



# HSA/FSA/HRA Comparison

## HSA

### What is it?

- Tax-exempt account that can be used to pay or reimburse employees for certain medical expenses.

### What are some advantages to it?

- HSAs make an employer's benefits package more attractive by helping employees pay out-of-pocket medical expenses in an tax-advantaged way.
- Employer contributions to employees' HSAs are generally deductible business expenses.
- All compliant HSA contributions are tax-exempt for the employee.

### What expenses can it be used to pay?

- Most medical, dental, vision, and prescription drug expenses, but not most group or individual insurance premiums. Please read IRS Publications [969](#) and [502](#) for more information.

### Which employees can have it?

Employees must be covered under a high deductible health plan (HDHP) to contribute to or establish an HSA. For plan years beginning on or after Jan. 1, 2024, an HDHP is a plan with:

- A minimum deductible of \$1,600 for self-only coverage and \$3,200 for family coverage (\$1,500 and \$3,000, respectively, for plan years beginning in 2023); and
- A maximum out-of-pocket expense limit of \$8,050 for self-only coverage and \$16,100 for family coverage (\$7,500 and \$15,000, respectively, for plan years beginning in 2023).

In addition, employees generally must not be:

- Enrolled in any other plan but the HDHP;
- Enrolled in Medicare; or
- Eligible to be claimed as a tax dependent.

### Who can contribute to it?

- Anyone.

### How much can be contributed to it?

- For 2024, the limit on all contributions for individuals with self-only HDHP coverage is \$4,150 (\$3,850 for 2023). For individuals with family HDHP coverage, the limit is \$8,300 (\$7,750 for 2023). These limits are \$1,000 higher for individuals age 55 or older at anytime during the year.

### Can employees carry over funds from year to year?

- Yes.



### **Is it portable for the employee?**

- Yes.

### **What requirements must an employer satisfy?**

If contributing to employees' HSAs through a cafeteria plan, the employer must satisfy certain cafeteria plan non-discrimination rules. All contributions to employees' HSAs outside of a cafeteria plan must be made on a comparable basis to all comparable participating employees. Comparable contributions must be either:

- The same amount; or
- The same percentage of the annual deductible limit under the HDHP covering the employees.

Comparable participating employees:

- Are covered by an HDHP offered by the employer;
- Are eligible to establish an HSA;
- Have the same category of coverage (self-only or family coverage); and
- Have the same category of employment (generally part-time or full-time).

### **Can employers offer or contribute to it without also offering a group health plan?**

- Yes, as long as those employees are eligible to have a HSA. See **“Which employees can have it?”** above.

### **Is it subject to COBRA?**

- No.

### **Where can I learn more?**

- [Employer FAQs](#)
- [IRS Publication 15-B](#)
- [IRS Publication 969](#)

## **Health FSA**

### **What is it?**

- Tax-advantaged employer plan that reimburses employee medical expenses.

### **What are some advantages to it?**

- No federal income tax or employment tax on contributions. Pocket medical expenses in a tax-advantaged way.
- Tax-free distributions for qualified medical expenses.
- Employee can draw on the account for medical expenses before funds are placed in it.

### **What expenses can it be used to pay?**

- Expenses specified by the plan that generally qualify for the medical and dental expenses deduction, but not traditional health insurance premiums.

### **Which employees can have it?**

- Those enrolled in non-FSA group medical coverage and eligible under the rules of the plan, subject to the Section 105(h) and 125 non-discrimination rules.

### **Who can contribute to it?**

- Employers and employees.

### **How much can be contributed to it?**

- For plan years beginning in 2024, employees may contribute up to \$3,200 (\$3,050 for plan years beginning in 2023).



### **Can employees carry over funds from year to year?**

Generally no, but employers may:

- Allow employees to carry over up to \$640 of unused funds for plan years beginning in 2024 (\$610 for 2023) to use in the following year; or
- Provide a “grace period” of 2.5 months after the end of the plan year for employees to use the money in the account.

### **Is it portable for the employee?**

- No.

### **What requirements must an employer satisfy?**

- Have a written Plan Document.
- Distribute a Summary Plan Description (SPD) within 90 days of the employee becoming a plan participant.
- Offer the health FSA as part of a cafeteria plan.
- Offer employees traditional group health insurance.
- Meet the Section 105(h) and 125 nondiscrimination rules.
- Comply with the rules on mid-year election changes.
- Set the maximum benefit amount for each employee so that it does not exceed:
  - Two times the employee’s health FSA salary reduction election for the year; or
  - If greater, \$500 plus the amount of the employee’s health FSA salary reduction election for the year
- Substantiate all reimbursement claims.
- Annually file [IRS Form 720](#) and pay PCORI fees by July 31.

### **Can employers offer or contribute to it without also offering a group health plan?**

- No.

### **Is it subject to COBRA?**

- Yes, but may be provided on a [limited basis](#).

### **Where can I learn more?**

- [IRS Publication 502](#)
- [IRS Publication 969](#)
- [DOL Guidance](#)

## **Traditional HRA**

*Note: For purposes of this chart, the term “Traditional HRA” means an HRA that is properly integrated with a group health plan. It does not include retiree-only HRAs, qualified small employer HRAs(QSEHRAs), individual coverage HRAs(ICHHRAs) or excepted benefit HRAs(EBHRAs).*

### **What is it?**

- Tax-advantage employer plan that reimburses employee medical expenses.

### **What are some advantages to it?**

- No federal income tax or employment tax on contributions.
- Tax-free distributions for qualified medical expenses.
- Funds can be carried over from year to year at employer’s discretion.

### **What expenses can it be used to pay?**

- Expenses that generally qualify for the [medical and dental expenses deduction](#), but not traditional health insurance premiums.



### **Which employees can have it?**

Those enrolled in non-HRA group medical coverage and eligible under the rules of the plan, subject to the Section 105(h) nondiscrimination rules.

### **Who can contribute to it?**

- Only employers.

### **How much can be contributed to it?**

- Any amount.

### **Can employees carry over funds from year to year?**

- Yes, if allowed by the employer.

### **Is it portable for the employee?**

- No.

### **What requirements must an employer satisfy?**

- Have a written Plan Document.
- Distribute a Summary Plan Description (SPD) within 90 days of the employee becoming a plan participant.
- Employer contributions must meet the Section 105(h) nondiscrimination requirements.
- Traditional HRAs generally must be offered along with a traditional group health plan. Violations of this requirement can lead to **penalties of up to \$100 per day per employee.**
- Must substantiate all reimbursement claims.
- Must annually file [IRS Form 720](#) and pay PCORI fees by July 31.

### **Can employers offer or contribute to it without also offering a group health plan?**

- Generally, no.

### **Is it subject to COBRA?**

Yes. If an employee elects COBRA coverage, his or her Traditional HRA must:

- Continue at the maximum reimbursement amount applicable at the time of the COBRA qualifying event; and
- Increase at the same time and by the same increment that Traditional HRA reimbursement amounts are increased for similarly situated non-COBRA Traditional HRA participants.

### **Where can I learn more?**

- [IRS Publication 969](#)
- [DOL Guidance](#)
- [DOL FAQs](#)

