

# FSA, HRA, AND HSA COMPARISON CHART

ELIGIBILITY, FUNDING, & TAXATION			
	Health Care Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
<b>What is it?</b>	An account set up through an employer to help employees pay for covered health care services and eligible medical expenses.	An employer established account that reimburses employees for covered health care services and eligible medical expenses.	A tax exempt personal employee bank account established to pay for covered health care services and eligible medical expenses.
<b>How do I get it?</b>	You can sign up for a health care FSA if it is offered by your employer. You do not need to sign up for a health plan.	It is usually connected to a health plan. If your employer offers this type of plan, you will get it when you sign up for the plan.	You have to sign up for a high deductible health plan that meets a deductible amount set by the IRS. You also have to meet other IRS guidelines to be eligible to have it.
<b>High Deductible Health Plan (HDHP)</b>	Not required. However employers must offer group health plan coverage to employees eligible for the FSA.	Not required. However HRA's for active employees must be "integrated" with a group health plan.	<b>Required</b> <u>2020 Annual Deductible</u> \$1,400: Self Only \$2,800: Family <u>2021 Annual Deductible</u> \$1,400: Self Only \$2,800: Family
<b>Who is eligible?</b>	Any employee, subject to employer-designed exclusions.	Any employee, subject to employer-designed exclusions. Eligibility may or may not be tied to HDHP.	Employee / Individual covered by HDHP & no other non-HDHP coverage.
<b>Who owns it?</b>	Your employer, but it's your money.	Your employer.	You do.
<b>Who can create an account?</b>	Employer	Employer	Employer or Individual
<b>Who can contribute?</b>	Employer, Employee, or Both	Employer only	Employer, Employee, or Both
<b>How is money put in?</b>	Your employer will take money out of each paycheck, before taxes, and put it into the account.	Your employer may put all of the money in the account at the beginning of the plan year or they may do so periodically through the year, e.g. each month.	You can make deposits like you do with other personal bank accounts. Your employer and family can also put money into the account. Your employer may allow you to deposit money straight from your paycheck, before the money is taxed.
<b>Is there a limit on how much can be put in it?</b>	The IRS sets a limit on how much is allowed each year. Your employer can decide what the annual limit will be but it can't be more than the IRS limit. 2020: \$2,750 2021: TBD	No	The IRS sets the limit each year. <u>2020 Maximum Contribution</u> Individual: \$3,550 Family: \$7,100 <u>2021 Maximum Contribution</u> Individual: \$3,600 Family: \$7,200
<b>Catch-Up Contributions</b>	Not Allowed	Not Allowed	Allowed - ages 55 and older until they are enrolled in Medicare at age 65 – \$1,000.
<b>Are Contributions Taxed?</b>	No federal or state income tax* or social security / Medicare tax	No federal or state income tax* or social security / Medicare tax	No federal or state income tax* or social security / Medicare tax

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<b>If I don't spend it all this year, can I use it next year?</b>	Maybe. Your employer can allow up to \$550 (in 2020) to carryover. The carryover limit is set by the IRS. This is not required. Or your employer may allow up to a 2 ½ month grace period to incur additional claims. An employer may offer the carryover or grace period, but not both. Neither are required to be offered by an employer.	Yes. However, your employer can limit the amount that can carry over. This is not required.	Yes. Since you own the account, the money will stay in it until you choose to spend it. You can save and use it into retirement.
<b>Can I cash it out at any point?</b>	No	No	Yes. But if you cash it out and do not use the money for qualified medical expenses, you will have to pay taxes on it. And you may also have to pay a 20% tax penalty.
<b>Can I keep it if I leave my employer? What happens to the money?</b>	No. Your employer keeps the money unless you elect COBRA.	No. Your employer keeps the money unless you elect COBRA.	Yes. You own the account.
<b>Distributions for Non-Medical Expenses (Including Cash-Outs) Allowed?</b>	Not Allowed	Not Allowed	Yes, however if under the age of 65, subject to tax & 20% penalty.
<b>What can I pay for with it?</b>	You can pay for hundreds of eligible medical expenses, which are determined by the IRS and your employer. This can include services covered by a health plan. It can also be used for dental, vision and many other health care services and supplies that are listed under Section 213(d) of the Internal Revenue Code.	You can pay for hundreds of eligible medical expenses, which are determined by the IRS and your employer. Your employer may only allow the HRA to pay for services covered by your health plan. Some employers may also let you use it to pay for dental, vision and other health care services and supplies that are listed under Section 213(d) of the Internal Revenue Code.	You can pay for hundreds of qualified medical expenses, which are determined by the IRS. This can include services covered by a health plan. You can also use it to pay for dental, vision and many other health care services and supplies that are listed under Section 213(d) of the Internal Revenue Code.
<b>Can I Pay Health Insurance Premiums with it?</b>	No	Traditional HRAs do not cover health insurance premiums. There are other types of HRAs such as ICHRAs and retiree plans that can cover premiums.	Yes, ONLY if collecting unemployment benefits or on COBRA.
<b>Whose eligible medical expenses can I use it on?</b>	A medical expense must be incurred by the employee, the employee's spouse, an employee's child who has not attained age 27 as of the end of the employee's taxable year, or the employee's tax dependent for health coverage purposes. Funds may not be used for a domestic partner who fails to satisfy the conditions for being a Code §105(b) tax dependent.	An HRA can provide tax-free benefits to participants enrolled in the employer plan. Including the employee, the employee's spouse, an employee's child who has not attained the age of 27 by the end of the tax year, or the employee's tax dependent for health coverage purposes. A domestic partner who fails to satisfy the conditions for being a Code §105(b) tax dependent may not have their expenses reimbursed tax free from the employee's HRA.	Only the medical expenses of the employee, spouse, or Code §105(b) tax dependents can be reimbursed under an employee's HSA. An employee's domestic partner, or adult child who is not the employee's tax dependent, may have his or her own HSA but a domestic partner or adult child's medical expenses cannot be paid under the employee's HSA.

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<b>Can I have any other accounts with it?</b>	Yes. You can have an HRA or a dependent care FSA. You can use a dependent care FSA to pay for eligible day care and elder care services.	Yes. You can have a health care FSA and dependent care FSA. Under limited circumstances you can have an HSA.	Yes. You can have a limited-purpose FSA, which can only be used for eligible dental and vision services, a dependent care FSA or a post-deductible HRA.
<b>Reimbursement Order**</b>	FSAs are last resort and cannot reimburse expenses that have been reimbursed elsewhere.	Claims are submitted to the HRA first and the FSA reimburses any amounts not reimbursed by the HRA.	Should not have HRA & FSA that cover same expenses as the HDHP.
<b>COBRA Continuation</b>	Yes, COBRA rights apply. Check with your employer for details.	Yes, COBRA rights apply. Check with your employer for details.	COBRA does not apply to the account. But COBRA rights apply to the high-deductible health plan offered by your employer. Check with your employer for details.
<b>Subject to ERISA Requirements?</b>	Yes	Yes	HDHP Portion – Yes, if employer sponsored. Savings/investment portion – No, unless it's an ERISA plan which is not typical.
<b>ERISA Form 5500</b>	Applies. Exception for small (< 100 participants) unfunded plans.	Applies. Exception for small (< 100 participants) unfunded plans.	Does not apply unless it is an ERISA plan which is not typical.
<b>Discrimination Testing Required?</b>	Yes – Subject to IRC Section 125 and 105(h).	Employer contributions must not discriminate in favor of highly compensated individuals as provided by IRC Section 105(h).	If employer contributions are done through a Section 125, the employer must comply with nondiscrimination requirements of the 125 Plan. If not done through a 125 plan, comparability testing applies.
<b>HIPAA Privacy Applicable?</b>	Yes	Yes	Does not apply unless it is an ERISA plan, which is not typical.

\*State taxes could apply in some states.

\*\*Employer can draft HRA and FSA plan documents so that HRA reimburses only after FSA amounts are exhausted.

*The information contained herein should be understood to be general insurance brokerage information only and does not constitute advice for any particular situation or fact pattern and cannot be relied upon as such. Statements concerning financial, regulatory or legal matters are based on general observations as an insurance broker and may not be relied upon as financial, regulatory or legal advice. This document is owned by Alera Group, Inc., and its contents may not be reproduced, in whole or in part, without the written permission of Alera Group, Inc.*

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