

What's the difference between an HSA and FSA?

Use the chart to learn the differences between a health savings account (HSA) and a health care flexible spending account (FSA).

| | HSA | HEALTH CARE FSA |
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| What is it? | It's a personal bank account to help you save and pay for covered health care services and qualified medical expenses. | It's an account to help you pay for covered health care services and eligible medical expenses. |
| How do I get it? | You have to sign up for a high-deductible health plan that meets a deductible amount set by the IRS. You also have to meet other IRS guidelines to be eligible to have it. You can learn about these at irs.gov . | You can sign up for a health care FSA if it is offered by your employer. You do not need to sign up for a health plan. |
| Who owns it? | You do. | Your employer, but it's your money. |
| Who puts the money in it? | You. Your employer, family, and others can put money into it if they choose. | You. Your employer can also put money into it if they choose. |
| How is money put in it? | You can make deposits like you do with other personal bank accounts. Your employer and family can also put money into the account. Your employer may allow you to deposit money straight from your paycheck, before the money is taxed. | Your employer will take money out of each paycheck, before taxes, and put it into the account. |
| Is there a limit on how much I can put in it? | Yes. The IRS sets a limit on how much you can put into it each year. You can usually find the limits in your health plan documents and at irs.gov . While there are annual limits, there is no limit to how much you can save over time. | Yes. The IRS sets a limit on how much you can put into it each year. You can usually find the limits in your health plan documents and at irs.gov . Your employer can decide what the annual limit will be but it can't be more than the IRS limit. |
| If I don't spend it all this year, can I use it next year? | Yes. Since you own the account, the money will stay in it until you choose to spend it. You can save and use it into retirement. | Yes. Your employer can allow up to \$500 to carry over. The \$500 limit is set by the IRS. This is not required. |
| Can I cash it out at any point? | Yes. But if you cash it out and do not use the money for qualified medical expenses, you will have to pay taxes on it. And you may also have to pay a 20% tax penalty. | No. |
| Can I keep it if I leave my employer? What happens to the money? | Yes. You own the account. | No. Your employer keeps the money. |
| When can I start spending it? | You can start spending the HSA once you have signed up for a high-deductible health plan and have opened the account. | You can start spending the FSA on the first day of the plan year. |
| Do I have to pay taxes on it? | No. You don't have to pay federal or, in most instances, state income taxes on: <ul style="list-style-type: none"> • Deposits you or others make to an HSA • Money you spend from an HSA on qualified medical expenses • Interest earned from an HSA If you put money into an HSA using pre-tax payroll deposits through your employer, you don't have to pay Social Security taxes on it either. | No. You don't have to pay federal, state and Social Security taxes on this money. You also don't have to pay federal income taxes on any money that is reimbursed to you. |

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| If I don't spend it, will it earn interest for me? | Yes, an HSA can earn interest. But the amount you can earn depends on the bank you use and how much you have in the account. | No. |
| What can I pay for with it? | You can pay for hundreds of qualified medical expenses, which are determined by the IRS. This can include services covered by a health plan. You can also use it to pay for dental, vision and many other health care services and supplies that are listed under Section 213(d) of the Internal Revenue Code. | You can pay for hundreds of eligible medical expenses, which are determined by the IRS and your employer. This can include services covered by a health plan. It can also be used for dental, vision and many other health care services and supplies that are listed under Section 213(d) of the Internal Revenue Code. |
| Can I use it for things other than health care? | No, as long as you are under the age of 65. And if you use it for services that aren't qualified medical expenses, you could pay a 20% penalty tax. If you are over the age of 65, you can use it for pretty much anything. | No. |
| Can I have any other accounts with it? | Yes. You can have a limited-purpose FSA or limited-purpose HRA, which can only be used for eligible dental and vision services. | Yes. You can have an HRA or a dependent care FSA. You can use a dependent care FSA to pay for eligible day care and elder care services. |
| If I receive COBRA benefits, do COBRA rights apply to it? | COBRA does not apply to the account. But COBRA rights apply to the high-deductible health plan offered by your employer. Check with your employer for details. | Yes, COBRA rights apply. Check with your employer for details. |
| Can I use it to pay for COBRA plan premiums or other plan premiums? | Yes. | No. |



What's the difference between a qualified medical expense and an eligible medical expense?

A **qualified medical expense** is a health care service, treatment or item that the IRS says can be purchased without having to pay taxes.

An **eligible medical expense** is a health care service, treatment or item that the IRS says can be covered or reimbursed (paid back) by a benefit plan.



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Health savings accounts (HSAs) are individual accounts and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. State taxes may apply.

A flexible spending account is not insurance. It may also be referred to as a flexible spending arrangement.

This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment, and restrictions. Federal and state laws and regulations are subject to change.