

Why health savings accounts aren't the fix Republicans hope for

The GOP considers diverting money from premium subsidies into tax-free accounts, but critics warn of financial risk for patients.

November 25, 2025



Republicans facing voter ire over spiking health premiums are resurrecting one of their favorite ideas: give people power to pay for medical care on their own, with tax-free dollars in individual health savings accounts.

The GOP is toying with the idea of taking federal subsidies that currently help people buy Affordable Care Act insurance and diverting some of the money into individuals' HSAs, although

passing legislation without help from Democrats is a tall order with Republicans' slim Senate and House majorities.

But health economists say the vast majority of these individual accounts — already used by tens of millions of Americans — do not contain sufficient money to pay for serious health expenses. Even boosting them with new federal contributions would not build enough reserves to pay for expensive care for an emergency or major illness if needed, they say.

“There’s a place for health savings accounts to augment insurance and fill things out around the edges, but it can’t be the core insurance product,” said Douglas Holtz-Eakin, a health economist who directs the American Action Forum, a conservative think tank.

Under a plan proposed by Sen. Bill Cassidy (R-Louisiana), the enhanced ACA subsidies — which are due to expire at the end of this year — would be deposited into HSAs for people who sign up for “bronze” plans, which feature lower premiums but high deductibles and only 60 percent coverage for medical expenses. The original subsidies would still go toward marketplace premiums.

The White House had planned to announce a similar proposal Monday but delayed the plans after some Republican members of Congress objected when briefed on the approach Sunday evening, according to multiple people who spoke on the condition of anonymity because they were not authorized to speak to the press.

But President Donald Trump has repeatedly demanded a solution that bypasses insurers. Trump wrote last week on Truth Social that he’ll only support “sending money directly back to the people, with nothing going to the big, fat, rich insurance companies.”

Trump’s demand stems from an election-year problem facing Republicans. Twenty-four million people enrolled in [Healthcare.gov](https://www.healthcare.gov) and state-run marketplaces face steep hikes in 2026 as pandemic-era subsidies that lawmakers refused to extend expire. Regular subsidies that help people afford premiums will continue past Dec. 31, but millions will see higher monthly payments just as Republicans try to maintain their trifecta of power in Washington.

Congressional Republicans have promised Democrats a vote in December on continuing the enhanced subsidies, but it's unclear whether they'll be able to come up with a bipartisan agreement.

Individual health accounts appeal to the GOP's long-standing desire to help consumers shop on their own for health care, which in theory could encourage price competition. Past GOP health proposals — including House and Senate bills to replace the ACA in 2017 — would have allowed people to put more money in them every year.

But Democrats — who insist that extending the extra subsidies to buy insurance is the best way to lower ACA premium costs — panned the idea of putting any subsidies into individual savings accounts at a Senate hearing last week.

“There is no question these can be a useful tool for very wealthy people, there’s no doubt about it,” said Sen. Ron Wyden (Oregon), the top Democrat on the Senate Finance Committee. “But I don’t see it as a comprehensive health insurance opportunity.”

Experts say individual savings accounts are no replacement for insurance for anyone with an expensive medical condition like cancer, diabetes or pregnancy. Treating those conditions can cost far more than the \$6,600 annual subsidy collected by the average subsidized marketplace consumer, according to KFF, a nonpartisan health research organization. Except for the wealthiest Americans, it would be almost impossible for these patients to save enough money. HSAs were authorized by Congress in 2003, when George W. Bush was president. They are intended to provide people with extra dollars to cover medicines, supplies or out-of-pocket insurance costs — and they’re popular in the United States.

Around 59 million people have HSAs — and they tend to be healthier and wealthier than the average American. The accounts are typically offered by employers, and they must be paired with a high-deductible health insurance plan. Annual contributions are capped at \$4,300 for an individual and \$8,550 for a family plan. Unused balances may accumulate from year to year without limit and earn interest.

But a majority of people with HSAs don't put much money into them. An estimated 63 percent of accounts had balances of less than \$1,000, and 21 percent of accounts were unfunded, according to a Government Accountability Office report released last week by Rep. Richard E. Neal (Massachusetts), the top Democrat on the House Ways and Means Committee. Just 7 percent had balances over \$10,000.

"Most people do not have spare cash to set aside in HSAs," wrote Nicole Rapfogel, a senior policy analyst for the liberal Center on Budget and Policy Priorities.

There's another catch to HSAs: They can't be used to pay monthly premiums. Neither can similar plans called flexible spending accounts, or FSAs, which are used by about 23 million Americans. These accounts aren't attached to insurance, and any balances unused by the end of the year are forfeited by the employer offering them. The average FSA contribution in 2022 was \$1,291, according to the Employee Benefit Research Institute.

The typical consumer who uses an individual health savings account is the sort of person who would have saved money anyway, said Adam Leive, an economist who studies consumer behavior in health insurance at the University of California at Berkeley. Leive said individual accounts play "small roles" in helping people who already want to shop around for their health care and don't mind having a high-deductible plan.

But that option isn't going to be attractive to someone worried about affording a high deductible at the beginning of the year, he said.

"I'm skeptical that moving entirely or even substantially more into HSAs would really improve the functioning of the health care system," Leive said.