

Tax-Sheltered Medical Accounts

	Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
Definition	Employer-established fund that reimburses medical expenses not covered by health insurance. Usually financed by employee through payroll deduction on a pre-tax basis.	Employer-funded account that reimburses a wide array of medical expenses and is typically offered in combination with high deductible health insurance.	Account funded by the employer or employee that reimburses medical expenses, set up only in conjunction with high deductible health insurance plans.
Portable	No. Money in plan is forfeited if employee moves to new employer.	No. Depending upon design and vesting, former employee may continue to access unused account funds.	Yes
Carry-over from year to year	No	Yes - Typically allowed only if employee remains in an HRA plan.	Yes
Limit on carry-over amount	Yes, \$0	No	No
Rollover from other accounts	No	No, but standard offering is tied to a PPO.	Money from other HSAs and Medical Savings Accounts (MSAs) can be rolled into the HSA and is exempt from the annual contribution limit.
Tied to a specific type of health benefit plan	No	No statutory limit.	Yes - Account beneficiary must be covered under a High Deductible Health Plan (HDHP) - can be an Indemnity, PPO, or HMO plan.
Annual maximum contribution	No statutory limit on maximum dollar amount. Subject to non-discrimination test.	Not subject to federal income tax or FICA tax.	2009 - \$3,000 for individual/\$5,950 for family coverage, indexed for inflation. - Includes individual and employee contributions. - Limited "catch-up" contributions allowed if individual is age 55 or older.
Tax treatment of employer contributions	Not subject to federal income tax or FICA tax.	N/A	Not subject to federal income tax or FICA tax.
Tax treatment of individual contributions	Not subject to federal income tax or FICA tax. State and/or local exemption possible based on specific regulations.	I.R.C. 213(d) Plan may limit medical expenses. Possible reimbursement of some premiums for employees, retirees, and COBRA participants.	Not subject to federal income tax or FICA tax.
Qualified medical expenses	I.R.C. 213(d) Also specified individual health premiums.	No restriction. Employer can continue to contribute to the HRA for Medicare eligible workers or retirees.	I.R.C. 213(d) Cost-sharing for HDHP. Premiums for COBRA, Medicare, some LTC, retiree plans, health plans for unemployed.
Restrictions for Medicare eligibles	No restriction. If employee is Medicare eligible and still working, payroll deductions can continue. If Medicare eligible and retired, employer can fund, but the employee cannot contribute.	Yes	No contributions can be made by employer or individual once the individual becomes eligible for Medicare.
Third party substantiation required	Yes	Yes - FSA can be primary or secondary as defined in the benefit plan.	No
Combined offering with FSA	N/A	Employer funds account as needed and may choose not to transfer funds upon termination or plan type change.	Eligible for an FSA only for "permitted coverage" which includes accident, disability, dental care, vision care or long-term care. Liability, specified illness and in-hospital indemnity insurance also permitted.
Advantages	Allows employees to put away more dollars than an HSA to fund more of their healthcare. The more the employee contributes, the higher the tax savings for employer and employee.	Only the employer can contribute funds.	The account is portable, allowing employees to take their and the employer's funds if they leave the company. Account may earn interest on a tax-free basis. Employee, employer or both may contribute to the account.
Disadvantages	The employee loses any unused funds at the end of the year. No rollover permitted.		The amount the employee can fund is limited. An FSA cannot be wrapped around the plan for medical expenses covered under the plan. Requires the employer to pay out the contribution even if funds are not used. Requires the integration of pharmacy and medical into a single deductible. The accounts are portable and do not help with employee retention.

Compass Insurance Agency, Inc. is a wholly owned subsidiary of Compass Bank. Insurance products:

ARE NOT FDIC INSURED	ARE NOT DEPOSITS	HAVE NO BANK GUARANTEE	MAY LOSE VALUE	ARE NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
----------------------	------------------	------------------------	----------------	--