

HRA • HSA • FSA Comparison

ELIGIBILITY & FUNDING			
	HRA	HSA	FSA (health care)
Establishment of account	Any employer (our clients' plans are limited to governmental employers)	Participant establishes acct; Employer contributes to acct; Limited FSA only (requires employer to set up (separate) limited FSA)	Employer sponsored benefit program via Section 125
Ownership of Account	(VEBA) Participant (subject to vesting schedule)	Participant	Participant
High deductible health plan (HDHP) required	No	Yes OEGB Option: ODS Plan 9	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	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⁾

ACCOUNT USE			
	HRA	HSA	FSA (health care)
Qualified medical expenses	Over-the-counter medications require Rx from physician	Over-the-counter medications require Rx from physician	Over-the-counter medications require Rx from physician
Non-medical withdrawals	Not allowed	Excise tax is 20% in 2011	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

FEES ASSOCIATED WITH ACCOUNT			
	HRA	HSA	FSA (health care)
Monthly Fees	\$1.50 (per participant) plus 1.25% of account assets (annualized; no maximum) (assessed against earnings; if earnings are not sufficient deducted from acct balance)	Varies by financial institution (many zero)	Varies by service provider
Account/Asset Value Guarantee	None	Varies by financial institution (i.e. bank=FDIC)	N/A
Fees Paid By	Participant	Participant	Generally paid by employer

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.