

FSA'S, HSA'S, AND HRA'S

	Health Savings Account (HSA)	Health Reimbursement Arrangement (HRA)	Flexible Spending Account (FSA)
What is it?	A health savings account is like a personal bank account that can be used towards medical expenses. Once the owner is of retirement age, it eventually converts into a retirement savings account. Individuals can only contribute to an HSA account if they are enrolled in an HSA-compatible insurance plan (typically a high deductible healthcare plan (HDHP)).	A health reimbursement arrangement is an employer-managed medical reimbursement account. They contribute a set amount of money to the account each year for employees to use. You can use it for medical expenses not covered by your health plan, such as deductibles or coinsurance. Only the employer can contribute money to the HRA. This may be coupled with a high deductible plan to offset the cost of the high deductible.	A flexible spending account is an employer-managed medical reimbursement account that is funded solely by the employee. The employee decides how much to contribute each year, and it will be deducted from their paycheck every pay period.
Who owns the account?	The employee.	The employer.	The employer.
Who can contribute?	The employee or any other person (including the employer or employee's family members).	The employer only.	The employee or employer (less common).
How much can be contributed?	The amount is set by the employer, and not to exceed \$2,500 per plan year.	No maximum. Limits are set by the employer, and payments are based on utilization.	Determined by the IRS on an annual basis.
Can unused amounts be carried over from one year to the next?	Yes.	Yes, if the employer allows it.	Generally no, but an employer may amend their plan to allow a carryover of up to \$500, or a grace period during which claims may be incurred.
Can the employee have any other	Yes, it can be paired with a limited-purpose FSA or limited-purpose HRA,	Yes, it can be paired with an FSA. If the company offers a limited-HRA,	Yes, it can be paired with an HRA. If the company offers a limited-FSA, then

accounts with it?	which can only be used for eligible dental and vision services.	then it can be paired with an HSA.	it can be paired with an HSA.	
Does the employee earn any interest on the money?	Yes.	No.	No.	
What are the tax savings to the employer?	Employer contributions (if applicable) are tax deductible in the year the contribution is made. If applicable, employee salary reductions result in lower adjusted employee income reduces employer matching FICA & federal unemployment.	Employer contributions are tax deductible when paid to the participant to reimburse an expense	Employer contributions (if applicable) are tax deductible when paid to the participant to reimburse an expense. If applicable, employee salary reductions result in lower adjusted employee income reduces employer matching FICA & federal unemployment.	
What are the tax savings to the employee?	Contributions can be made on a pre-tax from their paychecks, or they can be tax deductible on the employee's personal income tax return. Funds earn interest tax-free. Reimbursements for qualified medical expenses are excluded from income.	Reimbursements for eligible expenses are excluded from income.	Contributions are made on a pre-tax basis. Reimbursements for eligible expenses are excluded from income.	
Can the money be used toward non-medical expenses?	Yes, but then the funds are taxable and subject to a 20% penalty (unless exceptions apply).	No.	No.	
Account Features		HSA	HRA	FSA
You can use it to pay your deductibles or copays.		●	●	●
You can use the money in the account before it's fully funded.				●
Money put into the account that's already been taxed (for example, money that was a gift) is tax deductible.		●	●	
It's deposited as an untaxed payroll deduction.		●		●
You can invest the money.		●		
It comes with a debit card.		●	●	●

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