



# National Association of Health Underwriters

## Comparison of Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs), and Health Reimbursement Arrangements (HRAs)

	Health Savings Accounts (HSAs)	Flexible Spending Accounts (FSAs)	Health Reimbursement Arrangements (HRAs)
<b>Eligibility</b>	Individual must be below Medicare eligibility age and not covered by any other health plan which duplicates any benefits in the qualified high-deductible health plan.	Individual must work for an employer which offers one.	Individual must work for an employer which offers one.
<b>Funding</b>	Individual and/or employer.  Contributions must be made in cash and are allowable up to the amount of the deductible, to a maximum of \$2,900 for individuals and \$5,800 for families per year. (2008)	Funded by an employee through pre-tax salary reduction, the amount of which is designated by employee. Self-employed individuals are precluded.  Employers are responsible for up to the full amount of the annual election by the employee in any month of the plan year.  Employers set annual maximum account election amounts.	Employer only (self-employed individuals are precluded).  Account is a "notional account," and does not need to be funded until a claim comes in.  Employer determines amount of "funding."
<b>Tax Treatment</b>	Contributions to an HSA are deductible (or excludable from income and wages if made by the employer). Earnings on contributions to an HSA are not currently includible in gross income (i.e., "inside buildup" is not currently taxable) and distributions from an HSA for qualified medical expenses are not includible in income.	Contributions made to FSA are made by employee on a pre-tax basis, and thus can reduce adjusted gross income (AGI) for income tax purposes. Reimbursements to employee are tax free.	Reimbursements to employee are tax free as long as they are used on qualified health care purchases.
<b>Allowable Health Plans</b>	For 2008, high-deductible plans with a minimum deductible of \$1,100 for individuals and \$2,200 for families with out-of-pocket maximum of \$5,600 for individuals and \$11,200 for families.  The deductible must apply to all covered benefits (including Rx drugs). Health Plan can cover preventive benefits before the deductible is satisfied.	Does not require health plan coverage. Any health plan coverage arrangement is permitted in conjunction with an FSA.  May create HSA eligibility problems if not suspended or if not one of the following types: <ul style="list-style-type: none"> <li>(1) limited purpose (dental, vision, and/or preventive-only)</li> <li>(2) post-deductible</li> </ul>	Any or no health plan arrangement is permitted in conjunction with an HRA.  If an HRA is combined with a health plan, it need not be a HDHP.
<b>Ownership / Portability</b>	Individual/employee.  Funds carry over year to year and the accounts are portable by the employee.  Rollover is allowed – individual owns HSA, takes it when leaving employment	Employer.  Funds not used by the end of the year are forfeited to employer; employer has discretion to allow claims for qualified medical services / products <u>paid for / received in calendar year</u> to be submitted for reimbursement until March 15 of following year.  Employees who terminate mid-year may access the full account election amount for the year.	Employer.  HRAs cannot be rolled over to a new employer. Employer has discretion to make account funds available to terminated employees or retirees, but such employees cannot be given cash.
<b>Catch-Up Provision for Older Workers?</b>	Individuals age 55 or older may contribute more to the account per year. In 2008, an additional \$900 may be contributed to HSA; in 2009 and after, an additional \$1,000. Contributions must stop once an individual is enrolled in Medicare.	Not available.	Not available.
<b>Use for non-medical expenses?</b>	Funds used for non-medical expenses are taxed as income and incur a 10% penalty. After individual dies, becomes disabled, or reaches age 65, there is no penalty.	No, health portion of FSA only used for expenses defined under §213(d) of the Internal Revenue Code.	No, only expenses defined under §213(d) of Internal Revenue Code.
<b>Interest</b>	Interest and earnings accrue tax free.	Interest on unused funds accrues to the benefit of the employer.	No interest or earnings because accounts are "notional."