

HRA - HSA - FSA COMPARISON CHART 2010

	Health Reimbursement Arrangements (HRA)	Health Savings Accounts (HSA)	Flexible Spending Accounts (FSA)
Applicable IRS Law	IRC Section 106(c)(2)	IRC Section 223, PL 108-173	IRC Section 125
Account Overview	An employer funded account used to reimburse employees for qualified medical expenses.	Tax-exempt trust or custodial account created to pay for qualified medical expenses of the account holder and his/her spouse/dependents.	A cafeteria plan created to reimburse qualified medical expenses, health insurance premiums for premium-only accounts, or dependent care expenses.
Qualified Medical Expenses	As defined in Section 213(d) of the IRC, including health insurance premiums.	As defined in Section 213(d) of the IRC, except for health insurance premiums.	Same as for HSAs.
Eligibility	<p>An employee whose employer offers an HRA, regardless of the number of employees and to COBRA qualified beneficiaries.</p> <p>Not to self-employed. HRAs are not available to partners or spouses in a partnership, shareholders, and those who own more than 2% stock in a Sub S Corp, and members of an LLC.</p>	<ol style="list-style-type: none"> Someone who is enrolled in a qualified high deductible health plan (HDHP). Has no other health plans in place, other than for Workers' Compensation, specific disease or illness, accidents, dental care, vision care or long-term care. Is not enrolled in Medicare (can be eligible for Medicare). Is not claimed as a dependent on someone else's tax return. <p>* Note: Self-employed, partners and those who own more than 2% stock in an S-Corporation (including their spouses and family members) are not generally considered employees and cannot receive pre-tax employer contributions to their Health Savings Accounts. Self-employed can only take an above-the-line deduction for their premium and HSA contribution. Regardless of how the S-Corporation or LLC is structured, the company cannot make pre-tax contributions to owners, shareholders, or partners. Please seek the advice of an accountant with any other questions.</p>	An employee whose employer offers an FSA option. Employers may also create a Dependent Care Account for qualifying dependents.
Funding	Employer only (self-employed individuals precluded).	Individual and/or an employer, and/or family member.	Typically funded by an employee.

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Health Plan Requirements	No corresponding health plan requirement.	<p>For 2009, the minimum deductible is \$1,150 for self-only and \$2,300 for family. The maximum out of pocket is \$5,800 for self-only and \$11,600 for family. The catch up contribution for those 55 or older is \$1,000.</p> <p>For 2010, the minimum deductible is \$1,200 for self-only and \$2,400 for family. The maximum out of pocket is \$5,950 for self-only and \$11,900 for family. The catch up contribution for those 55 or older is \$1,000.</p>	No corresponding health plan requirement.
Contributions	Only the employer may contribute to an HRA. There are no limits to the amount.	<p>Account holders or the employer or both may contribute.</p> <p>For 2009, the maximum contribution is \$3,000 for self-only and \$5,950 for family.</p> <p>For 2010, the maximum contribution is \$3,050 for self-only and \$6,150 for family.</p>	An employee, employer or both may contribute to an FSA. There are no limits to contributions, however, employers typically set the limit. The maximum annual contribution for Dependent Care Accounts is \$5,000 for individuals with dependents or for individuals filing taxes jointly.
Employer obligated to ensure expenses are qualified	Yes	No, individual is responsible.	Yes
Portability	At the discretion of the employer.	Yes. Once money is deposited, it is owned by the account holder.	No. Employees also forfeit unused balances.
Carryover	At the discretion of the employer.	Funds may be carried over indefinitely throughout an account holder's lifetime. Upon death, an account may be passed on to a surviving spouse without federal tax liability.	No. Employees also forfeit unused balances.
Tax status	Employer contributions are generally excludable from an employee's gross income. In an arrangement where an employer distributes unused HRA funds at termination either as a death benefit or as part of severance, the funds will not qualify as an expense deduction.	Employee contributions are tax deductible and employer contributions are excludable from gross income and not subject to employment taxes.	Employees are not subject to Federal, Social Security, or in most states, state taxes on contributions to an FSA. Employers are not subject to FICA or unemployment taxes on FSA contributions.

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Withdrawals	Withdrawals for non-medical expenses are not permitted.	Funds not used to pay for qualified medical expenses may be withdrawn but are subject to an additional 10% tax penalty except when an individual is 65 or older, disabled or has died during the year.	Withdrawals for non-medical expenses are not permitted.
Interest	No requirement exists, however, employers have discretion to credit interest to HRA accounts.	Interest accrues without a tax penalty.	Interest does not accrue for FSA funds.
Health Insurance Premium Payment	Generally, funds from an HRA can be used to pay health premiums under: the employee's health plan, or retiree health plan, a spouse's health plan, for COBRA continuation, and for a qualified long term care plan.	HSA funds may be used to pay health insurance premiums when an individual receives unemployment insurance, while an individual receives COBRA continuation, when an individual reaches age 65 for any health insurance except Medicare supplemental policies, and for long term care premiums.	A separate premium only FSA may be created to pay an employee's contribution toward the monthly cost of premiums. Under a salary reduction arrangement, the employee agrees to contribute a portion of salary on a pre-tax basis to pay for qualified benefits. Long term care is specifically excluded under the IRS code.
Subject to COBRA	Yes	No	Yes, in limited circumstances.
Discrimination	IRC Section 105(h) and HIPAA	Comparability rules for contributions (same amount or percentage for all employees with comparable coverage).	IRC Section 125
Penalty for Discrimination	Section 105(h) and HIPAA Penalties	35% excise tax on employer's aggregate HSA contributions.	IRC Section 125
Concurrent Health Coverage	Yes	Only own Qualified High Deductible Health Plan, Dental, Vision, LTC	Yes