

What's The Difference Between an FSA and HSA?

	Flexible Spending Account (FSA)	Health Savings Account (HSA)
Can you fund the account through pre-tax payroll deduction?	Yes	Yes
Do you need a specific health insurance plan to be eligible?	No	Yes. You must be enrolled in a qualified high dollar deductible health plan.
Does Uniform Coverage Rule apply?	Yes. 100% of your election is available on the first day of the plan year.	No. You may only use what you have contributed into the account.
What medical expenses are eligible for reimbursement.	Unreimbursed Code 213(d) medical expenses incurred during the coverage period for self and qualified tax dependents. Cannot reimburse insurance premiums or for long-term care insurance or services.	Unreimbursed Code 213(d) medical expenses of account-holder and eligible tax dependents incurred after HSA established, including premiums for COBRA, long-term care insurance, health insurance while receiving unemployment compensation; or, if 65 or older, any health insurance except a Medicare supplement.
Can you cash out balances for non-medical expenses?	No	Yes, but such amounts are taxable and subject to a 20% excise tax (<i>certain exceptions apply</i>).
Are elections irrevocable if account is funded through pre-tax payroll deductions in a Section 125 plan?	Yes	No. Section 125 irrevocability rules do not apply to HSAs funded through a Section 125 Plan.
Can a terminated employee spend down unused amounts for expenses incurred after termination?	No. Cannot use unused amounts to pay for claims incurred after the date of termination unless COBRA is elected.	Yes. HSAs are non-forfeitable and portable. Any qualified medical expense incurred after the HSA is set up is eligible to withdraw funds on a tax-free basis.
Do claims need to be incurred during the current period of coverage to be eligible for reimbursement?	Yes	No. Distributions for qualifying medical expenses incurred after the HSA is established will be tax free.
Must a third party process/approve the claim and is substantiation required for reimbursement?	Yes	No. HSA owner must retain records. Substantiation is not required at the time of reimbursement, but must be available in the event of an IRS audit.

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Does COBRA apply?	Yes. Special rule for qualifying health FSAs. Generally by plan design, COBRA only offered to participants with positive FSA balance at time of termination.	No, however COBRA may apply to employer sponsored HSA that is an ERISA plan and to HSAs sponsored by state and local gov'n't employers. COBRA applies to HDHP.
Are there ordering rules that apply?	Yes. Health FSAs must be payers of last resort and cannot reimburse expenses that have been reimbursed elsewhere.	No. HSA-eligible individuals can't have non-HDHP coverage. Certain permitted coverage is disregarded. If enroll/are enrolled in an HSA, you are only eligible for Limited Purpose FSA.
Do the funds roll over each year?	Possibly. Some plans offer a rollover of unused funds up to \$500. Check your plan details.	Yes.