

## Comparison of HSAs, FSAs and HRAs for 2010



Consumer driven health plans may be a successful way to control and/or reduce expensive health care costs. Such plans include Health Savings Accounts (HSAs), Health Flexible Spending Accounts (FSAs) and Health Reimbursement Arrangements (HRAs). The following chart provides a general comparison of these health plans.

	Health Savings Accounts (HSAs)	Flexible Spending Accounts (FSAs)	Health Reimbursement Arrangements (HRAs)
<b>Is any employer eligible?</b>	Yes	Yes, but the following cannot benefit: partners, sole proprietors and more than 2% shareholders of S Corp or members of LLC	Yes, but the following cannot benefit: partners, sole proprietors and more than 2% shareholders of S Corp or members of LLC
<b>Are individuals required to have health coverage?</b>	Yes, must be covered by High Deductible Health Plan (HDHP). The minimum deductible must be \$1,200 for self-only coverage; \$2,400 for family coverage. Max out-of-pocket: \$5,950 (\$11,900 if family coverage)	No	No
<b>Are there limits on other health coverage that can be maintained?</b>	Yes. Only certain excepted benefits may be maintained (e.g., dental, vision, accident insurance, etc.).	No	No
<b>What is the maximum annual contribution?</b>	\$3,050 for self-only coverage or \$6,150 for family coverage	No statutory limit. It depends on plan design	No statutory limit. It depends on plan design
<b>Can older workers make "catch-up contributions"?</b>	Yes. Those between age 55 and 64 can contribute an extra \$1,000	No statutory limit. It depends on plan design	No statutory limit. It depends on plan design
<b>Who can contribute to the account?</b>	Individuals and/or employers  Can be offered through a cafeteria plan	Individuals and/or employers.  Typically offered through a cafeteria plan	Employer only.  Cannot be offered through a cafeteria plan
<b>What is a qualified medical expense for purposes of tax-free distributions?</b>	IRC §213(d) expenses (which include OTC drugs) that are not deducted or reimbursed by other plans. However, only certain insurance premiums qualify as medical expenses (e.g., COBRA and long-term care)	IRC §213(d) expenses (which includes OTC drugs) that are not deducted or reimbursed by other plans. Also, the plan may limit expenses that qualify.	IRC §213(d) expenses (which includes OTC drugs) that are not deducted or reimbursed by other plans. May include insurance premiums. Also, the plan may limit expenses that qualify
<b>Can unused amounts be carried over to a later year?</b>	Yes	No	Yes, depending on plan design
<b>Is claim adjudication required?</b>	No	Yes	Yes
<b>Is plan funded (i.e., are funds required to be in a separate account or trust)?</b>	Yes	No	No
<b>Are there nondiscrimination rules that apply?</b>	If the employer contributes, then contributions must be "comparable" for participating employees. If offered through a cafeteria plan, IRC §125 rules may apply (e.g., 25% concentration test)	If the employer contributes, IRC §105(h) rules apply. If offered through a cafeteria plan, IRC §125 rules apply (e.g. 25% concentration test)	IRC §105(h) rules apply
<b>What is the tax treatment of distributions that are not for medical expenses?</b>	Taxable and may be subject to 10% excise tax for certain early distributions	N/A. Distributions must be for medical expenses	N/A. Distributions must be for medical expenses
<b>Is plan subject to COBRA?</b>	No	Yes, depending on size of plan	Yes, depending on size of plan
<b>Is plan subject to ERISA?</b>	Generally no, but could be if there is enough employer involvement	Yes	Yes