

HSA- HRA- FSA Comparison Chart



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	Health Savings Accounts (HSA)	Health Reimbursement Arrangements (HRA)	Flexible Spending Accounts (FSA)
IRS CODE (Law)	Section 223	Section 105	Section 125 (Cafeteria Plans)
Who is Eligible?	Any individual who is covered under an HDHP, is not entitled to Medicare and cannot be claimed as a tax dependent.	Any employee, subject to employer designed exclusions. Eligibility may or may not be tied to an HDHP.	Any employee, subject to employer designed exclusions.
Are self-employed individuals (including sole proprietors, partners in a partnership and more than a 2% shareholder in a S-Corporation eligible?)	Yes. But, they will not be eligible to participate in a Section 125 Plan Cafeteria Plan used to fund HSAs through the employer.	No.	No.
Is funding with a Section 125 Cafeteria Plan salary redirection permitted?	Yes, but limited.	No. Employer funding only.	Yes.
Who Can Contribute?	HSA Holder or other person (including holder's employer and family member.)	Employer ONLY.	Employee or Employer.

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Can unused amounts be carried over to the next year?	Yes.	Yes.	No, however, the 2 1/2 month grace period allows the employees extra time to incur expenses to deplete their balance.
What medical expenses are eligible for reimbursement?	Section 213(d) expenses of account holder, spouse or dependent other than insurance premiums, but may also included certain COBRA health premiums, long term care insurance, health coverage while drawing unemployment, and if over age 65 Medicare Premiums (not supplement) when eligibility requirements met.	Section 213(d) expenses of employee, spouse, and children under age 27, incurred while coverage is in effect, including premiums for eligible health insurance, subject to employer designed limitations.	Section 213(d) expenses of employee, spouse, and children under age 27, incurred during Plan Year. Cannot reimburse for insurance premiums, or long term care services.
Are distributions for non-medical expenses permitted?	Yes. Distributions cannot be restricted to pay or reimburse only qualified medical expenses. However, distributions for non-medical expenses are taxable and subject to a 10% excise tax (20% as of 1/1/11.)	No.	No.
Must coverage be elected for a full 12 month period and are their prohibitions for mid-year changes?	No. IRS does not require a 12 month Plan Year for a HDHP and employees can change their HSA election throughout the year.	No. Based on Plan Year of employer designated plan.	Yes. Unless for a Short Plan Year. No mid-year plan change without a qualifying event.

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Do the Uniform Coverage Rules apply, requiring the annual coverage amount to be available as of the first day of the Plan Year?	No. But, IRS guidelines indicates that employers may choose to accelerate funding of HSA contributions under a Section 125 Cafeteria Plan, or outside a 125 Plan, so long as certain requirements are met.	No. Coverage may be prorated by the employer plan design.	Yes.
Can amounts that are unused at termination of active employment continue to be spend down?	Yes. HSAs are nonforfeitable and portable.	Yes. HRA can permit used amounts to be used until depleted to pay for claims incurred after termination (COBRA may apply.)	No. Cannot us unused amounts to pay for claims incurred after termination (except if the person elects COBRA.)
To be reimbursable, must claims be incurred during current period of coverage?	No. Distributions for qualified medical expenses will be tax-free if incurred at any time after the HSA is established.	Yes. But, if claim was incurred but not reimbursed during previous plan year due to insufficient funding on behalf the employer, the individual can still submit claim for payment. Typically 90 days after the end of the Plan Year.	Yes.
Is expense substantiation required?	Yes. Accountholders must retain receipts. Does not need to be submitted to Third Party Administrator.	Yes.	Yes.
Is independent claims adjudication required by a third party other than the employee to approve the claim?	No.	Yes.	Yes.

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Can an individual participate in more than one of these programs at the same time?	An account holder can have an HSA, but can also have a Limited HRA or Limited FSA for dental, vision or preventative expenses. Have a general purpose FSA or HRA, makes an HSA account holder ineligible.	Yes. An employee who is covered by an HRA may also have an FSA. But, a general purpose HRA makes an HSA an ineligible account. Must be a Limited HRA, a suspended HRA or retirement HRA.	Yes. An employee who is covered by an FSA may also have an HRA. But, a general purpose FSA makes an HSA an ineligible account. Must be a Limited FSA or High Deductible FSA.
Do Section 105(h) nondiscrimination requirements apply?	No. HSA contributions by an employer are subject to the comparability requirements. Yes, for a self-insured HDHP.	Yes.	Yes.
Do Section 125 nondiscrimination requirements apply?	Yes, for an HSA or HDHP offered under a Section 125 Cafeteria Plan.	No. HRAs cannot be offered under a Section 125 Plan.	Yes.
Who Determines the Contribution Level Maximums?	IRS set Annual Limits and over age 55 catch-up provision.	Plan Sponsor (Employer.)	Plan Sponsor Sets Max on Medical FSA, IRS Sets Max on Daycare (\$5,000). Limit to \$2,500 in 2013 for Health FSA.
Does the Money Roll Over?	Yes	Yes, At the Discretion of the Plan Sponsor.	No. Only the 2 1/2 Extension Period may apply then the employee forfeits any funds. The Plan Sponsor retains the forfeitures.

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Does this money earn interest?	Yes, without tax penalty if the bank is paying interest on this account.	No.	No.
Is there a funding requirement?	HSA contributions must be put in a trust or custodial account.	No. Employer may decide to fund as claims are incurred or a set funding method.	No. There is no requirement to set funds aside in a separate account. But, most TPAs will place employee contributions in a trust account.
Is a Plan Document required?	No.	Yes.	Yes.
Is this Account Subject to COBRA?	No.	Yes.	Yes, but limits apply