

Health Savings Accounts

Comparison of Health Savings Accounts to Health Reimbursement Arrangements and Flexible Spending Accounts

Overview

	HSAs	HRAs	FSAs
Who owns the account?	Individual/Employee	Employer	Individual/Employee Employee contributes from his/her own paycheck, but unused portion reverts back to employer at end of year. Employers can also contribute. New rule allows expenses to be claims until March 15 of the following year, provided employer participates in change.
Eligible Individual	Individuals and families covered by a qualified HDHP and no other health plan that covers the same benefits. Individuals are not eligible if they can be claimed as a dependent on another person's tax return.	Current and former employees whose employer offers such a plan.	Current and former employees whose employer offers such a plan.

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Eligibility of Spouse / Dependents	Spouses and dependents eligible to use employee's account.	Spouses and dependents eligible to use employee's account.	Spouses and dependents eligible to use employee's account.
Who may fund the account?	Employer or employee; can both be in the same year. Employee can contribute pre-tax dollars through Section 125 plan.	Employer*	Employer/Employee* Typically the employee contributes pre-tax dollars through a Section 125 plan.
What plans may be offered with the Tax-Advantage Account?	An HDHP as follows: <u>Minimum Deductible</u> \$1,150** Individual \$2,300** Family <u>Out-of-Pocket Maximum</u> \$5,800** Individual \$11,600** Family	Any or no health plan.	Any or no health plan.
Is there a limit on the amount that can be contributed per year?	Yes \$3,000** – Individual \$5,950** – Family Catch-up contributions: \$1,000**/year – age 55 by end of tax year.	No, there is no IRS prescribed limit.	No, there is no IRS prescribed limit.
Can unused funds be rolled over from year to year?	Yes	Yes, subject to COBRA	No, but in some cases employee may elect COBRA through end of plan year.

* Self-employed individuals, including partners, and more than 2% shareholders in a subchapter S-corporation **cannot** contribute.

** For 2009 calendar year.

	HSAs	HRAs	FSAs
What expenses are eligible for reimbursement?	<p>Section 213(d) medical expenses</p> <ul style="list-style-type: none"> - COBRA premiums - QLTC premiums - Health premiums while receiving unemployment benefits - If Medicare eligible due to age, health insurance premiums except medical supplement policies 	<p>Section 213(d) medical expenses</p> <p>Health insurance premiums for current employees, retirees, and qualified beneficiaries, and QLTC premiums</p> <p>Employer can define "eligible medical expenses"</p>	<p>Section 213(d) medical expenses</p> <p>Expenses for insurance premiums are not reimbursable</p> <p>Employer can define "eligible medical expenses"</p>
Must claims submitted for reimbursement be substantiated?	No – however, required in event of IRS audit.	Yes	Yes
May account reimburse non-medical expenses?	Yes, but taxed as income and 10% penalty (no penalty if distributed after death, disability, or eligible for Medicare)	No	No
Is interest earned on the tax-advantaged account?	Yes, accrues tax-free.	Yes, paid to the employer.	No
Withdrawals for non-medical expenses	Yes, but then included in gross income and subject to a 10% penalty if under age 65 (except in cases of Medicare eligibility, disability, or death)	Not allowed	Not allowed

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Tax Treatment			
Federal tax treatment of employee contributions	Tax-deductible for individual, even if he/she does not itemize, provided funds are used for eligible healthcare expenses. (Note: Some states do not follow federal tax law for state tax purposes.) If an employee contributes to HSA through salary reduction plans, the contributions are considered to be made by the employer and are not subject to FICA and other employment taxes.	N/A	Tax-free
State tax treatment of employee contributions	State laws may vary for HSA tax treatment.	--	--
Federal tax treatment of employer contributions	Employers get expense deductions for payments. Employer contributions are generally excludable from employee's gross income.	Employers get expense deductions for payments. Employer contributions are generally excludable from employee's gross income.	Employers pay no FICA tax or federal or state unemployment taxes on FSA contributions.