

2012 HSA and FSA cheat sheet

Everything you need to know about health savings accounts and flexible spending accounts in 2012

Health Savings Accounts

What are they?

HSAs are tax-advantaged medical savings accounts available to taxpayers who are enrolled in an HSA-qualified high-deductible health plan. The funds contributed to the account are not subject to federal income tax at the time of deposit. Unused amounts in one year can be carried over to following years and added to subsequent contributions.

What's new for 2012?

HSA contribution limits and HDHP out-of-pocket maximums will increase slightly, while the HDHP minimum required deductibles remain unchanged.

HSA Contribution Limits:

Individual (self-only HDHP): \$3,100

(\$50 increase from 2011)

Family: \$6,250

(\$100 increase from 2011)

Limits for catch-up contributions (for persons over age 55): \$1,000

(unchanged from 2011)

HDHP Minimum Required Deductibles:

Self-only: \$1,200

Family: \$2,400

HDHP Out-of-Pocket Maximum:

Self-only: \$6,050

(a \$100 increase from 2011)

Family: \$12,100

(a \$200 increase from 2011)

What changed in 2011?

Effective Jan. 1, 2011, expenses incurred for over-the-counter medicines, with the exception of insulin, will not be eligible for reimbursement under a health FSA, HRA or HSA without a prescription. The penalty for using HSA funds for ineligible expenses increased from 10 percent to 20 percent.

Flexible Spending Accounts

What are they?

Also known as a flexible spending arrangement, a flexible spending account is a tax-advantaged account that allows an employee to set aside a portion of earnings to pay for qualified medical expenses. Unlike health savings accounts or health reimbursement accounts, FSAs are more commonly offered with traditional medical plans.

Unlike health savings accounts, funds in the account that are unused when the plan year is over are lost and cannot be carried over to the following year.

Paper forms or a debit card may be used to access account funds.

The flex spending account allows you to contribute money to the FSA for costs not covered by insurance: deductibles, co-pays, and coinsurance. In addition, you can use your FSA to pay for health care costs that health insurance doesn't cover.

What's new for 2012?

Contribution limits

2012 is the last year that there are no limits. Although there is no limit as mandated by law, the plan must prescribe either a maximum dollar amount or maximum percentage of compensation that can be contributed to the FSA.

What changed in 2011?

Beginning in 2011, FSA funds cannot be used for over-the-counter medicines unless specifically prescribed by a doctor.

What to expect for 2013:

FSA contributions will be limited to \$2,500 each year with annual inflation increases.