

HRA • HSA • FSA Comparison

ELIGIBILITY & FUNDING

| | HRA | HSA | FSA (health care) |
|--|---|--|---|
| Establishment of account | Any employer (our clients' plans are limited to governmental employers) | <ul style="list-style-type: none"> • Eligible individual • Employer • Integrate with employer-sponsored Section 125 Plan | Employer sponsored benefit program via Section 125 |
| High deductible health plan (HDHP) required | No | Yes For 2010 and 2011: <ul style="list-style-type: none"> • \$1,200 self only • \$2,400 family | No |
| Eligibility | Employee who meets employer's defined eligibility criteria | Eligible employee/individual covered by HDHP and no other non-HDHP coverage | Employee who meets employer's eligibility criteria |
| Funding | Employer | <ul style="list-style-type: none"> • Individual • Employee salary reduction dollars • Employer | <ul style="list-style-type: none"> • Employee salary reduction dollars • Employer |
| Maximum contribution | No maximum | For 2010 and 2011: <ul style="list-style-type: none"> • Individual - \$3,050 • Family - \$6,150 | No IRS maximum, yet employer usually imposes maximum |

TAXATION

| | HRA | HSA | FSA (health care) |
|---|---|--|---|
| Taxation of contributions | No federal or state income tax ⁽²⁾ or social security / Medicare tax | No federal or state income tax ⁽²⁾ or social security / Medicare tax | No federal or state income tax ⁽²⁾ or social security / Medicare tax |
| Taxation of earnings (assuming assets invested) | Tax-free if assets are held in a tax-exempt trust | Tax-free/deferred compensation withdrawals for non-medical expenses result in federal and/or state income tax, plus an excise tax if before age 65 | To employer if assets held in employer general asset accounts generating earnings |
| FICA savings | Yes | Yes/No | Yes |

Boxes with **bold red** text indicate which plan type may provide a participant the greater advantage or, in some cases, more flexibility with regard to the design element being compared. ⁽¹⁾

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ACCOUNT USE

| | HRA | HSA | FSA (health care) |
|---|---|--|---|
| Qualified medical expenses | Qualified medical expenses as defined in IRC 213(d), including over-the-counter drugs | Qualified medical expenses as defined in IRC 213(d), including over-the-counter drugs | Qualified medical expenses as defined in IRC 213(d), including over-the-counter drugs |
| Non-medical withdrawals | Not allowed | Yes, but will be included in gross income and subject to 10% excise tax, unless made after death, disability, or age 65 | Not allowed |
| Qualified retiree insurance premiums | Retiree health insurance, including qualified LTC | Only for: <ul style="list-style-type: none"> • Post-65 health insurance (except Medicare supplement policies) • Medicare • COBRA • Qualified long-term care (LTC) • Health insurance, if receiving unemployment | None |
| Carryover from year to year | Yes | Yes | No |
| Portable after termination | Yes (if vested) | Yes | No |

⁽¹⁾ Be advised that some design elements offering the most flexibility may impose other requirements, such as tax penalties or medical coverage limitations, which may not be in the participant's best interest. It is important to carefully consider all plan features and benefits before choosing one over the other.

⁽²⁾ State taxes could apply in some states.