



# Understanding HDHPs and HSAs

## What is a Qualified High-Deductible Health Plan (HDHP)?

A high-deductible health plan (HDHP) is a health insurance plan with lower premiums and higher deductibles than a traditional health plan. The IRS determines the requirements of a qualifying HDHP.

**You are responsible for paying your eligible medical and prescription expenses up to the deductible(s) stated in the HDHP plan.** Your deductible is the amount you must pay toward your healthcare and prescription before benefits are paid by the HDHP. All eligible in-network preventive services are covered at 100% and do not accumulate toward the deductible.

## What is a Health Savings Account (HSA)?

A health savings account (HSA) is a tax-advantaged medical savings account that can be established and combined with a qualified high-deductible health plan to help pay for healthcare expenses today and down the road. Your HSA contributions accumulate in your account, earning interest, until you need them. The funds contributed to the account are not subject to federal income tax or even state taxes in most cases. They reduce your taxable income. And interest you earn on your HSA balance is tax-free.

## How an HSA Works

An HSA is opened like a typical bank account. Money that is deposited to your HSA can be used to pay for qualified healthcare expenses. You can deposit one lump sum for the year (up to the IRS contribution limit), or make smaller deposits throughout the year through pretax payroll deductions or direct deposit. You can also make a one-time, taxfree transfer from your IRA to your HSA.

If you make after-tax contributions, these contributions can be deducted on your federal tax form for the year in which the contributions are made.

Funds in the HSA account can be **used to pay for your health plan deductible** and any “eligible medical expense,” even if the expense is not covered by the medical plan.

Dental and vision expenses are also eligible to be reimbursed under an HSA account. See [IRS Publication 502 “Medical and Dental Expenses”](#) for a listing of eligible HSA expenses.

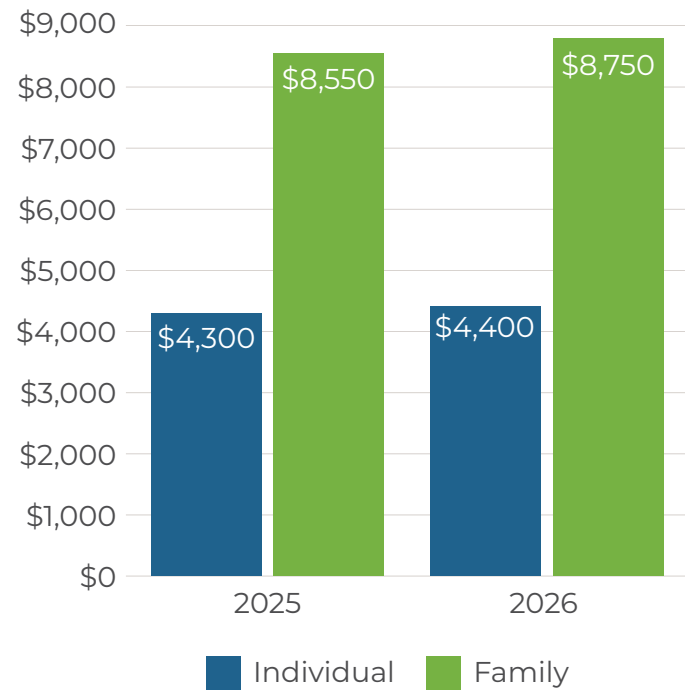
Your HSA is yours to keep – you own the account from the day you open it. There is no “use it or lose it.” Any balance in your HSA rolls over from year to year whether you change jobs, retire, or choose a different healthcare plan.

## HSA Contributions

There are limits, set by law and adjusted annually, for how much you can contribute to an HSA in a calendar year. For 2025 and 2026, those annual limits are as follows.

### HSA Contributions

If you are age 55 or older, you can make “catch-up” contributions, meaning you can deposit an additional \$1,000 every year into your HSA. If your spouse is also 55 or older and enrolled in an HDHP, he or she may establish a separate HSA and make a “catch-up” contribution to that account.



## Per IRS guidelines, you are allowed to open and fund an HSA if you:

- Are covered under an HDHP.
- Are not covered by a non-HSA, for example through a spouse or parent's co-pay plan
- Are not enrolled in Medicare\*, TRICARE or TRICARE for Life.
- Cannot be claimed as a dependent on someone else's tax return.
- Have not received Veterans Affairs (VA) benefits within the past three months.
- You or your spouse do not contribute to a general purpose healthcare FSA (you or your spouse can contribute to a limited purpose FSA).

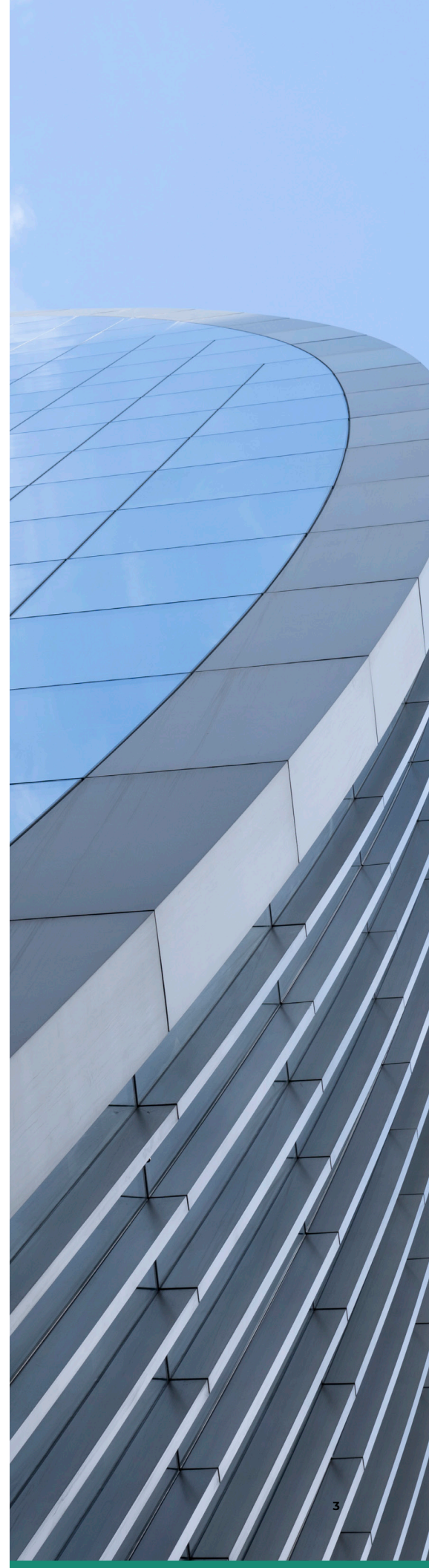
\*Enrollment in Medicare Part A may be retroactive by up to 6 months when you begin taking Social Security retirement after your Social Security normal retirement age (SSNRA). This may affect your HSA eligibility.

Other restrictions and exceptions may also apply. For more information, visit [www.irs.gov/publications/p969/](http://www.irs.gov/publications/p969/).

With passage of the 2025 Tax Reconciliation Act (One Big Beautiful Bill Act) in July 2025, there will be some changes to Qualified High Deductible Health Plans (QHDHPs).

**Coverage for Telehealth and Other Remote Care Services** which had been expanded due to COVID, have now been made permanent. QHDHPs may provide telehealth and other remote care services prior to satisfying the QHDHP minimum deductible requirements. This can be effective retroactively to plan years beginning after 12/31/2024. QHDHPs are not required to include these benefits.

**Direct Primary Care Arrangements** will not disqualify someone from eligible to contribute to their Health Savings Account after 12/31/2025. To qualify for this exception, the fixed periodic fee cannot be more than \$150 per month for an individual or \$300 per month for more than one individual. Additionally, the direct primary care service arrangement must not include coverage for: procedures that require the use of general anesthesia, prescription drugs (other than vaccines), or laboratory services not typically administered in an ambulatory primary care setting. The monthly fixed fee can be paid on a tax-free basis from the individual's HSA.



## Important things to know about your HSA

- You will never lose any contributions you make to your HSA. You own this bank account and can take it with you if you leave your company. You may also transfer the funds to any HSA account.
- You are reimbursed for eligible expenses tax-free.
- If you use your HSA funds for something other than an eligible health expense, your purchase will be subject to tax, plus a 20% penalty if you are younger than age 65.
- Any balance in your HSA rolls over from year to year. This can help you accumulate savings for years when you may incur additional medical expenses.
- IRS regulations do not allow you to participate in an HSA plan and a health care FSA in the same year, unless the contributions are to a limited-purpose FSA.
- To avoid taxes on your contributions, you must file Form 8889 with your 1040 Form.

## About Alera Group

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\*STATISTICS ACCURATE AS OF JUNE 30, 2025.

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