Flexible Spending Account (FSA) vs. Health Savings Account (HSA)

Flexible spending accounts (FSA) and health savings accounts (HSA) both allow employees to set aside money to pay for qualified medical and other expenses. The differences between the two types of accounts can be confusing. The chart below details important distinctions between these accounts. Employees may not participate in both the <u>medical</u> FSA and an HSA.

Eligibility to Contribute	
FSA	**HSA**
Sarah Lawrence has offered an FSA for several years. Employees can open an FSA regardless of whether they enroll in a high deductible health plan (HDHP).	In 2019, Sarah Lawrence began offering an HSA, associated with a new high deductible health plan (HDHP). In order to enroll in an HSA, an employee must also participate in the HDHP.
Annual Employee Contribution Limits	
FSA	**HSA**
The maximum amount that an employee may contribute to a medical FSA for 2021 is yet to be released by the IRS. In previous years, the allowable limit was increased by $50.00 from the prior year. If this occurs in 2021, the IRS allowable FSA limit for 2021 will be $2,750.	The maximum amount that an employee may contribute to an HSA for 2021 is $3,600 for an individual and $7,200 for a family. Individuals over age 55 may contribute an additional $1,000 per year. These limits are set by the IRS.
Who Funds the Account	
FSA	**HSA**
FSA's are 100% employee-funded through payroll deduction.	HSA's may be 100% employee-funded through payroll deduction (pre-tax) or through transfer of funds from a bank account (post-tax); ***OR*** employers may opt to partially fund the HSA up to the allowable limit of 50% of the HDHP plan deductible. <u>In 2021, Sarah Lawrence will contribute 50% of the HDHP deductible to HSA's for enrolled employees.</u>
Account Ownership	
FSA	**HSA**
FSA's are employer-owned, and must be established by the employer for an employee's use. Unused funds are forfeited to the College, and may not be refunded to employees.	HSA's are owned by the employee who opens the account and are 100% portable. Unused funds are not forfeited, including employer-funded contributions to an HSA.
Access to the Money	
FSA	**HSA**
Employees have access to their full annual election on day 1 of their enrollment, regardless of whether this money has been deducted from their pay check yet.	Employees only have access to the money that has actually been deposited into their account via transfer or payroll deduction.

Rollover Rules	
FSA	**HSA**
Employees must use FSA funds in the year in which the FSA election is made. Employees have a 2.5 month grace period after the plan year ends (through March 15) to use the previous year's FSA on expenses. All funds remaining in the FSA after March 15 are forfeited by the employee.	There is no expiration date on HSA contributions. Contributions roll over from year-to-year, and rollover money is separate from annual contribution limits.
Changing Contributions	
FSA	**HSA**
Employees determine their FSA contribution amount at the beginning of the year, and may not change that election unless they have a qualifying event (i.e. birth, death, marriage, etc.).	Employees may change their contribution amount at any time, as long as it does not exceed the IRS contribution limit.
Other Uses of the Account	
FSA	**HSA**
In addition to a medical FSA, employees may also enroll in a dependent care FSA, which allows them to defer up to $5,000 of their salary for qualified dependent care expenses.	An HSA may only be used for qualified medical expenses until an employee retires and is on Medicare. At that time they may also use their HSA funds for any non-medical costs, but will be required to pay taxes on withdrawals, just as they would with a supplemental retirement annuity (SRA).