

SIDE-BY-SIDE COMPARISON

Feature	Health Savings Accounts (HSAs)	Health Reimbursement Arrangements (HRAs)	Flexible Spending Accounts (FSAs)
Eligibility	<ul style="list-style-type: none"> Individuals with qualifying health insurance (High Deductible Health Plan, (HDHP)). Ineligible individuals may keep previously established accounts but cannot make contributions. 	<ul style="list-style-type: none"> Employees whose employers offer this benefit. Former employees may be included. 	<ul style="list-style-type: none"> Employees whose employers offer this benefit. Former employees may be included.
Definition of qualifying health insurance	<ul style="list-style-type: none"> Individual deductible must be not less than \$1,000 with an out-of-pocket maximum of not more than \$5,000. Family deductible must be not less than \$2,000 with an out-of-pocket maximum of not more than \$10,000. In-network cost sharing amounts (deductibles and coinsurance for example) must be applied to the out-of-pocket maximum; out-of-network cost sharing amounts may be subject to higher out-of-pocket maximums, or no out-of-pocket maximum at all. No benefit dollars may be paid (with the exception of preventive services) until the deductible amount has been satisfied. Family deductible is aggregate (i.e. the full minimum (i.e. at least \$2000) must be met before benefits are paid. No separate deductibles allowed (i.e. no separate pharmacy deductibles: pharmacy is subject to the aggregate deductible). Member cannot be covered by any secondary insurance that would pay the deductible amount. 	<ul style="list-style-type: none"> No health insurance requirements, although HRAs are usually combined with high deductible health insurance. Employers have wide latitude to determine the benefit design under such high deductible health insurance plans. Insurer or the employer can decide HRA benefit design; often the HRA contribution is 50% of the deductible amount. Employer can decide that the HRA pays first or that the employee meets his or her portion of the deductible first and then the HRA pays the rest of the deductible. Preventive services can be paid outside the HRA or as a portion of the HRA. 	<ul style="list-style-type: none"> No health insurance requirements.

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Contributions	<ul style="list-style-type: none"> • By employer, the account owner, or both. • Earnings are tax-free. • Contributions are tax deductible as long as the member maintains coverage in a HDHP. 	<ul style="list-style-type: none"> • Only by employer. • HRAs are virtual (notional) accounts and are not funded. • Employer pays the claims as they are incurred. 	<ul style="list-style-type: none"> • By employer, employee, or both. • Usually funded by employee through salary reduction agreement.
Annual contribution limits	<ul style="list-style-type: none"> • For single coverage, the smaller of the Plan's annual deductible or \$2,600. • For family coverage, the smaller of the Plan's annual deductible or \$5,150. • Additional contributions allowed for those age 55 and over.^a 	<ul style="list-style-type: none"> • Unlimited, set by employer. • Employers usually set their contributions below the annual deductible of the accompanying health insurance. 	<ul style="list-style-type: none"> • None required, though employers usually impose a limit.
Qualifying expenses	<ul style="list-style-type: none"> • Most un-reimbursed medical expenses. • May be used for premiums for long-term care insurance, COBRA, and health insurance for those receiving unemployment compensation under federal or state law. • For those ages 65 or over, may also be used for any health insurance other than a Medicare Supplemental policy. 	<ul style="list-style-type: none"> • Most un-reimbursed medical expenses, though employers may impose additional limitations. • May be used for long-term care and health insurance premiums, if the employer allows. 	<ul style="list-style-type: none"> • Most un-reimbursed medical expenses, though employers may impose additional limitations. • May not be used for long-term care or health insurance premiums.^b
Allowable non-medical withdrawals	<ul style="list-style-type: none"> • Permitted, subject to income tax and 10% penalty except in cases of disability, death, or attaining age 65. 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Carryover of unused funds	<ul style="list-style-type: none"> • Full amount may be carried over indefinitely. 	<ul style="list-style-type: none"> • Permitted, although some employers limit amount that can be carried over. 	<ul style="list-style-type: none"> • None allowed. • Balances remaining at year's end are forfeited to employer.
Portability	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • At discretion of employer, though subject to COBRA provisions. 	<ul style="list-style-type: none"> • Balances generally forfeited at termination, although COBRA extensions sometimes apply.

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Other	<ul style="list-style-type: none"> If the member has an FSA and/or an HRA account, these accounts cannot be used for qualified medical expenses until the HDHP deductible has been satisfied; FSA/HRA can be used for other "permitted" insurance (vision, dental, etc.). 		

^a Additional sums may be contributed for individuals age 55 and over, limited to \$500 more in 2004, \$600 more in 2005, \$700 more in 2006, \$800 more in 2007, \$900 more in 2008, and \$1000 more in 2009 and thereafter.

^b Although FSAs may not be used to pay health insurance premiums, employees eligible for FSAs are also usually eligible for premium conversion plans which allow their contributions for employer-sponsored health insurance to be paid on a pre-tax basis.