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Comparison Chart

A comparison of HSA, HRA, and FSAs

Healthcare accounts are not all created equal.

To help you understand the differences between HSAs, HRAs, and FSAs, take a look at the comparison chart below.

NOTE: This publication is for informational purposes only. The IRS releases limits and maximums throughout each year. Therefore, be sure to check IRS.gov for updates by the IRS after the date of this publication.

	HSA Health Savings Account (HSA)	HRA Health Reimbursement Arrangement (HRA)	FSA Flexible Spending Account (FSA)
Definition	An HSA is a tax-advantaged savings account that is used in combination with a high deductible health plan (HDHP). Consumers use the HSA funds to cover qualified medical expenses.	An HRA is an employer-funded plan that may be used to reimburse employees for qualified medical expenses.	An employer-established, tax-advantaged account funded by the employee and/or the employer to pay for qualified medical expenses with pre-tax dollars.
Who "owns" account?	Individual\Employee	Employer	Employer
Who can contribute to the account?	Individual\Employee, Employer Account holder must be participating in a High Deductible Health Plan (HDHP).	Employer only	Employee and Employer
Where are funds held?	In HSA Deposit Account – Qualified Financial Institution and Mutual Funds	By employer	By employer
Pre-tax payroll deductions allowed?	Yes	No	Yes
Annual maximum limit on contributions [www.irs.gov]	Yes[1]	No[2]	Yes[3]
Entire election available for reimbursement at start of plan year	No	Depends on plan design.	Yes
What distributions are allowed?	Debit Card[4] Request for distribution or bill-pay Online/Paper	Debit Card "Claim" – Request for reimbursement or bill pay Online/Mobile/Paper	Debit Card "Claim" – Request for reimbursement or bill pay Online/Mobile/Paper

[1] IRS-imposed HSA limits for 2021: The 2021 annual HSA contribution limit for individuals with self-only HDHP coverage is $3,600 and the limit for individuals with family HDHP coverage is $7,200. Annual catch-up contributions for those 55 and over: $1,000.
[2] IRS does not impose HRA limits; limits are set by employer.
[3] Employee contribution limits for 2020 for an FSA cannot exceed $2,750 per IRS Rules. Employer contributions may not discriminate in favor of highly compensated individuals. Healthcare reform limits employer contributions to $500 per year or an arrangement in which employer contributions will not exceed the employee's contributions, such as a one-to-one match, up to $2,750.
[4] HSA, HRA and FSA debit cards are automatically restricted for use with medical service providers and for items purchased at retail that are identified as qualified medical expenses based on electronic inventory control codes.

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Comparison Chart (Cont.)

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	HSA Health Savings Account (HSA)	HRA Health Reimbursement Arrangement (HRA)	FSA Flexible Spending Account (FSA)
Substantiation	Not required for payment[5]	Required	Required
Must have Health Plan?	Yes, Qualified HDHP whether through employer or not for contributions. Not necessary for distributions or investments.	Beginning in 2014, employees had to be enrolled in employer-sponsored group coverage unless the HRA is limited to vision or dental expenses6 Exceptions: ICHRA, QSEHRA	No. But employer must offer qualified health coverage.
Can have other (non HDHP) Health Plan?	No, except for certain permissible coverage such as dental or other limited purpose plan(s)[7]	Yes. Exceptions: ICHRA, QSEHRA	Yes
Tax Benefit	Contributions are tax free, interest and investment gains are tax free and withdrawals are tax free when used for qualified medical expenses	Employer deposits and claim payments are tax free	Employer/Payroll deposits and claim payments are tax free
Interest earning?	Interest can be accrued on a tax-deferred basis in qualified HSAs. And if the account balance reaches the minimum balance requirement, the funds can be invested in mutual funds and those gains are also tax free.	No	No
Access to funds after termination	Individual account not tied to employment status	Employee must be offered COBRA Exceptions: ICHRA, QSEHRA	Employees must be offered COBRA (usually until the end of the year)
Employees carry over unused amounts	Yes. The individual owns the account and any contributions made to it, regardless of the source or timing of the contribution.	Employer discretion	Limited to up to $500 carryover to the immediately following plan year OR a grace period[8]

[1] HSA distributions subject to IRS audit to prove they do not exceed out-of-pocket qualified medical expenses since HSA opened.
[2] PHS Act sec 2711, per DOL FAQ re: PPACA Part XI Q1, Q3 http://www.dol.gov/ebsa/faqs/faq-aca11.html HRA Enrollees must be enrolled in group health plan.
[3] Dental, vision, accident, disability, long-term care, workers' compensation, specified disease or illness and fixed dollar hospitalization, certain deductible plans.
[4] Employers may elect to have (i) a "grace" period for employees to use leftover funds from a previous plan year to pay for expenses incurred in the period up to 2 months and 15 days into the new plan year; or (ii) a carryover of up to $500 to the new plan year for payment of medical expenses during the entire year in which it is carried over.

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	HSA Health Savings Account (HSA)	HRA Health Reimbursement Arrangement (HRA)	FSA Flexible Spending Account (FSA)
What is the tax treatment for employee contributions?	Employee contributions may be made through a cafeteria plan and are tax free. If made outside of a cafeteria plan, they are treated as an “above the line” deduction.	Employees are not permitted to contribute to an HRA.	Employee contributions to an FSA are made on a pre-tax basis, and therefore reduce annual taxable income.
What is the tax treatment for employee contributions?	Employee contributions may be made through a cafeteria plan and are tax free. If made outside of a cafeteria plan, they are treated as an “above the line” deduction.	Employees are not permitted to contribute to an HRA.	Employee contributions to an FSA are made on a pre-tax basis, and therefore reduce annual taxable income.
What expenses qualify for distribution?	Medical expenses under § 213 (d) of the Internal Revenue Code. HSAs may not be used to pay insurance premiums except for (1) COBRA, (2) qualified long-term care insurance (3) health care coverage while the individual is receiving unemployment compensation; and (4) premiums for Medicare Part A or B, Medicare HMO, and (5) after age 65, the employee’s share of employer-sponsored retiree health care	Employers configure the account to reimburse all or a subset of any otherwise unreimbursed expenses that are qualified under §213(d) of IRC. This can include health insurance premiums (other than premiums that are paid through an employer’s cafeteria plan) and long-term care insurance premiums. However, long-term care services are not reimbursable. Exceptions: ICHRA, QSEHRA, EBHRA	Any otherwise unreimbursed medical expenses that are defined under §213(d) of IRC. Health insurance premiums and long-term care services are not reimbursable

This Plan Comparison Chart is a summary of differences between plan types, and it does not describe all of the rules and limitations that apply to these arrangements. It is not legal or tax advice. See IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, for more information on HSAs, HRAs and FSAs.