

OBBBA and Health Savings Accounts

Take-Away: The One Big Beautiful Bill Act (OBBBA) modestly expanded the scope of Health Savings Accounts.

Background: For those individuals who participate in high deductible health plans, contributions to a health savings account (HSA) can be deductible. Contributions to the HSA are made with pre-tax dollars, which may be important if the individuals also want to qualify for some of the OBBBA's new income tax deductions, by keeping their taxable income lower. Much like a 401(k) account, the employer's contribution to the HSA, if any, are excluded from the employee's taxable income. And distributions from a HSA are tax and penalty-free, much like a Roth IRA earnings, if those distributions are exclusively used for *qualified medical expenses*. But as noted, contributions to a HSA are only available if the individual is covered in a high deductible health plan.

The OBBBA: The OBBBA made three most changes to HSAs.

- **Telehealth Safe Harbor:** The OBBBA expends its rules to allow health plans to be considered high deductible health plans, despite not having a deductible for telehealth services. This rule change is effective January 1, 2025.
- **Affordable Care Act:** The OBBBA expands HSA eligibility to include those individuals enrolled in Bronze and Catastrophic plans that are available on state and federal insurance exchanges under the Affordable Care Act. This rule change is effective January 1, 2026.
- **Direct Primary Care:** The OBBBA permits those with high deductible health plans to enroll in Direct Primary Care arrangements, also known as **concierge medical care**, while remaining HSA eligible, if the monthly fee for the Direct Primary Care services does not exceed \$150 for individuals and \$300 for families (both amounts indexed annually for inflation). The Direct Primary Care fees are considered as *qualified medical expenses* that can be paid with HSA funds. This rule change is effective on January 1, 2026.

Not changed by OBBBA although earlier provisions of the bill which were leaked to the press contained much more impactful changes to the HSA rules, like permitting much larger annual contributions to a HSA and allowing HSA contributions even if the individual was on Medicare. These changes did not make their way into the final OBBBA.

Conclusion: These changes to HSAs by the OBBBA were pretty modest, but they are a start. Hopefully the earlier changes that were not adopted will not completely disappear.

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