

## Alphabet Soup: FSAs, HRAs and HSAs

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There are a few changes in the new law that specifically affect consumer-driven health plans – flexible spending accounts (FSAs), health reimbursement arrangements (HRAs) and health spending accounts (HSAs):

### **Over-the-Counter Medications**

Beginning in 2011, over-the-counter (OTC) medications other than immunizations and insulin will no longer be eligible for reimbursement, unless prescribed by a physician.

### **Increased Tax Penalties**

The tax penalty for HSA and Archer MSA withdrawals that are not used for qualified medical expenses increases to 20% (from 10% for HSAs and 15% for Archer MSAs), beginning in 2011.

### **FSA Limits**

The cap on pre-tax employee contributions to a health care FSA is reduced to \$2,500 annually (indexed for inflation), beginning in 2013. The current cap is \$5,000.

### **Adoption Credit**

The maximum adoption credit for 2010 jumps to \$13,170 (a \$1,000 increase) for each eligible child. The law also makes the credit refundable, and extends it through 2011.