

Comparison of Key Elements of FSAs, HRAs and HSAs

June 2020

Plan Feature	Flexible Spending Arrangements (FSAs)	Health Reimbursement Arrangements (HRAs) ¹	Health Savings Accounts (HSAs) ²
Account creator	Employer	Employer	Employer or individual
Permissible contributors	Employer and employee	Employer only	Employer and employee (but no contributions for those enrolled in Medicare)
Tax status of employer contributions	Contributions are excludable from the employee's income. Employer contributions are not subject to FICA or FUTA.	Same	Same
Pre-tax salary reduction	Permitted	Not permitted — HRAs are exclusively employer-funded	Permitted subject to maximums
Taxation of account earnings	Generally not taxable	Account is not usually funded	Generally not taxable
Maximum contribution level	For 2020, maximum salary reduction is \$2,750. ³	Set by employer For the plan year beginning on or after 1/1/20, plan sponsor may offer an "excepted benefit" HRA, with a maximum contribution of \$1,800 (indexed starting in 2021). ⁴	For 2020, maximum contribution is \$3,550 (single)/\$7,100 (family). ⁵ For 2021, maximum contribution is \$3,600 (single)/\$7,200 (family). ⁶
Catch-up contributions	Not allowed	Not allowed	\$1,000 catch-up contribution allowed if age 55 or older and not enrolled in Medicare
Carry-forward of amounts from year to year	Employer may either allow carryover of up to \$500 or offer a 2½ month grace period ⁷	Permitted — Plan may cap amount of carry-forward	Required
Vesting	No requirements	No requirements	Fully vested

¹ Approved in [Notice 2002-45](#) and [Revenue Ruling 2002-41](#).

² Created by Section 223 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA).

³ Announced in [Revenue Procedure 2019-44](#).

⁴ "Excepted benefit" HRA and "individual coverage" HRA permitted under final rule published in the [June 20, 2019 Federal Register](#).

⁵ Announced in [Revenue Procedure 2019-25](#).

⁶ Announced in [Revenue Procedure 2020-32](#).

⁷ For more information about the carryover option, refer to IRS [Notice 2013-71](#). For guidance on the grace period, see IRS [Notice 2005-42](#).

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Funding	Not required by IRC (could be required under ERISA)	Not required	Funding and trust are both required and subject to specific requirements.
Portability	None	None	Individual money is portable and may be rolled over into another HSA no more frequently than once in a 12-month period.
High-deductible health plan (HDHP)	Not required	Not required	Required. For 2020 and 2021, the minimum deductible is \$1,400 (single)/\$2,800 (family). ⁸ Preventive care expenses do not have to be subject to the deductible.
Out-of-pocket maximum for HDHP	NA	NA	For 2020, \$6,900 (single)/\$13,800 (family). For 2021, \$7,000 (single)/\$14,000 (family). Special rules for network plans.
Other eligibility requirements	NA	For the plan year beginning on or after 1/1/14, the HRA had to be paired with other group health plan coverage. Stand-alone HRAs (other than retiree-only HRAs) were no longer permitted. ⁹ New options are permitted for the plan year beginning on or after 1/1/20. Plan sponsor may offer (1) an HRA paired with individual market coverage (an “individual coverage” HRA), but may not give an employee/member the choice between this type of HRA and a traditional group health plan; or (2) an “excepted benefit” HRA, which must be offered along with a traditional group health plan (but employee/member is not required to enroll in the group plan.)	Cannot be covered by another health plan which provides coverage for benefits covered under the HDHP; with certain exceptions — accident, disability, dental, vision, long-term care or other permitted insurance such as workers’ compensation, specific disease or hospital reimbursement insurance

⁸ For all coverage tiers other than single coverage, the minimum family deductible specified in the chart must be met before the HDHP pays for care for any family member. As noted elsewhere in the chart, the HDHP may pay for preventive care and other types of permitted coverage before the deductible is met.

⁹ For more information, see [Notice 2013-54](#) and [Notice 2015-87](#), which address the impact of the ACA on HRAs.

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Rules for those enrolled in Medicare	NA	For the plan year beginning on or after 1/1/20, an “individual coverage” HRA may be paired with individual market coverage or with Medicare Parts A and B or Part C.	Those enrolled in Medicare cannot contribute, but can receive distributions
Reimbursable medical expenses	Medical expenses under IRC §213(d); prescription required to reimburse over-the-counter medications (but not insulin) beginning 1/1/11	Same For the plan year beginning on or after 1/1/14, HRAs that are paired with other group coverage that does not meet the 60% minimum value standard will have to limit the expenses that are reimbursable.	Same
Reimbursement of health insurance premiums	Generally no	For an HRA paired with group coverage: certain health (e.g., COBRA and retiree health premiums) and long-term care insurance reimbursable For an HRA paired with individual market coverage (or Medicare): individual market premiums or Medicare premiums (including Medigap) reimbursable For an “excepted benefit” HRA: premiums for excepted benefits (e.g., dental and vision) or for short-term limited-duration insurance reimbursable	Certain health and long-term care insurance, including COBRA, premiums while receiving unemployment compensation, and retiree medical for individuals 65 or over (but not Medigap plans)
Distribution for non-medical expenses (including cash-outs)	Not allowed	Not allowed	Subject to tax and 20% penalty (penalty was 10% prior to 1/1/11), with certain exceptions
Nondiscrimination	Required under IRC §§105 and 125 (if included in cafeteria plan)	Required under IRC §105	Comparable contributions requirement — employer contributions (if any) must be comparable (same dollar amount or same percentage of deductible) across certain groups of employees; ¹⁰ effective 1/1/07, employers may provide lower HSA contributions to highly compensated employees

¹⁰ For more information about the IRS rules on comparable contributions, see Segal's August 2006 *Bulletin*, “[Final IRS Rules on Comparable Contributions to HSAs.](#)”

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Reimbursement order	FSA always last unless HRA document states otherwise	FSA always last unless HRA document states otherwise	Cannot have HRA and FSA that cover same expenses as the HDHP
Coverage period	Generally 12 months	Plan sponsor determines	NA
“Uniform coverage rule”	Applies	Does not apply	Does not apply
Expense substantiation	Plan must substantiate	Plan must substantiate	Only individual must substantiate, not plan or trustee
COBRA	Applies	Applies	Does not apply to HSA under IRC — ERISA unclear; would apply to HDHP

This chart does not include “Archer MSAs.” Although Archer MSAs are still in existence, they have very limited applicability because they are only available to small employers and the self-employed. In addition, only employers or employees can make contributions to Archer MSAs (not both) and employee contributions cannot be pre-tax.

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