

Comparison of FSAs, HRAs and HSAs

	Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
Who Contribute to the Account?	Employers and employee (employee contributions made pre-tax)	Employer (former employees can make after-tax COBRA)	Employer and eligible employees (unless employee is claimed as dependent on a tax return). Employee contribution may be pre-tax or tax deductible.
Are Pre-Tax Contributions via a Cafeteria Plan Permissible?	Yes	No	Yes
Age Limit	None	None	Yes, contributions are not allowed by or for those who enroll in medicare
Limits on Contribution Amounts?	None, except nondiscrimination requirements and limits designed to protect employer from uniform availability rule apply (most plans have annual limits)	None, except nondiscrimination requirements	* Subject to dollar limits (in 2009, \$3,000 for single, \$5,950 for family) * For those age 55 and over, limit is increased by \$1000 in 2009 * Spouses have a single limit if either has family coverage
Are There Restrictions on Plan Design?	No	No	Yes, must have high deductible plan coverage: * Min. annual ded: \$1,150/\$2,300 * Max. OOP: \$5,800/\$11,600 (higher OOP can apply to out-of-network expenses)
Permitted to Have Coverage Under Another Health Plan?	Yes	Yes	No, except dental, vision, accident, disability, long-term care, workers compensation, liability, property damage, specified disease or illness, fixed indemnity hospitalization
Consequences of Excess Contributions	N/A	N/A	6% excise tax
Reimbursable Medical Expenses	All §125 medical expenses (including non-prescription drugs) except long-term care expenses and insurance premiums	All §125 medical expenses (including non-prescription drugs and insurance premiums) except long-term care expenses	All §125 medical expenses (including non-prescription drugs) and long-term care expenses but not health insurance premiums (subject to exceptions)
Premiums for Medical Coverage Reimbursable	No	Yes, for any health plan	Yes, COBRA and qualified long-term care coverage, health plan coverage while receiving unemployment compensation, health plan coverage (other than Medicare supplemental insurance) for those age 65 or older
Long Term Care Reimbursable	No, neither LTC expenses nor coverage	Yes, LTC expenses excluded, but LTC coverage can be reimbursed.	Yes, LTC expenses and LTC coverage can be reimbursed

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	Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
Is Carryover Allowed?	No	Yes	Yes
Is it Portable?	No	No, but can be designed to allow use following termination or while covered by another employer's plan	Yes
Is Pre-Funding Required?	No	No	Yes
Employer Contributions and Tax Implications	Deductible by employer, not taxable to employee	Deductible by employer, not taxable to employee	Deductible by employer, not taxable to employee
Participant Contributions and Tax Implications	After-tax participant contributions limited to COBRA and are not deductible on the participant's tax return, and pre-tax participant contributions are treated as employer contributions	After-tax participant contributions limited to COBRA, and are not deductible on the participant's tax return, and pre-tax participant contributions are treated as employer contributions	After-tax participant contributions are tax-deductible and pre-tax participant contributions are treated as employer contributions
Earnings	Plans usually are unfunded and accounts have no earnings, but any earnings would be excluded from employee's income	Plans usually are unfunded and accounts have no earnings, but any earnings would be excluded from employee's income	Excluded from participant's income
Distribution for Medical Expenses	Excluded from employee's income	Excluded from employee's income	Excluded from participant's income
Distribution for Other Purposes	N/A (distributions for other purposes disqualify cafeteria plan, making all pre-tax amounts taxable)	N/A (distribution for other purposes disqualify HRA making all amounts credited to an individual under it taxable to that individual)	Subject to income tax and 10% penalty (distribution made after death, disability or reaching age 65 are exempt from 10% penalty)

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