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Know Your Benefits

Prepare for Open Enrollment: 5 HDHP Facts and Myths

With open enrollment approaching, it's important to know your employer's health plan options so you can make an informed decision for your and your family's health care. A common offering is a high deductible health plan (HDHP). These plans have low premiums, making them a cost-effective option. Although they come with higher deductibles, meaning you may face greater upfront costs until coverage kicks in, they can be a budget-friendly choice for those who don't anticipate frequent medical expenses or want to save money in a tax-advantaged health savings account (HSA).

You must be enrolled in an HDHP to be eligible for an HSA. An HSA is a savings account individuals can use to pay for qualified medical expenses. Funds in an HSA can be used for various eligible health care expenses, such as copays, prescriptions, dental care and vision-related costs. The accounts are often used to help offset the higher deductibles and out-of-pocket costs that come with HDHPs, but unused HSA funds can also be saved or invested, and they fully roll over at the end of the year.

Whether you are enrolled in an HDHP or are considering enrolling in one next year, understanding common facts and myths can help you make educated decisions about plan enrollment and health care spending.

Overview of 2026 HDHP/HSA Limits

The IRS announced new limits for HDHPs in 2026:

- Individual
    - Minimum deductible: $1,700 (up from $1,650 in 2025)
    - Maximum out-of-pocket: $8,500 (up from $8,300 in 2025)
- Family
    - Minimum deductible: $3,400 (up from $3,300 in 2025)
    - Maximum out-of-pocket: $17,000 (up from $16,600 in 2025)

The following are the 2026 HSA contribution limits:

- Individual coverage: $4,400 (up from $4,300 in 2025)
- Family coverage: $8,750 (up from $8,550 in 2025)
- Catch-up contribution (age 55+): $1,000 (unchanged)

These adjustments reflect the IRS' annual inflation updates, allowing you to contribute more toward your health care savings.

5 Facts About HDHPs

The following are five key facts that help explain how HDHPs work and what makes them a valuable part of a benefits package:

1. **HDHPs offer lower premiums**. These plans offer lower monthly premiums compared to other health plan options. If you don't anticipate many medical expenses or doctor visits, this can help you save money and potentially offset the higher deductible.
2. **Preventive care is covered.** Qualifying HDHPs must cover preventive services, such as annual checkups, at no cost without requiring you to meet the deductible first.
3. **HDHPs are HSA-eligible.** HDHPs allow you and your employer to contribute to an HSA, which has triple

tax advantages: Contributions are tax-deductible, earnings grow tax-free and withdrawals for qualified medical expenses are tax-free. HSAs can help offset the out-of-pocket costs you may pay with an HDHP.

4. **Employers can contribute to HSAs under an HDHP.** With HSA-eligible HDHPs, many employers offer HSA contributions or matches. These contributions can help reduce out-of-pocket health care costs associated with HDHPs and boost savings potential.

5. **HDHPs are growing in popularity.** According to the U.S. Bureau of Labor Statistics, half of private industry workers with medical care plans were enrolled in HDHPs in 2024, up from 38% in 2015. So, employees are finding HDHPs increasingly attractive options, likely due to their savings potential.

5 Common Myths About HDHPs

Despite their advantages, HDHPs are sometimes misunderstood and may not be the right plan choice for everyone. Misinformation can lead you to avoid enrolling in a plan that could save you money and give you more control over your health care spending. The following can clear up some of the most common myths:

1. **Myth**: "HDHPs always cost more in the long run."
   Reality: With lower premiums, HSA contributions and tax savings, HDHPs are often more cost-effective than traditional plans, especially for those with fewer medical needs, who do not reach their deductible and who manage their health care spending efficiently. However, the right plan choice will vary by available options, health care spending, plan coverage and personal circumstances.

2. **Myth**: "I pay for everything until I hit the deductible."
   Reality: While HDHPs require that many health care services, such as routine sick visits, emergency room or urgent care visits, be paid for out of pocket until you meet the deductible, these plans must cover qualifying preventive services 100% even before the deductible is met. Such services include annual physicals, screenings, prenatal care and vaccinations.

3. **Myth**: "If I don't use the money in my HSA, I lose it."
   Reality: If you contribute to an HSA as part of your HDHP, the funds in your HSA roll over from year to year and don't go away until you spend them. This differs from a flexible spending account, or FSA, which only allows for a rollover amount of $660 in 2026. You keep and use your HSA even if you retire or change employers or health plans. However, if your new health plan is not HSA-eligible, you cannot contribute new funds to your HSA.

4. **Myth**: "HDHPs don't work for families."
   Reality: HDHPs can be an effective and flexible option for families. While deductibles are higher for family plans, monthly premiums are lower. Similarly, the family out-of-pocket maximum caps the amount you pay for your family's covered services in a year. The HSA contribution limit for families is also higher than the individual limit, allowing comparable savings to offset potential costs.

5. **Myth:** "HDHPs are only for the young and healthy."
   Reality: HDHPs may generally appeal to younger or healthier employees, who typically have fewer medical needs; however, these plans offer benefits that can be advantageous for various demographics. For example, IRS guidelines now enable HDHPs to cover certain chronic condition treatments as preventive care, such as insulin for diabetes, allowing these costs to be covered before meeting the deductible. Tax-advantaged employer and employee HSA contributions may allow for significant long-term savings for individuals with ongoing health care expenses, as well as long-term financial planning, such as for health care needs in retirement.

Conclusion

During open enrollment, your employer may offer only an HDHP, the option between an HDHP and other plan types, or no HDHP at all. Regardless, educating yourself about HDHPs and other types of plans can help you make informed health care decisions.

An HDHP can be an effective health plan option. It may help you receive high-quality health insurance while saving money today and planning for future health care needs. With open enrollment around the corner, now is a great time to consider whether an HDHP is right for you.

Check with your employer to learn more about HDHP and HSA offerings.