

HEALTHCARE SAVINGS

HSA and HDHP strategy in a high-cost year

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Health savings accounts remain one of the most useful tools in the employer benefits toolkit, especially when medical costs are rising and workers need a way to prepare for bigger out-of-pocket expenses. For 2026, the HSA contribution limit increased to \$4,400 for self-only coverage and \$8,750 for family coverage, and those higher limits make the HSA message especially timely in a year when households may be absorbing more health care cost pressure.

Why HSAs matter more now

In a year of elevated medical inflation, the HSA does more than provide a tax advantage. It gives employees a mechanism to build a reserve for deductibles, copays, dental costs, vision expenses, and other eligible out-of-pocket costs. That is particularly important when renewals are pushing more dollars onto the employee side of the ledger.

The value proposition is straightforward: pre-tax contributions, tax-free growth, and tax-free qualified medical withdrawals. From an advisor's perspective, that makes the HSA one of the few benefits that can function as both a spending account and a long-term planning vehicle. If used strategically, it may help offset some costs of a high-deductible plan; however, individuals may still face significant out-of-pocket expenses

The 2026 numbers that matter

The IRS increased the 2026 HSA limit to \$4,400 for individuals and \$8,750 for family coverage, up from \$4,300 and \$8,550 in 2025. The annual catch-up contribution for individuals age 55 and older remains

\$1,000, which means older workers can continue to build a larger health care reserve if they are eligible.

At the same time, HDHP minimum deductibles and out-of-pocket maximums also moved higher for 2026, which reinforces the need for better upfront education. Employees who enroll in a high-deductible plan without understanding the mechanics may view the plan as risky, while those who understand the HSA connection may see it as a disciplined savings tool.

What employees often miss

Many employees treat an HSA as a reimbursement account rather than a planning account. They contribute a little, spend it quickly, and never build a cushion. That approach can still be useful, but it misses the most valuable part of the HSA structure: the ability to accumulate assets for future medical costs while benefiting from favorable tax treatment.

Another common mistake is failing to coordinate HSA contributions with payroll deductions, employer funding, and year-round medical needs. Employees who wait until the end of the year often underfund the account and then feel unprepared when a major bill arrives. A spring reminder can help them spread contributions over the year and use the account more effectively.

Advisor talking points for open enrollment

Plan sponsors should present the HSA as part of a broader health and financial strategy, not just as an add-on to the HDHP. The strongest explanation is usually the simplest: the HSA may help employees

pay for current costs, prepare for future costs, and potentially reduce taxable income, depending on individual circumstances.

Advisors can also encourage employees to think about funding order. If a worker has high-interest debt, no emergency fund, and a new HSA option, the right answer may be to contribute enough to capture the employer seed or match, then build savings step by step. If the worker has a stronger balance sheet, maxing the HSA may be a higher priority because the account can act as a stealth retirement asset later in life.

What plan sponsors should do

The employer opportunity is to make the HSA easier to understand and harder to ignore. That means clear enrollment materials, examples showing the tax savings, and a reminder that HSA dollars can help offset a year of higher deductibles and prescriptions. The more concrete the messaging, the more likely employees are to act on it.

Sponsors should also review whether the HDHP is still being positioned correctly inside the benefit menu. If the plan has become the low-cost option by default rather than an informed choice, employees may not appreciate its value. A better strategy is to explain how the plan fits different financial situations and how the HSA can make the structure work in a higher-cost year.

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