Health Savings Accounts (HSAs)

A Health Savings Account (HSA) is a type of personal savings account you can set up to pay certain health care costs. An HSA allows you to put money away and withdraw it tax free, if you use it for qualified medical expenses, like deductibles, copayments, coinsurance, and more. You're eligible to contribute to an HSA when you're covered by certain high-deductible health plans (HDHPs). You can't contribute to an HSA if you have Medicare coverage, or a plan that pays its share of a covered service without you having to pay deductibles or copayments first (called "first dollar coverage").

Banks, insurance companies, and other financial institutions offer HSAs. Plans listed on kynect will be labeled as HSA compatible. Once you sign up for an HSA compatible plan you will have to set up your HSA on your own through a financial institution. The money you contribute to the account isn't taxed as long as it's used for qualified, out-of-pocket medical costs, like:

- Acupuncture
- Ambulance costs
- Doctor visits
- Hearing aids
- Prescription drugs
- Psychological therapy/psychiatric care
- Qualified long-term care services

Sometimes, you can spend the money on similar medical costs for your spouse or dependents, and your money rolls over year-to-year if you don't spend it.

Contributions/Payments made to an HSA are pre-tax and also can be counted as a deduction for Modified Adjusted Gross Income (MAGI): this is the amount used in calculating household income for purposes of Medicaid and the Advance Premium Tax Credit (APTC).

New for Plan Year 2026

- New federal rules allow more plans to be compatible with HSAs
- Beginning January 1, 2026, **all** Catastrophic, Bronze and Expanded Bronze Qualified Health Plans sold on a Marketplace such as kynect will be compatible with HSAs

How do HSA contributions and withdrawals work?

You can only contribute to your HSA when you're enrolled in a qualified high-deductible health plan with no other coverage that disqualifies you. Anyone can contribute to your HSA, like household members, friends, and employers. There is an annual contribution limit that changes year over year. These limits may depend on the type of high-deductible health plan coverage you have (self-only or family), your age, and when you qualified for an HSA.

If you're 55 or older, you can contribute an extra $1,000 to your HSA each year. This is called a "catch-up" contribution. If your spouse is also 55 or older, they can make a catch-up contribution to their own account, if eligible, but not to yours.

The money you take from your HSA to pay for or be reimbursed for qualified medical expenses is tax free.

- If you take money before you're 65 from your HSA for non-medical costs, or medical costs that don't qualify, you'll have to pay the federal income tax and a 20% tax penalty.
- If you take funds from your HSA after you're 65 for non-medical costs, you won't have to pay the 20% tax penalty, but you'll still have to pay the federal income tax on that amount.

Also, you must stop contributing to your HSA when you enroll in any part of Medicare. But you may withdraw money from your HSA at any time to help pay for qualified medical expenses that Medicare or Medicare Supplement Insurance doesn't cover. Keep receipts for medical expenses you paid for using HSA withdrawals. You'll need them to show the HSA money was only used to pay or reimburse qualified medical expenses. It's your responsibility to keep records of your medical costs and decisions in case the Internal Revenue Service (IRS) audits you.

More Information from Qualified Health Plan Issuers?

Ambetter HSA Factsheet

Ambetter HSA Website

Anthem HSA Factsheet

Anthem HSA Website