

The Federal government makes the rules concerning Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs). Both types of accounts offer tax-advantaged ways to pay for medical expenses. The table below compares some of the features of these savings accounts.

	HSA	FSA
Eligibility	Participants enrolled in the MMO PPO/HSA Plan. Individual cannot be enrolled in Medicare. Participants must not be covered by any other health plan that is not an HSA-compatible health plan - this includes enrollment in an employee's or their spouse's FSAs.	Participants enrolled in any of the following plans: <ul style="list-style-type: none"> • MMO PPO • SkyCare • MedFlex Individuals cannot be enrolled in the MMO HSA PPO plan.
Who "owns" the account?	Participant	Participant
Who funds account?	For the 2021/2022 benefit year, the Diocese will contribute to a participant's HSA. Participants can make additional contributions up to federal limits.	Participant
How is it funded?	For the 2021/2022 benefit year, the Diocese will make quarterly contributions of \$125 for single coverage and \$250 for family coverage into the participant's HSA. Participants may choose to deposit additional funds directly into their HSA via payroll deduction. Total deposits, including the Diocesan contributions, for 2021 cannot exceed \$3,600 for single coverage and \$7,200 for family coverage.	Participants may choose to deposit into their FSA via payroll deduction. The sum of amount deducted from participant's pay cannot exceed \$2,750 per year.
Can the account earn investment income?	Yes. All income earned is tax-free.	No.

	HSA	FSA
Substantiation of expenses	It is self-substantiation of expenses; participants must report the use of funds with their Federal income tax returns.	Expenses must be approved by the Plan Administrator used by employer.
Is the account portable?	Yes, an HSA is completely portable. Participants own their HSAs. The account goes with them when they leave their employer for any reason.	No, an FSA is not portable. Unused funds must be spent by the plan year end (or at termination of employment if before year end), otherwise individual loses money.
Can funds be used for non-medical expenses?	Yes, however, funds used for non-medical expenses are taxed as income and incur a 20% penalty. After age 65 there is no penalty.	No.
What is the tax treatment of distributions for medical expenses?	Tax-free	Tax-free
Is there a “catch-up” contribution provision for older workers?	Yes, individuals age 55 or older may contribute an extra \$1,000 per year. Married couples may both contribute a catch-up contribution, if both are covered under an HSA-compatible plan and are age 55 or older.	No
How are unused balances treated?	Unused balances stay in the HSA for future use.	For Health FSA plan years ending June 30, 2020 & June 30, 2021 employees at Cathedral Square and the 5 Diocesan-owned high schools have unlimited carryover of unused funds. Employees of other entities should check with their employer regarding treatment of unused funds.