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Your Bridge to Success

The American Health Care Act (AHCA) & Health Savings Accounts (HSAs)

What You Need to Know

House republicans passed and amended the AHCA on May 4th, 2017. The AHCA now goes to the Senate and if it passes there it would then go to President Trump to be signed into law.

What is going to change with Health Savings Accounts under the AHCA?

Increase the maximum HSA contribution limit:

In 2017 the HSA contribution limit is $3,400 for self only coverage and $6,750 for family coverage. In 2018, the AHCA would permit HSA contributions up to the maximum out-of-pocket limits allowed by law (at least $6,550 for self-only coverage and $13,100 for family coverage.)

Allow both spouses to make catch-up contributions to the same HSA:

The AHCA would allow both spouses if a married couple to make catch-up contributions to one HSA, beginning in 2017. To do this, both spouses must be eligible for catch-up contributions and either one would be required to have family coverage.

Address expenses incurred prior to establishment of an HSA:

Under the AHCA, in 2018, if an HSA is established within 60 days after an individual's HDHP coverage begins, the HSA fund would be able to be used to pay expenses incurred starting on the date the coverage began.

Restrictions on using HSAs for over-the-counter (OTC) medications:

The ACA prohibits taxpayers from using certain tax-advantaged HSAs to help pay for OTC medications. The AHCA would allow these accounts to be used for OTC purchases, starting in 2017.

Increased tax from withdrawals from HSAs:

Distributions from an HSA that are not used for qualified medical expenses are includible in income and are generally subject to an additional tax. The ACA increased the tax rate on distributions that are not used for qualified medical expenses to 20%. The AHCA would lower the rate to pre-ACA percentages starting with distributions in 2017.