Priority Health

Understanding Health Savings Accounts

A guide for HSA-eligible MyPriority members

Let’s navigate health savings accounts together.

This guide is designed to explain what a health savings account (HSA) is, how it works and what it means to have one.

We want to teach you how to contribute to your HSA and how to pay for your health care expenses so you can get the most out of your HSA while receiving the best care possible.

Please refer to the “terms to know” section on pg.5 to learn any unfamiliar terms.

What is a health savings account?

An HSA is a savings account designed to help pay for your medical expenses. Unlike traditional savings accounts, HSAs pair with high-deductible health plans (HDHPs)—and, new for 2026, Bronze plans available through the Marketplace.

Why open an HSA?

HSAs help cover the costs of care. HSAs are extremely flexible and tax-free—they’re even backed by the federal government, like traditional savings accounts.

HSAs work well for many people because they have a triple tax advantage:

- The money you deposit is tax-free (up to a capped amount).
- The money you withdraw to pay for qualified medical services is tax-free.
- The money in your HSA can grow and earn interest tax-free.

Your balance rolls over from year to year, which means you can invest in your HSA, and it can even help fund your retirement.

HSA eligibility

The government regulates eligibility for opening and contributing to an HSA.

You must be enrolled in a high-deductible health plan

OR

a Bronze plan available through the Marketplace.

What qualifies as an HDHP?

According to the IRS, high-deductible health plans:

- Must meet a minimum deductible set by the IRS each year (Go to *irs.gov* for more.)
- Must limit out-of-pocket expenses
- Can use any plan design: HMO/EPO, POS or PPO
- Require you to meet the deductible before the health plan benefits apply—all in-network medical and prescription costs count toward the deductible

What Bronze plans qualify for an HSA?

- As of 2026, all Bronze plans offered through the Marketplace are HSA-eligible, regardless of plan name and design details.

You're not claimed as a dependent on someone else's tax return.

You aren't enrolled in Medicare or any other non-HDHP plan.*

Keep in mind

If you switch health plans you may immediately become ineligible to contribute to your HSA. The HSA remains yours, and you can continue to pay for health care services using this account, but you can't make new contributions until you become eligible again.

Remember, your HSA is tax-free

Whatever you or your family members choose to contribute to your HSA is tax-free. Your HSA collects interest and grows tax-free. When you withdraw from your HSA to pay for qualified health care costs—you guessed it—those are tax-free, too.

Benefits of a MyPriority HSA eligible plan

A MyPriority HSA eligible plan can be paired with an HSA to help pay for qualified medical expenses. Although Priority Health administers the medical benefits, it does not administer the HSA—your HSA banking partner does. You can use money in your account at any time on qualified medical expenses not paid for by your plan.

Priority Health has no access to information related to your HSA funds. If you have questions about your HSA bank account or qualified medical expenses, contact your banking partner.

- ✓ Banking—HealthEquity, our banking partner, helps you set up and manage your HSA.
- ✓ Preventive care is 100% covered (even before meeting your deductible) when you use doctors and other health care providers in the Priority Health network.
- ✓ You can make fixed HSA contributions to ensure you have money set aside to pay for qualified medical expenses.
- ✓ Triple tax advantage: All contributions, account earnings and money withdrawn to pay for eligible medical expenses are tax-free.
- ✓ Emergency and urgent care services are covered wherever you travel.

Go to ***priorityhealth.com/member*** and search "HSA" to learn more.

Coinsurance

After you've paid your deductible, coinsurance is your portion of the cost for medical services listed as benefits in your plan, or prescriptions listed in the approved drug list.

Copayments

A copayment, or copay, is the portion you pay at the time you receive a health care service or have a prescription filled. If you have an HDHP, you most likely won't have a copay until after you reach your deductible for the year.

Deductible

Your deductible is the amount you pay each year for health care services before your health plan starts to pay for medical services listed as benefits in your plan or prescriptions listed in the approved drug list.

In-network

The specific doctors, hospitals, medical centers or labs that your health plan contracts with to provide health care services are known as in-network.

Out-of-network

Other doctors, hospitals, medical centers or labs that are not contracted with your health plan are known as out of network. Out-of-network services generally cost you more, as they're not part of your health plan or network. are known as out-of-network.

Out-of-pocket limit

This is your annual maximum cost. It's the most you'll pay for health care services including copays, coinsurance and prescription costs in one year.

Premium

The monthly amount you pay to keep your health plan active.

Special enrollment period (SEP)

The time frame, generally between 30 and 60 days depending on your plan, during which you can enroll or make changes to your health plan coverage, and that is outside the yearly open enrollment period (when you sign up for health plan coverage). You qualify for a special enrollment period if you've had certain life events including starting a new job, getting married, having a baby or adopting a child.

Opening an HSA

You can open an HSA the moment your eligible health plan takes effect. If you're in the process of enrolling in an eligible health plan, you can begin your HSA paperwork and have your deposit ready. You may also decide to open an HSA at another institution of your choosing, but you may be subject to additional fees from those institutions. At Priority Health, we partner with HealthEquity®, to offer HSA services to you at no cost.

Visit *healthequity.com/mypriority* to learn more about our partnership with HealthEquity

The IRS must verify your enrollment before you can establish an HSA. It checks your status on the first of the month to see when you enrolled, so remember to open your HSA on or after the first day of the month you enroll in an HDHP.

Depositing money

As the owner of your HSA, you decide:

- How much to contribute to your account
- How to invest your funds
- How much to spend from your account
- What qualified medical expenses to spend your money on
- Whether to spend now or save for future expenses

Contribute to your HSA just as you would a checking or savings account, but remember: the money you put in your HSA is pre-tax, meaning that the entire amount makes it into your account before the government takes a portion—as it would on your paycheck, for example. It is up to you to make sure you don't exceed the annual allowed contribution limits set by the IRS.

What's more, the money you put into your HSA stays in your account if you change jobs, move or retire. The only thing you can't do is borrow against it or pledge funds. If you borrow against your HSA by purchasing non-qualifying medical expenses, you'll be subject to taxes and fees.

Avoid overages at all costs

It's important to keep track of the amount deposited in your HSA to avoid penalties set by the government for going over the annual contribution limit. If you're $100 over your limit, you'll have to withdraw that amount, along with any others, from your account before the tax deadline. If not, you will pay a 6% excise tax, or per-unit tax, for each year that goes by and you'll pay taxes on any amounts that would otherwise be tax-free.

Does enrolling mid-year affect contribution limit amounts?

The IRS determines HSA contribution limits on a tax-year (calendar-year) basis. Like eligibility, you establish contribution limits based on the active date of your plan. If you do not expect to still be enrolled in your plan by December 1st, you must prorate your contribution amount for the months you are eligible.

If you enrolled in an HSA-eligible plan mid-year and remain enrolled in that plan through December 1st, you are able to contribute up to that year's maximum contribution limit. This is allowed because of the the IRS's "last-month rule". However, if you become ineligible before December 31 the following year, the IRS considers some or all of those contributions excess and therefore subject to income tax and penalty fees. If you are not certain you will still be enrolled in your HSA-eligible plan during the entire next tax year, consider prorating your contribution.

For more details, please visit ***IRS.gov.***

DOING THE MATH

Use these steps to calculate your prorated personal contribution limit:

1. Divide your total annual contribution limit (based on your individual or family plan) by 12 months.
2. Multiply that by the number of months for which you qualify that year. *Example: if you're effective October 1, use three months.*
3. Check to make sure you're not contributing more money to your HSA than your pro-rated amount for that year.

Investing in your HSA

Similar to an IRA, you can invest money from your HSA in stocks, bonds, mutual funds and certificates of deposit. These investment types can help you grow your HSA.

According to regulations, the institution that holds your HSA investment is either a custodian or a trustee. You can place your HSA in a trust, which makes the institution a “trustee” that can invest in your account for you. Your institution may simply be a “custodian” that holds funds for you and makes changes at your request. Either way, you’re in control. It’s best to discuss which type of investments work for you with the institution holding your HSA.

As long as the institution is a federally insured bank, a federally insured credit union or a qualified insurance company, it can handle your HSA investments. It will be responsible for sending you important tax forms and distribution reports at the end of the year so you can file accordingly.

We recommend that you discuss investments with your institution before you make any. Be sure to ask if your HSA has any monthly or setup fees, as many institutions charge to oversee your account.

Tax tips

Keep your receipts

To write off your HSA contributions at tax time, you don’t have to itemize your deductions. You take an above-the-line deduction by writing your contribution total on the designated line of your 1040 form and attaching a Form 8889, found at *irs.gov*. If you choose to itemize deductions on your tax return, save all receipts for health care expenses. Your receipts help you show the IRS that you’re spending funds from your HSA on qualified medical expenses.

Keep track of your explanation of benefits

Explanation of benefits, or EOBs, are important for your records. Priority Health sends an EOB whenever you receive a health service. While it’s not a bill, an EOB shows what your health plan paid and how much you owe toward qualified medical expenses. If you’re a Priority Health member, you can also access and print all of your EOBs from your member account by logging in at *priorityhealth.com* or request copies by calling the number on the back of your member ID card.

Five tips to maximize your HSA

Spend on qualified medical expenses only

Contribute as much, and as often, as possible (up to the contribution limit)

Save your receipts

Make tax-free deposits

Invest wisely

Enjoy tax-free spending

Remember, just as contributing and investing toward your HSA are tax-free, so is spending from it. The main thing to consider when spending your HSA funds is making sure you're paying for qualified medical services or expenses. According to the IRS, a qualified medical expense is money you pay to primarily prevent or treat a physical or mental illness. You'll find a list of qualified medical expenses at *priorityhealth.com/member* or at *irs.gov*. These services include optical, dental and hearing, but come with caveats and exceptions, including expenses that even your health plan doesn't cover; be sure to study the list of qualified services at length.

You can't use your HSA to pay your health plan premiums, unless:

- You're receiving federal or state unemployment benefits
- You're paying for COBRA continuation of coverage
- You're paying Medicare premiums
- You're paying a qualified long-term care insurance policy

Most HSAs include a checkbook or debit card. Either can be used to pay for medical services at the time you receive them or afterward, in the event that you're invoiced. You can use HSA funds to reimburse yourself for a previous year's expenses—as long as your HSA was established on or before the date of the expense. You can go back any number of years, which is why it's important to keep good records and hold onto receipts for all qualified medical services.

To reimburse yourself, you must prove that:

- You incurred the expenses
- You haven't received reimbursement
- Someone else didn't pay the expense already
- You haven't itemized and deducted the expense on your tax return

Leaving your HSA-eligible health plan. *If you decide to enroll in a health plan that does not include access to an HSA it makes you ineligible to contribute to your HSA, but you still own your HSA and can continue to use it on qualified medical expenses—tax-free.*

Know your qualified medical expenses

It's important to understand which medical expenses are qualified, because paying for unqualified expenses, such as cosmetic surgery, with your HSA can be costly. The IRS will add taxes and penalties each time you pay for something you shouldn't. Find qualified medical expenses at *priorityhealth.com/member.*

Remove guesswork and reduce costs with Cost Estimator.
Did you know the price of a procedure can vary depending on where it's performed? Want to know what health care services will cost you?

You can with our Cost Estimator. It's a valuable tool in your member account that allows you to see what in-network facilities charge for common services and your out-of-pocket share, based on your plan.

Find Cost Estimator under "Estimate procedure cost" in your member account at *priorityhealth.com/member*. Use it to search by procedure, at locations near you.

Download the Priority Health app today to access your health information anytime, anywhere. Available in the App Store and Google Play.

Paying penalties

While we stress the importance of spending your HSA funds solely on qualified medical expenses, you may use funds for other financial emergencies—but it'll cost you. The following requirements may apply when you spend outside the rules:

- Claim the amount on your income taxes
- Pay income tax on the amount
- Pay a 20% penalty on top of taxes

If you're 65 or older (or disabled) you are not liable for penalties.
You also can't pay for medical expenses that happened before you started your HSA.

Paying for your family

A big advantage of an HSA is that you can spend funds on the qualified medical expenses of your spouse and any tax dependents, even if they're not covered on your health plan.

Reaching retirement

Once you enroll in Medicare, you're no longer eligible to establish an HSA. You can't contribute to your existing HSA, either. However, you can use what's in your existing account to pay for a wider range of medical services than before, including:

- Paying any Medicare premiums, deductibles, copays and coinsurance costs (not including premiums for supplemental insurance plans)
- Paying for company retiree benefits premiums

Your HSA can also become a source of retirement income. If you're age 65 or over, you can spend your HSA money on anything, as you're no longer bound to qualifying medical expenses. However, the amount you use toward non-medical things is subject to tax. In the event of death, if you have money in your HSA, the balance will go to your beneficiary. If your surviving beneficiary is your spouse, they may treat the HSA as their own. For any other beneficiary, the HSA is dissolved into your estate and may be subject to tax. Your beneficiary has one year to use the remaining funds to pay for any qualified medical expenses you made leading up to your death, which is deducted from the taxable portion of the remaining balance.

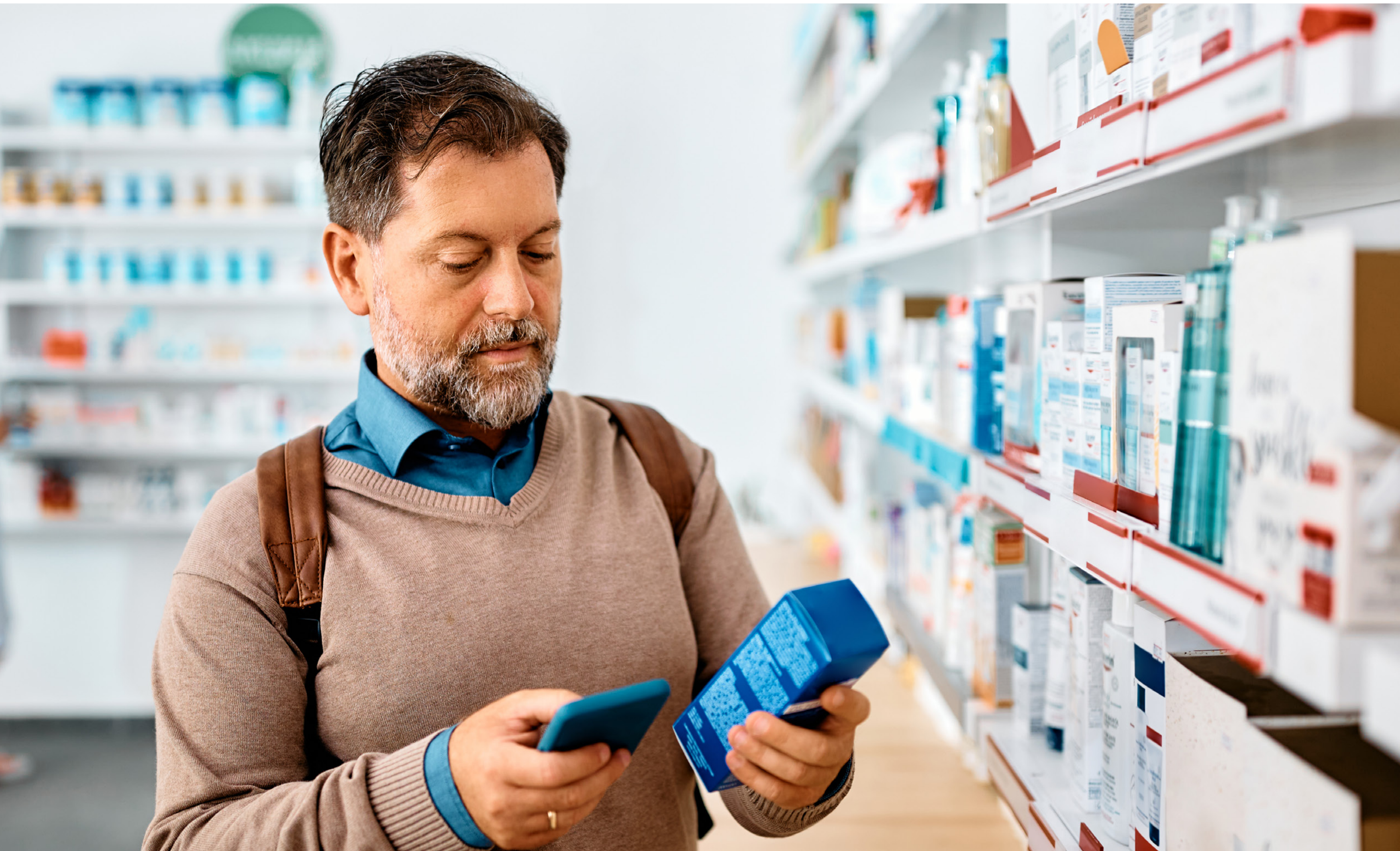
Your balance carries over. Keep money in your account as long as you'd like.

As with any savings account, the money in your HSA is yours to keep. Your balance rolls over annually and will continue to grow tax-free (if you're investing it) until you decide to use the funds. You're not required to spend from it, and can save your HSA funds as long as you'd like.

Find even more HSA resources online

At Priority Health, we're committed to lowering the cost of care. We created this guide to help you control out-of-pocket costs by better understanding how to open and use an HSA. To get more information including the how-to video, go to *priorityhealth.com/member* and search "HSA."

If you have any additional questions regarding HSAs or your health plan, please call the phone number on the back of your member ID card.



Priority Health

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