

Medical Savings Accounts: HRA, HSA, FSA Comparison



Funded HRA (Health Reimbursement Arrangement)	HSA (Health Savings Account)	Medical FSA (Flexible Spending Account)
Who Can Contribute?		
Employer only.	Employee and Employer. <i>Note: If an employee is enrolled in Medicare, neither the employer nor the employee can make HSA contributions.</i>	Employee and Employer. ¹ <i>Note: In practice, it is not common for employers to contribute.</i>
Employer Contribution Rules		
Employer must make comparable contributions on behalf of those meeting eligibility criteria.	Employer must make comparable contributions on behalf of those meeting eligibility criteria.	The employer can either match what the employee contributes or \$550, whichever is greater.
Roll Over		
Balance rolls over every year. Vesting options available.	Balance rolls over every year.	The funds in the account are “use it or lose it,” however, employers may elect to offer: <ul style="list-style-type: none"> • Carry Over: The ability to carry over up to \$550 of unused funds into the next plan year. • Grace Period: A 2 ½ month grace period after the end of the plan year where employees could spend their unused funds into the next plan year.
Taxation		
Reimbursements are tax-free for eligible expenses. Free from federal income, FICA, and state tax.	Deducted from pay pre-tax, used tax-free for eligible expenses. Free from federal income and FICA tax. State income tax applies in states without conforming tax law.	Deducted from pay pre-tax, used tax-free for eligible expense. Free from federal income, FICA and state tax.
Eligible Health Insurance Plan Integration		
Can be integrated with any group health plan. Retiree HRAs do not have to be integrated with any health insurance plan.	Can only be integrated with an HSA-Qualifying High Deductible Health Plan. The deductible limit is annually set by the IRS.	Can be integrated with any health group plan.

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How They Work Together		
<p>An HRA can be paired with an FSA.</p> <p>An HRA can be paired with an HSA, but the HRA must be designated as limited purpose if actively contributing to an HSA.²</p>	<p>An HSA can be paired with an FSA, but the FSA must be designated as limited purpose if actively contributing to an HSA.²</p> <p>An HSA can be paired with an HRA, but the HRA must be designated as limited purpose if actively contributing to an HSA.²</p>	<p>The FSA can be paired with an HSA and/or an HRA, but the FSA/HRA must be designated as limited purpose if actively contributing to an HSA.²</p>
Employee Eligibility		
<p>Any current or former employee who meets the employer's criteria is eligible to participate in an HRA.</p>	<p>The IRS treats married couples as a single tax unit, which means they must share one family HSA contribution limit. In cases where both spouses have self-only coverage, each spouse may contribute up to half of the annual contribution limit.</p> <p>An individual is not eligible if they are covered by a Medical FSA that has not been modified as limited purpose including a spouse's FSA.²</p>	<p>Any current employee who meets the employer's criteria is eligible to participate in an FSA.</p>
Use of Funds by a Dependent		
<p>Yes, spouses and eligible dependents (defined as children under 27 and any dependent claimed on your tax return). Depending on the HRA type, the dependent may need to be covered by group health insurance or individual health insurance to be eligible to use.</p>	<p>Yes, spouses can use HSA funds and any dependent claimed on your tax return.</p>	<p>Yes, spouses and eligible dependents (defined as children under 27 and any dependent claimed on your tax return).</p>
Investment Choices		
<p>Fixed or variable interest accounts available.</p>	<p>Fixed or variable interest accounts available.</p>	<p>Not Applicable.</p>
Maximum Contribution		
<p>Funded HRAs have no annual limit, except when offering a specific type of HRA called a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA).</p>	<p>Maximum contribution limits annually set by IRS.</p>	<p>Maximum contribution limits annually set by IRS.</p>
Non-Medical Withdrawals		
<p>Not allowed.</p>	<p>Non-medical distributions are taxed as income and subject to a 20% penalty unless disabled, deceased, or attained Medicare Eligibility Age.</p>	<p>Not allowed.</p>

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Reimbursable Medical Expense		
<p>Qualified medical expenses as defined in IRC 213(d), excluding over-the-counter drugs without a prescription, except insulin.</p> <p>Reimbursements for medical expenses are limited to the current account balance.</p> <p>No reimbursement for any medical expense while accepting a subsidy on the Health Insurance Marketplace.</p>	<p>Qualified medical expenses as defined in IRC 213(d), excluding over-the-counter drugs without a prescription, except insulin.</p> <p>Reimbursements for medical expenses are limited to the current account balance.</p>	<p>Qualified medical expenses as defined in IRC 213(d), excluding over-the-counter drugs without a prescription, except insulin.</p> <p>Medical reimbursements are available on the first day of the plan year, up to the employee's full annual election.¹</p> <p>Reimbursements for dependent care expenses are limited to the current account balance.</p>
Reimbursable Medical Insurance Premiums		
<p>Once the employee has separated from service, and the Integrated HRA is converted to a Retiree HRA. Premiums for medical, dental, vision, long-term care insurance, Medicare B, D, supplemental plans, and Health Insurance Marketplace are reimbursable.</p> <p>No reimbursement for any medical insurance premiums while accepting a subsidy on the Health Insurance Marketplace.</p>	<p>No reimbursement for medical insurance premiums prior to Medicare Eligibility Age unless the employee is under COBRA or unemployed.</p> <p>Includes Medicare B and D but does not include Medicare supplements.</p> <p>No reimbursement for Health Insurance Marketplace premium.</p> <p>Premiums for Long Term Care (LTC) insurance are reimbursable.</p>	<p>No reimbursement for medical insurance premiums.</p>
Death of Account Holder		
<p>Surviving spouse and eligible dependents can continue to use the remaining account balance for premiums and qualified medical expenses incurred by the decedent prior to death for a period of 12 months. Naming a beneficiary may be allowed in certain states if certain conditions are met. Check with your employer or plan sponsor to see if your state qualifies.</p>	<p>Surviving spouse only (if s/he is the designated beneficiary) is entitled to use remaining account balance for qualified medical expenses. If designated beneficiary is someone other than the spouse, then remaining account balance is taxed as income to the beneficiary.</p>	<p>Typically terminates upon the death of a plan participant.</p>

¹If an employee overspends their medical FSA account and then terminates employment before the plan year ends, employers cannot recoup the overspent funds from the employee.

²A limited purpose medical savings account can only be used for eligible dental and vision expenses.

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