

An Overview of Health Savings Accounts

A Health Savings Account (HSA) is an account that you can put money into to save for future medical expenses. There are certain advantages to putting money into these accounts, including favorable tax treatment.

Advantages of an HSA

Contributions to your HSA can be made by you, your employer or both. However, the total contributions are limited annually. If you make a contribution, you can deduct the contributions (even if you do not itemize deductions) when completing your federal income tax return. Contributions to the account must stop once you are enrolled in Medicare. However, you can keep the money in your account and use it to pay for medical expenses, tax-free.

Who Can Have an HSA?

To be eligible for an HSA account, an individual must be enrolled in a High Deductible Health Plan (HDHP). A HDHP provides comprehensive coverage for high-cost medical events and a tax-advantaged way to help you build savings for future medical expenses. The HDHP gives you greater flexibility and discretion over how you use your health care benefits. Any individual can contribute to an HSA if they:

- Have coverage under an HSA-qualified HDHP
- Have no other first-dollar medical coverage. (Other types of insurance like specific injury insurance or accident, disability, dental care, vision care, or long-term care insurance are permitted).
- Are not enrolled in Medicare
- Cannot be claimed as a dependent on someone else's tax return

2025 HSA Maximum Contributions

You can make a contribution to your HSA each year that you are eligible. You must have current HDHP coverage to qualify. The maximum annual contribution limits are as follows:

\$4,300 - Self-only coverage / \$8,550 - Family coverage

Individuals age 55 and older can also make additional "catch-up" contributions. The maximum annual catch-up contribution is \$1,000.

What can HSA funds be used for?

You can make use of money in the account to pay for any "qualified medical expense" permitted under federal tax law. This includes most medical care services, dental, and vision care, as well as over-the-counter (OTC) drugs. The law provides that these small OTC items, such as aspirin, sunscreen and vitamins, qualify only if they have been prescribed. Any amounts used for purposes other than to pay for "qualified medical expenses" are taxable as income and subject to an additional 20% tax penalty. If funds are used for dental or vision service, please note these items do not apply toward your medical deductible. See the IRS Publication 502 for a complete list of eligible expenses.

Portability

Accounts are completely portable, meaning you can keep your HSA even if you:

- Change jobs
- Change your medical coverage
- Become unemployed
- Move to another state
- Change your marital status

Ownership

Funds remain in the account from year to year. There are no, “use it or lose it” rules for HSAs.

Cards

If you are on a high deductible health plan (HDHP), you should have an insurance card from the carrier and a debit card from the HSA custodian. When you go to the doctor or pharmacy, you would provide them with your insurance card. After the claim is submitted to the carrier, you can pay for your service with your HSA debit card.

Copays

If you are on a high deductible health plan (HDHP), you will no longer have copays at your doctor’s office or at the pharmacy. All covered services billed will apply to your deductible and out of pocket maximum.

Pharmacy

Not all pharmacies charge the same amount for the same prescription. It is beneficial for you to compare pharmacy pricing for your prescriptions as you pay the full discounted amount until your deductible is met. As a reminder, there are no prescription drug copays with a HDHP.

