# COMPARING HEALTH SPENDING ACCOUNTS FOR 2026

PARTNERS FOR HEALTH

- **STATE & HIGHER EDUCATION EMPLOYEES:** If you are interested in health spending accounts, this chart can help you learn the differences between a health savings account and the various flexible spending accounts available to you. For more information, including how to enroll, visit the ParTNers for Health Flexible Benefits webpage at https://www.tn.gov/partnersforhealth/other-benefits/flexible-benefits.html.
- **LOCAL EDUCATION & LOCAL GOVERNMENT EMPLOYEES:** You may have access to flexible benefits through your employer. Check with your human resources office for more information.
- **THIS CHART IS INTENDED TO PROVIDE GENERAL INFORMATION. IT IS ONLY A SUMMARY OF THE RULES THAT APPLY AND DOES NOT CONSTITUTE LEGAL OR TAX ADVICE.**

| | Health Savings Account, HSA* | Flexible Spending Account, FSA | Limited Purpose Flexible Spending Account, L-FSA | Dependent Care Flexible Spending Account, DC-FSA |
|---|---|---|---|---|
| **Owner** | Member enrolled in CDHP | Employer | Employer | Employer |
| **Overview** | Member-owned bank account to pay for IRS-qualified, out-of-pocket medical expenses | Tax-advantaged account to pay for IRS-qualified, out-of-pocket medical expenses | Tax-advantaged account to pay for IRS-qualified, out-of-pocket dental/vision expenses ONLY | Tax-advantaged account to pay for IRS-qualified expenses for dependent(s) age 13 or younger or a spouse or dependent incapable of self care |
| **2026 Maximum Contribution** | Employee-only coverage: $4,400<br>Any family-level coverage: $8,750<br>**These amounts include employer contributions.** | $3,300 | $3,300 | $3,750 if married and filing a separate tax return; $7,500 if married and filing a joint return or filing as single or head of household |
| **Who can contribute?** | Member, employer, third party (spouse, parent, etc.) | Employee | Employee | Employee |
| **How are funds accessed?** | • Debit card**<br>• Request for distribution (paper)<br>• Online bill-pay | • Debit card**<br>• Paper claim - request for reimbursement from FSA to linked bank account | • Debit card**<br>• Paper claim - request for reimbursement from L-FSA to linked bank account<br>**Dental/vision expenses ONLY** | • Paper claim - request for reimbursement from DC-FSA to linked bank account<br>**Debit card not available** |
| **Substantiation of Claims** | Member responsible. Should keep explanations of benefits and all receipts in case of IRS audit. | If asked, EOB must be provided to keep debit card active | If asked, EOB from dental/vision insurance plan must be provided to keep debit card active | Member responsible<br>Should keep receipts in case of IRS audit |
| **Tax Benefits** | Deposits, earnings and distributions are tax free***<br>**After age 65, funds can be withdrawn for any reason without penalty but will be taxed as income if not used for IRS-qualified medical expenses.** | Contributions and claims reimbursements or payments are tax-free | Contributions and claims reimbursements for dental/vision expenses or payments are tax-free | Contributions and claims reimbursements or payments are tax-free |
| **Do unspent funds carry over?** | Yes. Funds always belong to the member. | Up to $660 may be carried over into the next plan year. Any funds greater than $660 that remain in account on Dec. 31 will be forfeited. | Up to $660 may be carried over into the next plan year. Any funds greater than $660 that remain in account on Dec. 31 will be forfeited. | No. Any remaining funds on Dec. 31 are forfeited. |
| **Funds Availability** | As funds are withdrawn from paycheck, employer transmits them to claims administrator, and they are typically available on payday | Full annual election available Jan. 1 (or after you enroll for new hires) | Full annual election available Jan. 1 (or after you enroll for new hires | Funds are available ONLY as they are withdrawn from paycheck. All claims must be for dates of service that have already occurred. |
| **What if I retire or terminate coverage?** | You maintain ownership of your HSA and become responsible for the monthly administrative fee if you terminate (fee deducted from account). The plan will pay your monthly administrative fee if you retire and stay enrolled in the CDHP. | If employment is terminated during the year, period of coverage ends on employment termination date. Expenses incurred during period of coverage can be submitted until 90 days after termination date. After 90 day, your remaining balance is forfeited. | If employment is terminated during the year, period of coverage ends on employment termination date. Expenses incurred during period of coverage can be submitted until 90 days after termination date. After 90 day, your remaining balance is forfeited. | If employment is terminated during the year, period of coverage ends on employment termination date. Expenses incurred during period of coverage can be submitted until 90 days after termination date. After 90 day, your remaining balance is forfeited. |

* Only for members enrolled in CDHP and only certain other health plan coverage is permissable, including dental, vision, accident, disability, long-term care, worker's compensation, specific disease or illness, fixed dollar hospitalization, certain deductible plans.

**HSA debit card restricted to IRC § 213(d).

***HSA distributions for purposes other than IRS-qualified medical expenses defined in IRC § 213(d) may be subject to income and penalty taxes.