

# Health Savings Accounts and High Deductible Health Plans

A Health Savings Account is a type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. By using untaxed dollars in a Health Savings Account (HSA) to pay for deductibles, copayments, coinsurance, and some other medical expenses, you may be able to lower your overall health care costs. HSA funds generally may not be used to pay premiums.

**You may contribute funds to an HSA only if you have a High Deductible Health Plan (HDHP).**

High Deductible Health Plan: A plan with a higher deductible than a traditional insurance plan – generally a health plan (including a Marketplace plan) that only covers preventative services before the deductible. The monthly premium for a HDHP is usually lower, but you pay more health care costs yourself before the insurance company starts to pay its share.

A HDHP can be combined with a health savings account (HSA), allowing you to pay for certain medical expenses with money free from federal taxes.

Your HSA balance rolls over year to year, allowing you to build up reserves to pay for health care items and services you need at a later date.

Under tax law, HDHPs must set a minimum deductible and a limit, or maximum on out-of-pocket costs. For calendar year 2023, the amounts are:

	Minimum Deductible	Maximum Out-of-Pocket Costs
Individual HDHP	\$1,500	\$7,500
Family HDHP	\$3,000	\$15,000

Minimum Deductible: The amount you pay for health care items and services before your plan starts to pay  
Maximum Out-of-Pocket Costs: The most you'd have to pay if you need more health care items and services

## Important Information:

HDHPs may have lower monthly premiums than non-HDHPs; BUT your deductible – the costs you pay before the HDHP starts to pay – is higher than for many non-HDHPs

- You can deduct the amount you deposit in an HSA from the income you pay federal taxes on, BUT if you have money in your HSA when you turn 65, you can spend it on anything you want; however, if you are not spending it for a qualified medical expense, it will be taxed as income at your then current tax rate
- You can use HSA funds to pay for deductibles, copayments, coinsurance, and other qualified medical expenses. Withdrawals to pay eligible medical expenses are tax-free.
- Unspent HSA funds roll over from year to year. HSAs may earn interest, which is not subject to taxes.
- HDHPs are available in most areas, but not all. You'll find out if a plan is available in your area when you compare plans on Healthcare.gov. HDHPs may also be available for enrollment directly through health insurance companies and may be offered by an employer.

