Health savings accounts (HSA)

Frequently asked questions about HSAs for employers

What is an HSA?

An HSA offers employees a tax-advantaged way to save and pay for qualified out-of-pocket health care expenses. The employee must be covered by a high-deductible health plan to enroll in an HSA.

What is a high-deductible health plan (HDHP)?

An HDHP is health insurance with deductible amounts greater than standard insurance plans. The monthly premiums for this type of health insurance are typically less expensive because employees agree to take on more of the upfront cost of medical care. For 2025, HDHPs must have a deductible of at least $1,650 for an individual and $3,300 for a family and have an out-of-pocket maximum that does not exceed $8,300 for an individual or $16,600 for a family.

Is this less expensive for the employer?

Yes. High-deductible health plan premiums are much lower than the typical HMO and PPO premiums.

Many employers find these health plans affordable for their companies and employees.

Do employees get a tax benefit from an HSA?

Employee contributions can be made to an HSA on either a pre-tax or post-tax basis. When employees make contributions pre-tax, it is done through a Section 125 plan (also called a salary reduction or cafeteria plan), generally through payroll contributions. Employees who contribute funds post-tax can be deducted from their taxable income.

Does an employer have to make contributions to an employee's HSA?

No. Employers are not obligated to contribute to their employees' HSAs. Many employers find that contributing to employees' HSAs may help improve the adoption of HDHPs and HSAs, especially if they are transitioning from a more traditional type of health insurance coverage.

Can an employer fully fund the employee's HSA at the beginning of the year?

Yes. An employer may fully fund the employee's HSA at the beginning of the year; however, HSAs belong to the individual and not the employer, and the employer has no further control over the accounts after they have been funded. As a result, many employers elect to fund employees' HSAs periodically throughout the year.

Can employers make pre-tax contributions to their employees' HSAs?

Yes. Employers may make pre-tax contributions to their employee's HSAs if they have a cafeteria plan that provides for HSA contributions. These contributions are not subject to withholding from wages for income tax or subject to FICA, FUTA, or the Railroad Retirement Act.

Can you combine an HSA with a flexible spending account (FSA)?

Yes. But an HSA can only be combined with a limited-purpose FSA so as not to duplicate the coverage provided by the HSA. The limited-purpose FSA is designed to complement the HSA and may be established to pay for eligible vision and dental expenses. The FSA is not permitted to cover medical expenses because the tax-favored HSA is used to fund those costs.

Is the employer responsible for reviewing medical expenses?

No, the employer is not responsible for substantiating the employee's HSA expenses. The individual account holder is responsible for determining that their account funds are being properly used. They must provide supporting evidence on the use of their funds in the event of an IRS audit.

How often can employees adjust their HSA contribution when contributing through a cafeteria plan?

Employees contributing to an HSA through a cafeteria plan may adjust their contributions at any time as long as the change only affects future contributions.

As an employer, am I responsible for my employees' HSAs?

No. You do not own your employees' HSAs, nor are you responsible for how the employee manages the funds. The employee fully owns the contributions to the account as soon as they are deposited, just as with a personal checking or savings account to which you would deposit their compensation.

Do I have to contribute the same amount to every employee's HSA?

Generally, employer contributions must be comparable; that is, they must be in the same dollar amount or the same percentage of the employee's deductible for all employees in the same "class." However, higher contributions are allowed for non-highly compensated employees.

In addition, you can vary the level of contributions for full-time versus part-time employees and employees with self-only coverage vs. family coverage. You do not need to consider employees who have not elected the HDHP coverage because they are not eligible for HSA contributions.

Questions?

Contact your Independence Blue Cross account executive, broker, or consultant.

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