



Finding the Right Solutions

COMPARING FSAS, HRAS, AND HSAS

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

FACTOR	HEALTH SAVINGS ACCOUNT (HSA)	MEDICAL FLEXIBLE SPENDING ACCOUNT (FSA)	HEALTH REIMBURSEMENT ACCOUNT (HRA)	LIMITED MEDICAL FSA/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 limited rollover amount	Permitted, but must be designed by employer	
Portability	Yes	No	Employee	
Claims Adjudication Requirement	No	Yes	Employee	
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	
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	See applicable FSA or HRA rules
Limitations on When Services are Eligible and Must be Reimbursed	Expenses are eligible and can be withdrawn anytime after the HSA is established	Services must occur during Plan Year (with option for grace period) and be reimbursed no later than the end of the run-out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 SHOULD I CHOOSE?

BENEFITS PROBLEM	RECOMMENDATION
Account Owner	A Health Savings Account with an HSA-compatible health plan typically has more affordable premiums while the HSA provides an ideal tax benefit. A Health Reimbursement Account 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 Health Reimbursement Account 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 Medical Flexible Spending Account allows employees to manage large medical expenditures with an upfront allocation that is paid throughout the year.
Benefit to Attract Employees	A Health Savings Account 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 Health Reimbursement Account allows an employer increased flexibility to design a unique reimbursement structure.
Varying Insurance Products	A Medical Flexible Spending Account can allow employees to set aside tax-free dollars regardless of the insurance offered. A Health Savings Account with a Limited Medical FSA 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.