

Comparison of Key Elements of FSAs, HRAs and HSAs¹

NOVEMBER 2018

Plan Feature	Flexible Spending Arrangements (FSAs)	Health Reimbursement Arrangements (HRAs) ²	Health Savings Accounts (HSAs) ³
Who Creates an Account?	Employer	Employer	Employer or individual
Who Contributes?	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 2018, maximum salary reduction is \$2,650. For 2019, maximum salary reduction is \$2,700. ⁴	Set by employer	For 2018, maximum contribution is \$3,450 (single)/\$6,900 (family). ⁵ For 2019, maximum contribution is \$3,500 (single)/\$7,000 (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
Funding	Not required by IRC (could be required under ERISA)	Not required	Funding and trust are both required and subject to specific requirements.

¹ 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. The Archer MSA demonstration project, authorized by HIPAA in 1996, authorized up to 750,000 MSAs, but fewer than 100,000 are in existence.

² Approved in [Notice 2002-45](#) and [Revenue Ruling 2002-41](#).

³ Created by Section 223 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA).

⁴ Announced in [Revenue Procedure 2018-57](#).

⁵ On March 5, 2018 in [Revenue Procedure 2018-18](#), the maximum family contribution was reduced to \$6,850 from the \$6,900 maximum announced on May 4, 2017 in [Revenue Procedure 2017-37](#). On April 26, 2018 in [Revenue Procedure 2018-27](#), the IRS reverted back to the \$6,900 maximum family contribution in response to requests it received from plan sponsors.

⁶ Announced in [Revenue Procedure 2018-30](#).

⁷ For more information about the carryover option and a link to an earlier publication on the grace period, see Sibson's November 14, 2013 [Capital Checkup](#), "New Rules for Health FSAs and Cafeteria Plans."

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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 2018 and 2019, the minimum deductible is \$1,350 (single)/\$2,700 (family). Preventive care expenses do not have to be subject to the deductible.
Out-of-Pocket Maximum for HDHP	NA	NA	For 2018, \$6,650 (single)/\$13,300 (family). For 2019, \$6,750 (single)/\$13,500 (family). Special rules for network plans.
Other Eligibility Requirements	NA	For the plan year beginning on or after 1/1/14, HRA must be paired with other group health plan coverage. Stand-alone HRAs (other than retiree-only HRAs) will no longer be permitted. ⁸	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
Special Rules for Those Enrolled in Medicare	NA	NA	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	Certain health (e.g., COBRA and retiree health premiums) and long-term care 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

⁸ For more information, see [Notice 2013-54](#) and [Notice 2015-87](#), which address the impact of the Affordable Care Act on HRAs.

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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; ⁹ effective 1/1/07, employers may provide lower HSA contributions to highly compensated employees
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

⁹ For more information about the IRS rules on comparable contributions, see Sibson’s August 2006 *Bulletin*, “[Final IRS Rules on Comparable Contributions to HSAs.](#)”



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