remain exceptionally high.

Technology platforms have made these benefits more accessible by simplifying enrollment, improving plan comparison tools, and reducing the administrative burden. As a result, HSAs and ICHRAs have moved from niche offerings to mainstream strategies for cost containment, transparency, and employee satisfaction.

For TPAs and other benefit administrators, this market shift represents a significant opportunity. Evaluating service portfolios, strengthening consumer-directed benefits expertise, and partnering with robust technology providers will be essential to meet growing demand. Organizations that adapt now will be best positioned to compete in the rapidly changing benefits arena.

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HSAs and ICHRAs by the Numbers

HSAs now cover roughly 60 million Americans through 40 million accounts with total assets of **$170.4 billion**[1]

ICHRA adoption has exploded by over 1,000% since 2020[2], with year-over-year growth among large employers at **34%**[3]

Of all employers who tried either an **ICHRA** or its older sibling, the **Qualified Small Employer HRA** (QSEHRA), **92% kept it for the following year**[4]

The growth in HSA and ICHRA adoption is a clear indicator for benefits administrators and consultants looking for expanded avenues for business growth.

Why the Shift Is Happening Now

The convergence toward account-based healthcare benefits reflects both immediate pressures and a new way of thinking about employer-sponsored healthcare. Three powerful forces are driving this transformation:

1. Rising healthcare costs that traditional plans struggle to contain.
2. Evolving workforce expectations for personalization and control.
3. Improved technology platforms that make consumer-directed benefits accessible at scale.

These forces are upending the old model, revealing deeper philosophical tensions about choice, portability, and transparency.

Escalating Healthcare Costs

Family premiums averaged **$27,000 in 2025,** **83%** of Employees cite rising medical costs as a top stressor

Traditional employer health insurance is creating an affordability crisis. Family premiums averaged nearly $27,000 in 2025, marking three straight years of significant increases[5]. Employers are bracing for a median 9% cost increase in 2026, and even after strategic adjustments, they are likely still facing more than 7%.

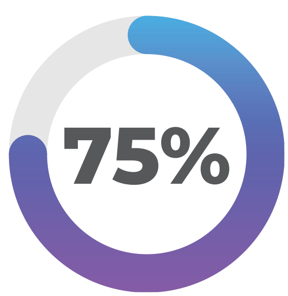
However, employer budgets are not the only ones affected. Employees are feeling the squeeze, too: 83% cite rising medical costs as a top stressor, and half avoid seeking care due to out-of-pocket expenses. Workers now miss an average of 6.1 days annually due to health issues[6].

What's driving the steep increase? Hospital rate increases, aging populations with chronic conditions, surging mental health service use, and the popularity of specialty drugs (such as GLP-1 medications for weight loss). Geographic variations in rates and provider networks complicate matters further.

When the old model stops working for everyone, people look for alternatives. But the problem runs deeper than cost alone.

Workforce Expectations Meet Personalization

Today's workforce expects personalization in every aspect of their lives, from streaming content to shopping recommendations. In 2026, healthcare benefits are no exception. At least three-quarters of employees now report interest in personalized benefits recommendations, signaling a decisive shift away from one-size-fits-all approaches[7].



At least three-quarters of employees now report interest in personalized benefits recommendations.

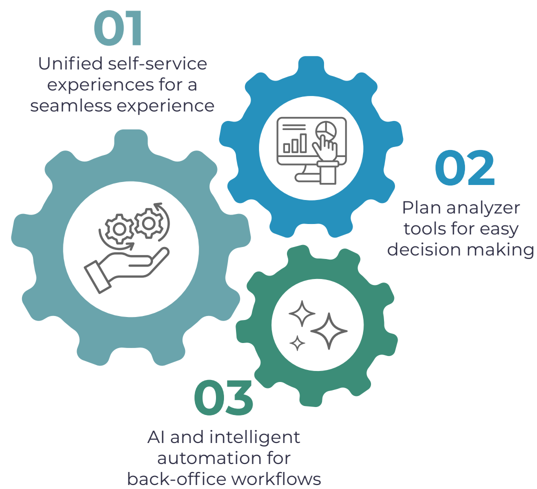
The generational divide is clear. Baby Boomers prioritize comprehensive healthcare and financial planning. Gen X values flexibility and retirement security. Millennials seek a mix of traditional and modern benefits. Gen Z expects lifestyle perks and customization.

For example, a 25-year-old single worker has vastly different healthcare priorities than a 45-year-old parent of three. Traditional group plans, by their very nature, cannot accommodate the diversity of priorities.

This demand for choice reflects a deeper principle: employees increasingly want more control over decisions that affect their financial well-being and healthcare. HSAs give employees control over their healthcare dollars and investment choices. ICHRAs allow workers to select the specific plan and network that best meet their individual needs, rather than accepting whatever the employer chooses.

Technology That Makes It Possible

The rise of HSAs and ICHRAs is possible due to significant advances in benefits administration technology that eliminate complexity. Today's platforms streamline the entire experience while simultaneously solving two issues: they reduce employer administrative burden while boosting employee decision-making.



Integrated HSA platforms now offer unified self-service experiences across HSAs, FSAs, and HRAs. These systems offer investment options, mobile apps for instant access, and automated processes that ease the workload for benefit administrators, employers and employees.

For ICHRAs, advanced platforms can analyze hundreds of plans based on individual healthcare needs and financial circumstances, then recommend optimal coverage bundles. These tools prevent decision fatigue and help employees make confident, cost-effective selections without HR teams acting as benefits navigators.

Automation is also reshaping back-office processes. According to SHRM's 2025 research, nearly half of HR departments now use AI tools to help with benefits enrollment, claims handling, and compliance workflows[8]. Automated systems now efficiently manage tasks that once required armies of benefits administrators, integrating seamlessly with existing payroll and HR platforms.

In short, technology has transformed consumer-directed benefits from an administrative challenge into a scalable model. With intelligent guidance tools, automation, and real-time data integrations, HSAs and ICHRAs are now easier to administer and easier for employees to use, unlocking flexibility and personalization that traditional group plans cannot provide.

From Abstract Principles to Market Reality

The convergence of these three forces – cost pressures, demand for personalization, and enabling technology – explains why account-based benefits are moving from niche to mainstream. But they also represent a fundamental shift from employer paternalism to employee empowerment.

The old model assumed employers were best positioned to choose healthcare coverage for their workforce. The new model shows that employees can make smart, informed decisions when provided with the right tools and support. This helps employees align choices with their individual circumstances.

HSAs deliver complete portability; the account belongs to the individual, period. ICHRAs, while not portable themselves, connect employees to individually owned policies they can maintain after leaving an employer, reducing coverage gaps and COBRA complications.

More than philosophical preference, this is a pragmatic response to market forces that are making the traditional model increasingly outdated. As this whitepaper details, both HSAs and ICHRAs have moved well beyond early-adopter experiments into proven solutions with compelling track records.

HSAs: The Numbers Tell the Story

Health Savings Accounts have evolved from a niche tax shelter for wealthy households into a mainstream benefit used by Americans across all income levels. The catalyst? More employers are offering high-deductible health plans (HDHPs), the only type of coverage that qualifies for HSA contributions. HDHP availability for private-sector workers climbed from 38% in 2015 to 50% in 2024[9]. With expanded access, workers are embracing the flexibility and wealth-building potential HSAs offer.

Who is Using HSAs

By the end of 2024,
39.3 million HSAs covered over
59.3 million Americans

64% of HSA owners live in areas where the median household **income is below $100,000**

HSA adoption is rising across income levels, signaling mainstream acceptance. By the end of 2024, 39.3 million HSAs covered over 59.3 million Americans[10].

And it is not just the wealthy who are leveraging these accounts. They are popular among the middle class as well: 64% of HSA holders live in areas where the median household income is below $100,000, and nearly 30% are in neighborhoods with median incomes between $60,000 and $90,000[11].

Employer Contributions Drive Participation

When employers seed HSAs and match contributions, participation rates jump by 15%[12]. The increase in participation demonstrates that employer contributions don't just make HSAs more appealing; they also change how employees engage with them.

Employer contributions serve multiple strategic purposes:

1. They help offset the higher deductibles linked with HSA-qualified plans, making the transition more palatable for employees.
2. They demonstrate employer commitment to employee financial wellness.
3. They kickstart the savings habit that makes HSAs valuable as long-term wealth-building tools.

The Age Factor – Adoption and Usage

Younger workers have enthusiastically embraced HSAs: 56% of Gen Z and 50% of Millennials now have HSAs[13]. These numbers far outpace Gen X (35%) and Baby Boomers (24%). Millennials in their 30s represent the largest demographic slice, holding about 30% of all health savings accounts[14].

Younger workers have embraced HSAs, far outpacing Gen X and Baby Boomers:

This generational tilt has profound implications for TPAs and other benefit administrators: as Gen Z and Millennials become the workforce majority, HSA-compatible benefits will increasingly be table stakes for competitive employers.

For younger account holders, the three tax advantages – deductible contributions, tax-free growth, and tax-free withdrawals for medical expenses – make HSAs attractive for workers with decades ahead of them. In addition to using the accounts for immediate expenses, they are treating them as long-term wealth-building tools, using the savings from low premiums to grow their HSA balances.

Meanwhile, older workers nearing retirement age are accumulating substantial balances, demonstrating the long-term payoff. HSA owners aged 55 and up had amassed over $63 billion by the end of 2024 (up 21% year-over-year), with average balances peaking at $7,585 for the 65-69 age group[15].

Why This Matters for Benefit Administrators

HSAs can support both cost control and employee empowerment when they are implemented thoughtfully. Effective execution starts with clear plan mapping that helps employees understand HSA eligibility and how their coverage choices affect their financial situation. Employers can encourage participation by offering seed contributions, which help employees feel more confident managing higher deductibles. Integrating contributions into payroll also makes participation easier by turning HSA savings into a routine part of each pay cycle.

Ongoing communication throughout the year is essential. Employees benefit from regular education that explains tax advantages, demonstrates practical ways to use the account, and reinforces long-term saving habits. The success of an HSA-qualified plan depends on combining the HDHP with strong decision-support tools and accessible education, whether onsite or virtual.

The ICHRA Revolution

While HSAs empower employees to manage healthcare spending, ICHRAs takes employee choice even further by letting workers select their own coverage entirely. Available only since 2020, ICHRAs have emerged as a compelling alternative to employer-sponsored insurance. In fact, since 2020, ICHRA adoption has grown by over 1,000%[15].

ICHRAs growth:

1,000% since 2020

Total covered lives: **500,000**

A Fundamentally Different Model

With an ICHRA, employers move from plan selector to contributor, a shift from defined benefit to defined contribution that has caught fire.

Instead of choosing a group plan for everyone, employers provide tax-free reimbursements for individual market coverage. Employees shop for their own plans, and employers reimburse them at a defined rate. This helps mitigate employer costs while giving freedom to employees to choose options that work for them.

The Growth Speaks for Itself

The trajectory is remarkable. From zero accounts in 2020, more than 200,000 employees were offered ICHRAs in 2024, with total covered lives (including dependents) through ICHRAs and QSEHRAs approaching 500,000 [17].

Between 2024 and 2025 alone, large-employer adoption increased by 34% (and by 49% specifically for companies with 100-199 employees), while small-employer adoption surged by 52%. Another key indicator: HRA Council members report 400-800% increases in employer requests for ICHRA quotes for 2026 and 2027, primarily from mainstream employers across industries seeking viable solutions to unsustainable cost trajectories [18].

Confidence in this plan type is growing.

Beyond Small Business

While ICHRAs initially appealed to small businesses entering the benefits market, as noted above the fastest growth now comes from mid- and large-sized employers. While 83% of new ICHRA adopters in 2025 hadn't previously offered insurance, the remaining 17% switched from group plans, a segment that is now accelerating [19].

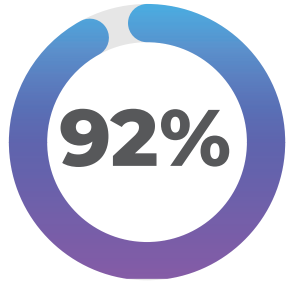
Major health insurance carriers have taken notice. Centene created a dedicated ICHRA business unit and hired its first ICHRA president [20]. Oscar Health significantly expanded its offerings [21]. When established players make these moves, they see long-term potential in the new model.

Employers Are Staying

The retention rate tells you everything: 92% of employers who offered an HRA in 2024 kept it in 2025[22]. Compare that to traditional group insurance, where McKinsey finds that nearly two-thirds of employers consider switching carriers within four years[23].

High retention is matched by strong satisfaction. Among companies surveyed, 94% reported being happy they switched to ICHRA, citing three primary factors:[24]

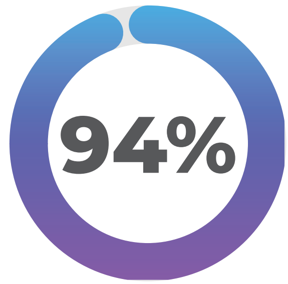
- Budget predictability (fixed contributions eliminate surprise premium increases)
- Cost savings averaging 20–30% compared to traditional group plans [25]
- Improved employee satisfaction through personalized plan selection



92% of employers **kept their plan in 2025**

The administrative burden decreases significantly as well, since employers no longer have to negotiate annual renewals or manage complex group plan requirements.

How Employees Are Choosing



94% of employers **are happy they switched to an ICHRA**

ICHRA participants tend to be younger and more engaged than traditional group plan members. Employees aged 18-44 make up the largest share of enrollment, aligning with demographic trends in HSA adoption [25].

Importantly, they're not choosing bare-bones coverage. For 2025, nearly 70% selected Gold or Silver-tier plans via ICHRA. This debunks the concern that these arrangements push people toward inadequate coverage [26].

The data also suggests employees are making informed decisions that work for them. In fact, 73% of returning ICHRA members stick with the same carrier, suggesting satisfaction with their initial choice [27].

Market Consideration

Premium volatility and plan complexity remain important factors in evaluating ICHRAs. In 2026, individual market premiums increased by an average of 23% nationwide, driven in part by the expiration of enhanced ACA subsidies[28]. Some markets also experience narrower provider networks, varying plan options, and questions about coverage adequacy.

At the same time, employers using ICHRAs have the ability to adjust contributions as market conditions change, offering a degree of flexibility not available in traditional group plans. Some administrators now provide decision-support tools that help employees compare options and select plans more easily. The model's continued growth suggests that employers and employees are actively engaging with these dynamics and finding workable solutions within the structure of the ICHRA approach.

Looking Forward to What's Next

The future of HSAs and ICHRAs will be shaped by regulatory developments, market forces, and technological innovation. Several trends merit close attention by TPAs and other benefits professionals.

Tailwinds in the Political Arena

Several policy developments could accelerate adoption.

The 2025 Budget Reconciliation Bill proposed transforming ICHRA into the CHOICE Arrangement, potentially making it more attractive [29]. Some states are considering tax credits for ICHRA-offering employers (Indiana, for example, already has one) [30].

The One Big Beautiful Bill Act enacted in July 2025 expanded HSA access through three major provisions [31]. First, it made permanent the ability to receive telehealth and remote care services before meeting deductibles without disqualifying HSA contributions [32]. Second, it designated all Bronze and Catastrophic ACA marketplace plans as HSA-compatible regardless of whether they meet traditional high-deductible requirements, instantly making an estimated 3-4 million additional Americans eligible for HSAs starting in 2026 [33]. Third, it clarified that those enrolled in certain Direct Primary Care arrangements can now both contribute to HSAs and use HSA funds tax-free to pay DPC membership fees.

Strategic Implications for Employers: What TPAs and Other Benefit Administrators Need to Know

As healthcare costs rise and employee expectations evolve, HSAs and ICHRAs give employers practical tools to control spend, modernize benefits, and compete for talent. For TPAs and other benefit administrators, this is where you deliver high-value guidance.

Cost Control That Actually Works

Account-based designs deliver what the group market rarely does: predictability.

ICHRAs lock in employer contributions. Employers set the budget upfront, eliminating renewal-driven volatility. Premiums may move, but the employer's cost doesn't.

HSA-qualified HDHPs reduce premiums immediately (often by enough to offset or fully fund employer HSA contributions), turning savings into a visible employee benefit.

What TPAs and Other Benefit Administrators Need to Know

- ☑ Cost Control That Works
- ☑ Personalized Benefits Create a Talent Advantage
- ☑ Education is Critical for Employees
- ☑ Technology is Making it Easier for Everyone

A Real Talent Advantage

Benefits still matter, especially when competing for younger talent and specialized skills.

Every $1 invested in employee health returns an estimated $2.30 in productivity and retention

Healthy employees are 25% more productive and take 10% fewer sick days

Younger workers strongly prefer benefits offering control, portability, and personalization

Position these programs as strategic upgrades, not cost-cutting. Employers who frame them that way see stronger adoption and satisfaction.

Education is a Differentiator

Success hinges on education and support, which is where TPAs and other benefit administrators can shine.

Only 53% of Gen Z and 62% of Millennials say they understand their benefits well. Even fewer feel satisfied [33].

Employees need clear guidance on how benefits work, how to select coverage, and how to optimize tax advantages. For ICHRAs, partner with platforms that provide robust decision-support tools. Choice is empowering, but without guidance, it overwhelms.

TPAs and other benefit administrators who deliver structured, simplified communication frameworks help employers avoid confusion and maximize engagement.

Technology Is the Bridge

- Decision-support engines guide employees using real data on providers, prescriptions, health needs, budgets, and related factors.
- Mobile apps make HSAs and reimbursements easy to use.
- Telemedicine integrates seamlessly with HDHP and individual-market plans.

It's not about expecting employees to be healthcare experts, but about giving them systems that make good decisions obvious.

Preparing for the Shift

As the benefits administration market undergoes this fundamental transformation, organizations across the ecosystem face strategic decisions about how to position themselves for the new reality.

For TPAs and other benefit administrators, the expanding HSA and ICHRA markets represent significant opportunities. Success requires infrastructure with real-time integrations and consumer-friendly mobile experiences. Many TPAs and other benefit administrators find that partnering with established platforms enables faster market capture while allowing them to focus on client relationships.

For financial institutions, HSA deposits represent compelling revenue opportunities. However, capturing growth requires partners who provide the full technology and support stack, from compliance management and sales and marketing teams to modern consumer portals with integrated investment options.

For brokers and consultants, success means evolving from plan advisors to benefit strategists. This requires mastering affordability calculations and partnering with technology platforms that automate compliance complexities. Winners will embrace rather than resist the administrative changes.

For employers, these benefits deserve serious evaluation, but implementation doesn't need to be all-or-nothing. Many successful cases start with specific employee classes or combine ICHRAs with traditional offerings. Key considerations include local market conditions, workforce demographics, and access to robust employee education resources.

Across all groups, this transition requires both strategic vision and practical execution. Organizations that thrive will recognize this shift as fundamental restructuring, not a passing trend. Whether through internal capabilities or strategic partnerships, the time to prepare is now. Competitive advantages will accrue to those who move decisively.

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