

HSA VS FSA

HEALTH SAVINGS ACCOUNT

An HSA is a type of tax favored savings account that allows employees to set aside money to pay for qualified medical expenses, such as deductibles and out-of-pocket costs not covered by their health plan.

FLEXIBLE SPENDING ACCOUNT

An FSA is a tax advantaged, employer-provided medical reimbursement plan. FSAs reimburse employees for certain qualified health care expenses incurred by the employee, their spouse, or their dependents, depending on plan design. There are two key types of FSAs: General Purpose FSA and Limited-Purpose FSA.

What type of corresponding health plan is allowed?

A qualified high deductible health plan (QHDHP) is required.

Enrollment in a specific type of health plan is not required.

Can employees make contribution changes midyear?

Yes, changes can be made prospectively, without a family or status change event.

Yes, changes can be made prospectively, but only with a family or status change event allowed by the employer's plan.

Is there a contribution limit?

Subject to annual dollar limits established by the IRS.

Subject to annual dollar limits established by the IRS. Employer may impose a lower maximum through plan design.

Is it eligible for tax savings?

*For both HSA and FSA, the employer contributions are deductible to the employer and tax-free to the employee.

Interest and capital gains on investments are tax-free. Withdrawals for qualified medical expenses are tax free federally; state taxes may apply.

Employee contributions through a § 125 plan may be made pretax via payroll deferral. Reimbursements are tax-free.

Do employees have to keep receipts?

Records must be kept to substantiate expenses in the event of an IRS audit.

If filing paper claims, substantiation must be submitted with your claim prior to reimbursement. When utilizing a debit card, you should be prepared to provide substantiation post-transaction, if requested by the FSA claim administrator.

Can unused funds be carried over to the next plan year?

Yes, they are automatically carried over and do not expire.

Use-it-or-lose-it rules apply at the end of the plan year unless the plan includes a grace period or carryover provision.

When can funds be used after the account is created?

Funds are available as they accrue in the account and can be used at any time.

Funds are available for use with eligible medical expenses on the first day of the plan year.

Can the employee take it with them if they leave the company?

Fully portable, owned by the employee.

Not portable. Limited COBRA continuation applies if certain rules are met.

HEALTHCARE EXPENSES THAT CAN BE COVERED BY HSAs AND FSAs



1. Copays
2. Crutches
3. Dental care
4. Flu shots
5. Hearing aids
6. Prescription medications
7. Vision care
8. Wheelchairs
9. X-rays
10. Annual exams
11. Baby & children's products
12. Various emergency medical expenses

www.healthcare.gov
www.forbes.com/advisor
www.truistmineral.com

www.shrm.org
www.goodrx.com

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