

**COPING WITH HIGHER DEDUCTIBLES AND OTHER UNREIMBURSED MEDICAL EXPENSES:  
COMPARING THE THREE MOST COMMON STRATEGIES:**

	<b>HEALTH SAVINGS ACCOUNTS (HSA)</b>	<b>HEALTH REIMBURSEMENT ARRANGEMENTS (HRA)</b>	<b>FLEXIBLE SPENDING ACCOUNTS (FSA)</b>
<b>WHO IS ELIGIBLE?</b>	ANY INDIVIDUAL COVERED BY A "QUALIFIED" HIGH DEDUCTIBLE HEALTH PLAN.	EMPLOYEES, <u>EXCEPT</u> : S-CORP OWNERS, LLC OWNERS, PARTNERS AND SOLE PROPRIETORS.	EMPLOYEES, <u>EXCEPT</u> : S-CORP OWNERS, LLC OWNERS, PARTNERS AND SOLE PROPRIETORS.
<b>WHAT CAN BE REIMBURSED?</b>	ALL MEDICAL EXPENSES AS DEFINED UNDER SECTION 213 OF IRS CODE + CERTAIN LTC AND COBRA PREMIUMS.	UNREIMBURSED (SECTION 213) EXPENSES AS DEFINED BY EMPLOYER IN PLAN DOCUMENT.	UNREIMBURSED EXPENSES AS DEFINED BY SECTION 213. PREMIUM ONLY PLAN (POP). CHILDCARE REIMBURSEMENT.
<b>HOW IS IT FUNDED?</b>	BY EMPLOYER OR EMPLOYEE PRE-TAX ALLOWED. FUNDS DEPOSITED TO CUSTODIAL BANK ACCOUNT OWNED BY EMPLOYEE.	BY EMPLOYER ONLY IF PRESENTED WITH A VALID MEDICAL EXPENSE.	BY EMPLOYEE. MONTHLY PRE-TAX DEPOSITS SET BY ANNUAL ELECTION. EMPLOYER MAY HAVE TO ADVANCE FUNDS.
<b>MUST THERE BE A SPECIFIC PLAN DESIGN?</b>	YES. "QUALIFIED" HIGH DEDUCTIBLE HEALTH PLAN MUST BE IN FORCE; I.E., UNIQUE FAMILY DEDUCTIBLE AND NO COPAYS.	ANY HEALTH PLAN MAY BE IN FORCE - REIMBURSEMENT ARRANGEMENT DETERMINED BY EMPLOYER IN PLAN DOCUMENT.	ANY HEALTH PLAN MAY BE IN FORCE - EMPLOYER MAY SET LIMITS IN PLAN DOCUMENT.
<b>IS IT PORTABLE?</b>	UNUSED CUSTODIAL ACCOUNT FUNDS OWNED BY EMPLOYEE ACCUMULATE YEAR TO YEAR.	CAN <u>NOT</u> BE ROLLED TO A NEW EMPLOYER. PLAN DOCUMENT <u>MAY</u> ALLOW UNUSED FUNDS TO ACCUMULATE.	"USE IT OR LOSE IT". EMPLOYEE FUNDS MUST BE SPENT WITHIN THE PLAN YEAR.
<b>WHAT IS THE TAX TREATMENT?</b>	BOTH EMPLOYER AND EMPLOYEE CONTRIBUTIONS ARE DEDUCTIBLE. WITHDRAWALS USED FOR QUALIFIED MEDICAL EXPENSES ARE TAX FREE. (NON QUALIFIED: REPORTED AS INCOME + 10% PENALTY.)	EMPLOYER PAYMENTS DEDUCTIBLE; REIMBURSEMENTS RECEIVED BY EMPLOYEE ARE TAX FREE. [IRS SECTION 105]	EMPLOYEE CONTRIBUTIONS PRE-TAX (EMPLOYER REALIZES FICA SAVINGS); REIMBURSEMENTS RECEIVED ARE TAX FREE. [IRS SECTION 125]
<b>IS THERE A COST?</b>	BANK FEES VARY. SET UP, \$0 TO \$25 PER ACCOUNT. MONTHLY ADMIN, \$0 TO \$4 PER ACCOUNT, PLUS EXTRA FOR ADDITIONAL SERVICES.	THIRD PARTY ADMINISTRATOR FEE SCHEDULES APPLY, AND VARY BY GROUP SIZE. SET UP FEE: ~\$5 PER EMPLOYEE, MONTHLY FEE PER PARTICIPANT ~\$4.	THIRD PARTY ADMINISTRATOR FEE SCHEDULES APPLY, AND VARY BY GROUP SIZE. TYPICAL MINIMUM SET UP/ RENEWAL COST: \$450. MONTHLY FEE PER PARTICIPANT ~\$5.