Questions about an HSA?

We've got answers.

To help you better understand a health savings account (HSA), we've gathered some of the most frequently asked questions and answers here.

What is an HSA?

An HSA is a tax-advantaged* personal savings account designed to complement a qualified high-deductible health plan (HDHP). You can use an HSA to pay for medical, prescription drug, dental, vision and other qualified expenses now or later in life. The funds can even be invested, making it a great addition to your retirement portfolio.

What is a qualified HDHP?

In 2025, a qualified HDHP is a health plan with deductible amounts that are greater than $1,650 for individual or $3,300 for family coverage, and has an out-of-pocket maximum that does not exceed $8,300 for individual or $16,600 for family coverage.

What are the tax advantages of an HSA?

Funds contributed to an HSA are triple-tax-advantaged.*

1. **Money goes in tax free.** Most employers offer payroll deduction through a Section 125 Cafeteria Plan, allowing you to make contributions to your HSA on a pre-tax basis. The contribution is deposited into your HSA before taxes are applied to your paycheck, making your savings immediate. You can also contribute to your HSA after tax and get the same tax savings by claiming the deduction when filing your annual taxes.
2. Money comes out tax free. Eligible health care purchases can be made tax free when you use your HSA. Purchases can be made directly from your HSA, either by using your debit card or online bill pay. Or, you can pay out of pocket and then reimburse yourself from your HSA.
3. **Funds earn interest, tax free.** The interest on HSA funds grows on a tax free basis. And, unlike most savings accounts, interest earned on an HSA is not considered taxable income when the funds are used for eligible health care expenses.

Estimated tax savings

$2,500 annual HSA contribution			
Federal tax rate	State tax rate	Payroll taxes	Estimated annual savings
12%	5%	7.7%	$618
22%	5%	7.7%	$868
24%	5%	7.7%	$918
32%	5%	7.7%	$1,118

The above chart is for illustrative purposes only. Individual results will vary.

What expenses are eligible for reimbursement?

You can use your HSA to pay for eligible health care expenses, such as:

- Copays
- Deductibles
- Coinsurance
- Vision
- Dental
- Certain medical supplies

For a complete list of eligible expenses, go to **Cigna.com/expenses**.

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Am I eligible to participate?

To contribute to an HSA, you must be:

- Enrolled in a qualified HDHP

In addition, you must not be:

- Covered under a secondary health plan that is not a qualified HDHP, including a full purpose flexible spending account (FSA) through your employer or spouse
- Enrolled in Medicare
- Another person's tax dependent

How do I contribute money to my HSA?

Payroll deduction is most likely offered by your employer. Your annual contribution will be divided into equal amounts and deducted from your payroll before taxes. Direct contributions can also be made from your personal bank account and can be deducted on your personal income tax return.

Can I change my contributions to my HSA during the year?

Yes. Contact your employer for changes to your HSA contributions made through your payroll deductions.

How much can I contribute to my HSA?

Contributions can be made by the eligible employee, their employer or any other individual. Annual contributions from all sources may not exceed $4,300 for individuals or $8,550 for families in 2025. Individuals age 55 and over may make up to an additional $1,000 catch-up contribution annually.

Do I have to spend all my contributions by the end of the plan year?

No. Unlike an FSA, unused money in your HSA is always yours to keep, and it continues to grow tax free.

What happens if my employment is terminated?

HSAs move with you if you change employment. Just like your personal bank account, your HSA belongs to you, not your employer.

How do I access the funds in my HSA?

Your HSA is similar to a checking account. Payments can be made via debit card or online bill pay. You may also pay for qualified expenses with personal funds and reimburse yourself at a later date. An option to purchase a checkbook may also be available. There is no time limit for using HSA funds – as long as the expense was incurred after your HSA was opened, you can use your HSA funds for that expense. You are responsible for ensuring the money is spent on qualified purchases only and maintaining records to withstand IRS scrutiny.

When must contributions be made to an HSA for a taxable year?

Contributions for the taxable year can be made in one or more payments at any time after the year has begun and prior to the individual's deadline (without extensions) for filing the eligible individual's federal income tax return for that year. For most taxpayers, the deadline is April 15 of the year following the year for which contributions are made.

What happens to the money in my HSA if I no longer have HDHP coverage?

Once you discontinue coverage under an HDHP and/or get secondary health coverage that disqualifies you from an HSA, you can no longer make contributions to your HSA. However, since you own the HSA, you can continue to use the remaining funds for future health care expenses.

Is tax reporting required for an HSA?

Yes. IRS form 8889 must be completed with your tax return each year to report total deposits and withdrawals from your account. You do not have to itemize to complete this form.

Can I still deduct health care expenses on my tax return?

Yes, but not the same expenses for which you have already been reimbursed from your HSA.

Can I withdraw the money for non-health care purchases?

Yes. If you withdraw the money for a non-qualified expense prior to age 65, you'll be subject to your ordinary income tax, in addition to a 20% tax penalty. You can withdraw the money for any reason without penalty after age 65, but are subject to applicable income taxes if you use your HSA funds for non-qualified expenses.

Can I roll over or transfer funds from my HSA, medical savings account (MSA) or Archer MSA into an HSA?

Yes. Preexisting HSA funds or MSA monies may be rolled into an HSA and will continue their tax-free status.

Can I control how the funds are invested?

Yes. Once your HSA cash account balance reaches the minimum amount required by the bank custodian, you can transfer funds to an HSA investment account. You can choose from a selection of mutual funds and set up an allocation model for future transfers, like you would for a 401(k) plan.

Can I transfer funds between the cash and investment accounts?

Yes. You can transfer money between your HSA cash and HSA investment accounts at any time. Only the funds in your HSA cash account can be used to pay for your health care expenses.

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* HSA contributions and earnings are not subject to federal taxes and not subject to state taxes in most states. A few states do not allow pretax treatment of contributions or earnings. Contact your personal tax advisor or HR benefit manager for details of your specific location.

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