



# Finding the Right Solutions

## Comparing FSAs, HRAs, and HSAs

Congress has developed a variety of solutions to provide individuals and employers with tax-free solutions for financing health care expenses. Each solution has unique advantages designed to meet the diverse needs of individuals and employers.

Factor	Health Savings Accounts (HSAs)	Medical Flexible Spending Accounts (FSAs)	Health Reimbursement Accounts (HRAs)	Limited Medical FSA or HRA
Account Owner	Employee	Employer	Employer	See applicable FSA or HRA rules.
Funding of Account	Employee, employer, or a third party.	Typically employee, but employers are permitted.	Employer	
Annual Rollover	Yes	If allowed by the employer, the IRS permits a rollover amount up to \$500.	Permitted, but must be designed by employer.	
Portability	Yes	No	Permitted, but must be designed by employer.	
Claims Adjudication Requirement	No	Yes	Yes	
Eligible Expenses	Defined by Section 213(d).	Defined by Section 213(d). Employers have the option to restrict further.	Defined by Section 213(d). Employers have the option to restrict further.	Restricted to dental and vision expenses.
Permissible use for non-qualified expenses	Yes, but normal tax + penalty applies.	No	No	See applicable FSA or HRA rules.
Insurance Requirements	Must be covered by an HSA-compatible health plan as defined by IRS.	Requirements defined by employer.	Requirements defined by employer.	
Limits to contributions	Yes, annual limits set by IRS.	Annual limit set by IRS; employer can set lower limit.	Limits are set by the employer.	
Limitations on when services are eligible and must be reimbursed	Expenses are eligible and can be withdrawn anytime after the HSA is established.	Services must occur during Plan Year (with option for grace period) and be reimbursed no later than the end of the run-out period.	Defined by the employer.	
Changes to elections	No limitations.	Limited to events causing a change in status.	Defined by the employer.	
Compatibility with other plans	Compatible with Limited Medical FSA or HRA.	Not compatible with HSA.	Not compatible with HSA.	Compatible with HSA.

### Which solution(s) should I choose?

Benefits Problem	Recommendation
Increasing premiums	A <b>Health Savings Account</b> with an HSA-compatible health plan typically has more affordable premiums while the HSA provides an ideal tax benefit. A <b>Health Reimbursement Account</b> with a higher deductible health plan can also provide savings opportunities for employers while providing more flexibility in the design of the health benefits.
High Turnover	A <b>Health Reimbursement Account</b> allows you to provide a benefit to your employees with minimal risk of lost funds if an employee leaves mid-year.
Large employee expenses early in year	A <b>Medical Flexible Spending Account</b> allows employees to manage large medical expenditures with an up-front allocation that is paid throughout the year.
Benefit to attract employees	A <b>Health Savings Account</b> provides an additional long-term savings vehicle similar to a 401K where funds carryover, can be invested and can be taken with employees when they leave.
Unique employee benefits needs	A <b>Health Reimbursement Account</b> allows an employer increased flexibility to design a unique reimbursement structure.
Varying insurance products	A <b>Medical Flexible Spending Account</b> can allow employees to set aside tax-free dollars regardless of the insurance offered. A <b>Health Savings Account with a Limited Medical FSA</b> will allow employees with an HSA-compatible health plan to take advantage of the benefits of an HSA while providing incremental savings towards known dental and vision expenses.