

HSA, FSA and HRA comparison

Question	HSA	Health care FSA	HRA
What does it stand for?	Health savings account	Health care flexible spending account	Health reimbursement account/arrangement
Who owns it?	Account holder	Employer	Employer
Who funds the account?	Account holder, employer and others	Typically account holder, but employer can contribute	Employer only
What type of health plan can I have?	Eligibility to contribute requires opening and maintaining a qualifying high-deductible health plan (HDHP).	A full purpose health care FSA is compatible with any type of health plan coverage. A limited purpose health care FSA (LPFSA) is typically used in combination with an HSA.	An HRA is allowed with any type of health plan.
Can I carry over funds to next year?	Yes. You own the account and any contributions made to it, regardless of the source or timing of the contribution.	Yes, by plan design, a plan may allow up to a specified amount to carry forward to future plan years. This is an optional plan feature. If the plan does not have a carryover, any remaining balance at the end of the plan year is forfeited.	This may vary and is determined by your employer.
Can I keep the account if I switch employers?	Yes. You own the account.	No. FSAs cannot be rolled over to a new employer.	No. An HRA may be designed to allow a former account holder to use their funds, but it cannot be rolled over to a new employer.
How is it funded?	Money is deposited directly into the account. Contributions can be made by the account holder or employer through pre-tax salary deductions or on an after-tax basis by the account holder or other person.	Based on the account holder's annual election, the employer designates a specific amount of wages to be deducted from the account holder's paycheck pre-tax.	The employer contributes a set amount based on a predetermined formula.

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What are the tax benefits?	Contributions can be either tax-deductible, if you make them yourself, or pre-tax (including FICA). Interest earned and capital gains on investments are income tax-free. Withdrawals for qualified medical expenses are tax-free, although state taxes may apply.	Account holder contributions are exempt from federal and FICA tax as well as most state and local tax.	Reimbursements are federal income tax-free.
Do funds earn interest?	Interest may be earned in an HSA, depending upon the custodian and the type of deposit account.	Interest is not earned.	Interest is not earned.
What is the contribution limit?	Annual contribution limits are set by the IRS and adjusted for inflation.	The annual maximum amount an account holder may contribute is set by the IRS. This is subject to change annually with IRS cost-of-living adjustments.	No limits. For HRAs, the employer determines the minimum and maximum contribution amounts.
Is there a “catch-up” contribution allowed for older workers?	Account holders ages 55 and older may contribute an additional \$1,000 to an HSA per year until they are enrolled in Medicare.	No	No
Can I fund the account with a pre-tax salary deduction?	Yes	Yes	No, employer-funded only
Is investing allowed?	Yes	No	No
Which health care expenses can I pay from the account?	Funds can be used for any eligible medical expense as defined under section 213(d) of the Internal Revenue Code (IRC), except for health insurance premiums, with specific exceptions.	Funds can be used for eligible health care expenses as defined under section 213(d) of the IRC, except for health insurance premiums.	Funds can be used for any eligible health care expense as defined under section 213(d) of the IRC, including health insurance and long-term-care insurance premiums. Premiums under employer pre-tax plans are not covered by section 213(d) of the IRC, though they are tax-deductible.

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Can COBRA premiums be reimbursed from the account?	Yes. Distributions to pay premiums for COBRA are income tax-free.	No. A health care FSA may not reimburse participants for premiums paid for health insurance. This includes premiums paid for health coverage under a plan maintained by the employer or the account holder's spouse or dependent.	Yes. COBRA premiums may be reimbursed from the account. Distributions to pay premiums for COBRA are not income tax-free.
Is the account subject to COBRA continuation?	No. An HSA is not a health benefit plan subject to continuation.	COBRA rights apply.	COBRA rights apply.
Can funds be used to pay for nonqualified health care expenses for those under age 65?	Non-health care distributions must be included in gross income and are subject to a 20% penalty tax. Exception: The 20% penalty does not apply to nonqualified expenses for those individuals who are disabled or deceased or who are older than age 65.	No. A health care FSA can only be used for eligible health care expenses.	No. Funds may only be used for eligible health care expenses.
Must a health care expense be incurred during the same plan year in which the contribution is made?	HSA funds can be used to pay for qualified expenses once the account is opened. There is no time limit on when funds can be used to pay for qualified expenses.	Yes, if the plan does not have a grace period or carryover feature.	No. Typically, there is no time limit on when funds can be used to pay for eligible expenses after the account is opened. Your plan may vary, so confirm with your employer.
Is the annual amount of the contribution available on the first day of coverage?	Only the amount currently available in the HSA may be used to pay for or reimburse qualified expenses.	Yes. The total amount elected by the account holder for the plan year must be available on the first day, regardless of the amount contributed.	The employer-designated HRA funds may be available on the first day of the plan year. However, funds can be prorated during the year if the employer elects to do so.
Is third-party substantiation of expenses required?	No. If audited by the IRS, the account holder must show that HSA funds were used only for qualified medical expenses.	Yes. Each request for reimbursement must be substantiated before it can be reimbursed.	Yes. Each request for reimbursement must be substantiated before it can be reimbursed.
Can the account be paired with other accounts?	Yes. An HSA can be paired with an LPFSA for use with qualified dental and vision expenses.	A health care FSA is compatible with an HRA, but only an LPFSA can be paired with an HSA.	An HRA is compatible with an FSA, but only a limited purpose HRA can be paired with an HSA.



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