A Simple Guide to Health Savings Accounts (HSAs)

What Is a Health Savings Account (HSA)?

A **Health Savings Account (HSA)** is a special bank account that helps you save money to pay for medical costs.

An HSA is not health insurance. Instead, it is a personal savings account that works alongside your health insurance plan. You can use the money in your HSA to pay for qualified health expenses, such as:

- Doctor visits and copays
- Prescription medicines
- Medical tests and hospital bills
- Deductibles and coinsurance

How Does an HSA Work with Your Health Insurance?

To open and contribute to an HSA, you must have a specific kind of insurance called an HSA-qualified High-Deductible Health Plan (HDHP).

What is a High-Deductible Health Plan?

- **Higher out-of-pocket costs at first:** You must pay *more* of your own medical bills (your deductible) *before* the insurance company starts paying its share.
- **Lower monthly costs:** These plans usually have lower monthly premiums because you are required to pay more of your own medical bills upfront.
- **Minimum deductible rules:** For the 2027 plan year, the deductible must be at least **$1,750** for an individual plan or **$3,500** for a family plan.

Bronze and Catastrophic Plans Now HSA-Compatible

Many health plans sold on the Health Insurance Marketplace – now including **all Bronze** and **Catastrophic** plans – work with HSAs. You can use your HSA funds to pay for doctor visits and prescriptions until you meet your plan's deductible.

Why Use an HSA?

HSAs come with three major money-saving perks:

1. **You save on taxes:** The money you put into an HSA is not taxed. This lowers the amount of income tax you pay.
2. **Your money grows tax-free:** If your account earns interest or investment gains, you do not pay taxes on that growth.
3. **You spend it tax-free:** As long as you spend the money on approved medical expenses, you never pay taxes on it.

Your Money Stays Yours

Unlike Flexible Spending Accounts (FSAs), **HSA money never expires.** Any money you do not spend this year stays in your account for next year. The account belongs to you, so you keep your money even if you switch jobs or change your health insurance plan. You can also invest your unspent savings so your money can grow over time for future medical costs. A financial advisor can assist you with your options.

Can You Get an HSA?

You qualify to open and contribute to an HSA if you meet all of the following:

- You are enrolled in an HSA-qualified high-deductible health plan.
- You do not have other health insurance that pays for medical care before your deductible is met.
- You are not enrolled in Medicare.
- You do not have health coverage through TRICARE.
- You have not received Veterans Affairs (VA) medical benefits in the past three months.
- You do not have a traditional healthcare Flexible Spending Account (FSA).
- No one else claims you as a dependent on their tax return.

How Do You Sign Up for an HSA?

- **Check your plan:** Ask your employer or your health insurance company if your current health plan qualifies for an HSA.
- **Open the account:**
    - Some health insurance companies set up an HSA for you automatically when you enroll in an eligible plan. Others will ask you to choose and open an account on your own.
    - If your insurer does not open one for you, you can open an HSA on your own at most Missouri banks, credit unions, or other financial institutions.

Learn More

To read the official rules and guidelines, visit the Publication 969 (2024), Health Savings Accounts and Other Tax-Favored Health Plans | Internal Revenue Service (irs.gov).

INSURANCE
CONSUMER HOTLINE
800-726-7390
insurance.mo.gov

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