Comparison of HSA's and FSA's

	HSA	Health Care FSA
What does it stand for?	Health Savings Account	Flexible Spending Account
Who owns it?	Employee	Employer
Who funds the account?	Employee, employer, and others	Employee
What type of corresponding health plan is allowed?	Eligibility to contribute requires opening and maintaining a qualifying high deductible health plan.	A FSA is compatible with any type of health plan coverage.
Can unused amounts carry over?	Yes. The individual owns the account and any contributions made to it, regardless of the source or timing of the contribution.	Yes, the plan allows up to $500 carrying forward to future plan years.
Is the account portable between employers?	Yes. The individual owns the account.	No. FSAs cannot be rolled over to a new employer.
Does interest accrue?	Interest may accrue in an HSA, depending upon the custodian and the type of deposit account.	Interest does not accrue.
Is the account subject to COBRA continuation?	No. An HSA is not a health benefit plan subject to continuation.	COBRA rights apply.
How is it funded?	Money is deposited directly into the account. Contributions can be made by employee on a "after tax" basis, by employer or through pre-tax salary deductions.	Based on the employee's annual election, the employer designates a specific amount to be deducted from the payroll pre or post tax.
What is the contribution amount?	Annual contribution limits are established by the IRS.	Annual contribution limits are established by the IRS.

Is there a "catch-up" contribution provision for older workers?	Employees ages 55 and older may contribute more to the account per year until they are enrolled in Medicare.	Not Available.
Can the account be funded with pre-tax salary deductions?	Yes.	Yes.
What health care expenses can be paid from the account?	Funds can be used for any qualified medical expenses as defined under Section 213 (d) of the Internal Revenue Code expect for health insurance premiums.	Funds can be used for any qualified medical expenses as defined under Section 213 (d) of the Internal Revenue Code expect for health insurance premiums.
Must a health care expense be incurred during the plan year the contribution is made?	No. Expenses are eligible for reimbursed once an HSA is established. No use it or "lose" it.	Yes, our plan does not have a grace period.
Is the annual amount of the contribution available on the first day of coverage?	Only the amount currently in the HSA may be used to pay or reimburse qualified expenses.	Yes. The total amount elected by the employee for the plan year must be available on the first day, regardless of the amount contributed.
Is third-party substantiation of expenses required?	No. If audited by the IRS, the employee shows that HAS funds were used only for qualified medical expenses.	Yes. Each request must be substantiation before it can be paid or reimbursed.

*HSA funds used for non-qualified expenses are taxed and subject to a 20% penalty if the HSA holder is less than 65 years of age. After age 65, HSA funds for non-qualified medical expenses are taxed but no penalized.