

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

## HEALTH SAVINGS ACCOUNT (HSA) EXPANSION



Preston Brashers, Research Fellow

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**TOPLINE:** The One Big Beautiful Bill (OB BB) expanded access to tax-advantaged Health Savings Accounts (HSAs), promoting saving and investment and more cost-consciousness to help bend down the health care cost curve.

**BACKGROUND:** HSAs were [established](#) in a 2003 law as a more flexible way of allowing people to save for medical expenses with favorable tax treatment. Individuals can contribute to their own HSAs, and often employers contribute to HSAs on behalf of their employees up to limits that are adjusted annually for inflation. Individuals must have qualifying high-deductible health insurance to be eligible to make or receive HSA contributions. When employers contribute to their employees' HSA accounts, the contributions avoid payroll taxes (employer- and employee-side) and individual income taxes that would be owed if the employer had paid additional wages instead. If HSA funds are withdrawn for qualifying medical expenses, investment gains in the accounts are also untaxed. HSAs are therefore considered "triple-tax-advantaged."

HSAs, paired with high-deductible insurance plans, encourage cost consciousness, because individuals can keep and invest "unused" funds contributed to their accounts.

### What OB BB Did:

- [Expanded](#) HSA eligibility beginning in 2026 to individuals enrolled in certain high-deductible bronze-level or catastrophic health plans from Obamacare exchanges.
- [Expanded](#) eligibility to include individuals with health plans that cover telehealth services before the deductible is reached.

### Why It Matters?

- HSAs reduce reliance on direct federal and state outlays on health care.
- Health care spending accounts for about [one-third](#) of non-interest federal outlays.
- U.S. health care spending accounts for [18%](#) of all spending in the economy, more than double its share of the economy in [1980](#).
- The tax code has long provided significant tax advantages for generous employer-provided health insurance (low deductibles, copays, and coinsurance).
- Compared to other options, HSAs (paired with high-deductible plans) increase cost-consciousness and help bend down the health care cost curve.

**Where Can I Find the Changes?** OB BB Section [71306-71308](#); [26 U.S.C. § 223\(c\)](#).

**BOTTOMLINE:** The government controls an enormous amount of the health care sector. HSA expansions, like those in the OB BB, help shift the industry toward a functional *private* health care system based on consumer choice.

