

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 2011 and 2012: <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 2011 and 2012: <ul style="list-style-type: none"> • Individual - \$3,100 • Family - \$6,250 	Currently no IRS maximum, yet employer usually imposes maximum; effective 1/1/13 \$2,500 limit on annual salary reduction contributions

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⁾

HRA • HSA • FSA Comparison

ACCOUNT USE

	HRA	HSA	FSA (health care)
Qualified medical expenses	Qualified medical expenses as defined in IRC 213(d), including over-the-counter drugs if prescribed	Qualified medical expenses as defined in IRC 213(d), including over-the-counter drugs if prescribed	Qualified medical expenses as defined in IRC 213(d), including over-the-counter drugs if prescribed
Non-medical withdrawals	Not allowed	Yes, but will be included in gross income and subject to 20% 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.