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Health Savings Accounts, Backed by GOP, Cover Fancy Saunas but Not In...



Sen. Bill Cassidy (R-La.) speaks to reporters on Nov. 10. Cassidy has proposed loading health savings accounts with federal dollars sent directly to some Affordable Care Act enrollees. (TOM BRENNER/GETTY IMAGES)

# Health Savings Accounts, Backed by GOP, Cover Fancy Saunas but Not Insurance Premiums

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By Amanda Seitz

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With the tax-free money in a health savings account, a person can pay for eyeglasses or medical exams, as well as a \$1,700 baby bassinet or a \$300 online parenting workshop.

## FORTUNE

This story also ran on Fortune. It can be republished for free.

Those same dollars can't be used, though, to pay for most baby formulas, toothbrushes — or insurance premiums.

President Donald Trump and some Republicans are pitching the accounts as an alternative to expiring enhanced federal subsidies that have lowered insurance premium payments for most Americans with Affordable Care Act coverage. But legal limits on how HSAs can and can't be used are prompting doubts that expanding their use would benefit the predominantly low-income people who rely on ACA plans.

The Republican proposals come on the heels of a White House-led change to extend HSA eligibility to more ACA enrollees. One group that would almost certainly benefit: a slew of companies selling expensive wellness items that can be purchased with tax-free dollars from the accounts.

There is also deep skepticism, even among conservatives who support the proposals, that the federal government can pull off such a major policy shift in just a few weeks. The enhanced ACA subsidies expire at the end of the year, and Republicans are still debating among themselves whether to simply extend them.

“The plans have been designed. The premiums have been set. Many people have already enrolled and made their selections,” Douglas Holtz-Eakin, the president of the American Action Forum, a conservative think tank, warned senators on Nov. 19. “There’s very little that this Congress can do to change the outlook.”

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## Cassidy's Plan

With health savings accounts, people who pay high out-of-pocket costs for health insurance are able to set aside money, without paying taxes, for medical expenses.

For decades, Republicans have promoted these accounts as a way for people to save money for major or emergent medical expenses without spending more federal tax dollars on health care.

The latest GOP proposals would build on a change included in Republicans' One Big Beautiful Bill Act, which makes millions more ACA enrollees eligible for health savings accounts. Starting Jan. 1, those enrolled in Obamacare's cheapest coverage may open and contribute to HSAs.

Now Republicans are making the case that, in lieu of the pandemic-era enhanced ACA subsidies, patients would be better off being given money to cover some health costs — specifically through deposits to HSAs.

The White House has yet to release a formal proposal, though early reports suggested it could include HSA contributions as well as temporary, more restrictive premium subsidies.

Sen. Bill Cassidy — a Louisiana Republican who chairs the Senate Health, Education, Labor, and Pensions Committee and is facing a potentially tough reelection fight next year — has proposed loading HSAs with federal dollars sent directly to some ACA enrollees.

“The American people want something to pass, so let’s find something to pass,” Cassidy said on Dec. 3, pitching his plan for HSAs again. “Let’s give power to the patient, not profit to the insurance company.”

He has promised a deal can be struck in time for 2026 coverage.

Democrats, whose support Republicans will likely need to pass any health care measure, have widely panned the GOP’s ideas. They are calling instead for an extension of the enhanced subsidies to control premium costs for most of the nearly 24 million Americans enrolled in the ACA marketplace, a larger pool than the 7.3 million people the Trump administration estimates soon will be eligible for HSAs.

HSAs “can be a useful tool for very wealthy people,” said Sen. Ron Wyden of Oregon, the top Democrat on the Senate Finance Committee. “But I don’t see it as a comprehensive health insurance opportunity.”

## Who Can Use HSAs?

The IRS sets restrictions on the use of HSAs, which are typically managed by banks or health insurance companies. For starters, on the ACA marketplace, they are available only to those with the highest-deductible health insurance plans — the bronze and catastrophic plans.

There are limits on how much can be deposited into an account each year. In 2026 it will be \$4,400 for a single person and \$8,750 for a family.

Flexible spending accounts, or FSAs — which are typically offered through employer coverage — work similarly but have lower savings limits and cannot be rolled over from year to year.

The law that established HSAs prohibits the accounts from being used to pay insurance premiums, meaning that without an overhaul, the GOP's proposals are unlikely to alleviate the problem at hand: skyrocketing premium payments. Obamacare enrollees who receive subsidies are projected to pay 114% more out-of-pocket for their premiums next year on average, absent congressional action.

Even with the promise of the government depositing cash into an HSA, people may still opt to go without coverage next year once they see those premium costs, said Tom Buchmueller, an economics professor at the University of Michigan who worked in the Biden administration.

"For people who stay in the marketplace, they're going to be paying a lot more money every month," he said. "It doesn't help them pay that monthly premium."

Others, Buchmueller noted, might be pushed into skimpier insurance coverage. Obamacare bronze plans come with the highest out-of-pocket costs.

## An HHS Official's Interest

Health savings accounts can be used to pay for many routine medical supplies and services, such as medical and dental exams, as well as emergency room visits. In recent years, the government has expanded the list of applicable purchases to include over-the-counter products such as Tylenol and tampons.

Purchases for "general health" are not permissible, such as fees for dance or swim lessons. Food, gym memberships, or supplements are not allowed unless prescribed by a doctor for a medical condition or need.

Americans are investing more into these accounts as their insurance deductibles rise, according to Morningstar. The investment research firm found that assets in HSAs grew from \$5 billion 20 years ago to \$146 billion last year. President George W. Bush signed the law establishing health savings

accounts in 2003, with the White House promising at the time that they would “help more American families get the health care they need at a price they can afford.”

Since then, the accounts have become most common for wealthier, white Americans who are healthy and have employer-sponsored health insurance, according to a report released by the nonpartisan Government Accountability Office in September.

Now, even more money is expected to flow into these accounts, because of the One Big Beautiful Bill Act. Companies are taking notice of the growing market for HSA-approved products, with major retailers such as Amazon, Walmart, and Target developing online storefronts dedicated to devices, medications, and supplies eligible to be purchased with money in the accounts.

Startups have popped up in recent years dedicated to helping people get quick approval from medical providers for various — and sometimes expensive — items, memberships, or fitness or health services.

Truemed — a company co-founded in 2022 by Calley Means, a close ally of Health and Human Services Secretary Robert F. Kennedy Jr. — has emerged as one of the biggest players in this niche space.

A \$9,000 red cedar ice bath and a \$2,000 hemlock sauna, for example, are available for purchase with HSA funds through Truemed. So, too, is the \$1,700 bassinet, designed to automatically respond to the cries of a newborn by gently rocking the baby back to sleep.

Truemed’s executives say its most popular products are its smaller-dollar fitness offerings, which include kettlebells, supplements, treadmills, and gym memberships.

“What we’ve seen at Truemed is that, when given the choice, Americans choose to invest their health care dollars in these kinds of proven lifestyle interventions,” Truemed CEO Justin Mares told KFF Health News.

Means joined the Department of Health and Human Services in November after a stint earlier this year at the White House, where he worked when Trump signed the One Big Beautiful Bill Act into law in July. Truemed’s general counsel, Joe Vladeck, said Means left the company in August.

Asked about Means’ potential to benefit from the law’s expansion of HSAs, HHS spokeswoman Emily Hilliard said in a statement that “Calley Means will not personally benefit financially from this proposal as he will be divesting from his company since he has been hired at HHS as a senior advisor supporting food and nutrition policy.”

Truemed is privately held, not publicly traded, and details of how Means will go about divesting have not been disclosed.

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