

Comparison of HSAs, FSAs, HRAs



Each type of financial arrangement is unique in its design, administration and use. Be sure to weigh the benefits of each before choosing one.

	HSA	FSA	HRA
ACCOUNT OVERVIEW	An HSA is a Health Savings Account, which works in conjunction with a high-deductible health plan (HDHP). Employees use the account to pay for their – or their dependents’ – covered and qualified medical expenses.	An FSA is a Flexible Spending Account, which is a cafeteria plan created to reimburse qualified medical expenses, health insurance premiums for premium-only accounts or dependent care expenses.	An HRA is a Health Reimbursement Account, which is an employer-funded account used to reimburse employees as well as covered dependents for eligible medical expenses based on IRS guidelines.
APPLICABLE IRS LAW	Internal Revenue Code (IRC) Section 223, PL 108-173	IRC Section 125	IRC Section 106(c)(2)
OWNERSHIP	Employee	Employer	Employer
WHO FUNDS THE ACCOUNT	Individual and/or an employer, and/or family member	Typically by employee, but employer can contribute	Employer only (self-employed individuals precluded)
ALLOWABLE HEALTH PLANS	A high-deductible health plan is required to qualify for an HSA. ¹	The FSA can be paired with any type of health plan.	The HRA can be paired with any type of health plan.
INTEGRATION WITH OTHER FUND ACCOUNTS	Most FSAs or HRAs cannot be integrated with HSAs, except under limited circumstances, i.e., a limited-purpose or post-deductible FSA or HRA.	A health care FSA can be paired with an HRA, but only a limited health care FSA can be integrated with an HSA.	An HRA can be paired with an FSA, but a traditional HRA cannot be integrated with an HSA.
TAX BENEFITS FOR EMPLOYERS	Employer contributions to the HSA are made with pre-tax dollars.	Employers are not required to pay the employer portion of the Social Security tax on employee contributions to FSAs.	All employer contributions to the plan are 100% tax-deductible to the employer.
TAX BENEFITS FOR EMPLOYEES	Employee contributions are tax-deductible up to the annual maximum amount. ² Withdrawals for qualified medical expenses are tax-free.	Employee contributions are tax-free, which reduces annual taxable income. Reimbursements for qualified medical expenses are tax-free.	Reimbursements for eligible medical expenses to the employee are tax-free.
TYPES OF HEALTH CARE EXPENSES THAT CAN BE PAID FROM THE ACCOUNT	See www.irs.gov for a detailed description of qualified medical expenses for this account.	See www.irs.gov for a detailed description of qualified medical expenses for this account.	Employers determine which expenses will be eligible for HRA reimbursement based on qualified medical expenses as determined by the IRS. See www.irs.gov for a detailed description of these qualified expenses.



Comparison of HSAs, FSAs, HRAs (continued)

	HSA	FSA	HRA
FUNDING	Money is deposited directly into the account. Contributions can be made by the employee (via payroll deduction) or by the employer on a pre-tax basis. Others, such as family members, may contribute on an after-tax basis.	A set amount of pre-tax wages designated by the employee is deposited directly into an account. Funds remain with the employer until used.	The employer contributes a set amount for each covered individual or family.
CONTRIBUTION AMOUNTS	Annual contribution limits are established by the IRS and indexed for inflation.	Annual contribution limits are established by the IRS and indexed for inflation.	Contribution amounts are determined by the employer.
PRE-TAX SALARY DEDUCTION	The account can be funded with pre-tax salary deduction.	The account can be funded with pre-tax salary deduction.	The account cannot be funded with pre-tax salary deduction because it is employer-funded.
FIRST-DAY AVAILABILITY OF FUNDS	Only the amount contributed to date is available for reimbursement.	The total amount elected by the employee for the plan year must be available on the first day, regardless of the amount contributed.	The employer-designated HRA amount may be available on the first day of coverage, but can be prorated during the year, at the election of the employer.
CARRY-OVER (ROLLOVER) AMOUNTS	The individual owns the account and any contributions made to it, regardless of the source or timing of the contribution.	Typically unused funds remaining at the end of the plan year are forfeited to the employer. Now, employers have the option to allow unused FSA dollars to roll over to subsequent plan years, up to a maximum IRS-prescribed amount.	The employer can choose to have unused funds roll over from year to year. However, rollover is not required.
PORTABILITY	The account is portable, because the individual owns the account.	The account is not portable, as FSAs cannot be rolled over to a new employer. Employees forfeit unused balances.	The account is not portable; while an HRA may be designed to allow former employees to use their funds, it cannot be rolled over to a new employer.
CATCH-UP CONTRIBUTIONS FOR WORKERS OVER AGE 55	Until entitled to Medicare benefits, employees age 55 and older may contribute more to the account per year, up to the annual contribution limits established by the IRS.	There is no catch-up provision available.	There is no catch-up provision available.

How can we help?

As your partner in health care, we can help you find the solutions that work best for your company. Just contact your authorized Blue Cross and Blue Shield of North Carolina (Blue Cross NC) agent or your Blue Cross NC representative today for complete information on HSAs, FSAs and HRAs.

¹ For calendar year 2018, a "high-deductible health plan" is defined under IRS Code as a health plan with an annual deductible that is not less than \$1,350 for self-only coverage or \$2,700 for family coverage, and the annual out-of-pocket expenses (deductibles, copayments and other amounts, but not premiums) do not exceed \$6,650 for self-only coverage or \$13,300 for family coverage.

Self-only coverage 2018: Maximum annual HSA contribution: \$3,450. Minimum annual deductible for HDHP: \$1,350. Maximum annual out-of-pocket expense limit for HDHP: \$6,650. Family coverage: Maximum annual HSA contribution: \$6,900. Minimum annual deductible for HDHP: \$2,700. Maximum annual out-of-pocket expense limit for HDHP: \$13,300. The 2018 HSA catch-up contribution limit for participants who are 55 or older on December 31, 2018, remains at \$1,000. This amount is fixed by statute.

² HSA funds used for nonqualified medical expenses are taxed and subject to a 20% penalty if the HSA holder is less than 65 years of age. After age 65, HSA funds for non-eligible medical expenses are taxed (but not penalized). This communication is not intended as legal or tax advice. Please contact a legal or tax professional for personal advice on eligibility, tax treatment and restrictions. State and federal regulations concerning HSAs, FSAs and HRAs are subject to change.

Blue Cross and Blue Shield of North Carolina (Blue Cross NC) does not administer your HSA and is not affiliated with your HSA custodian or administrator. HealthEquity, Inc. is an independent entity that provides HSA custodial services. Blue Cross NC is the HRA/FSA administrator and contracts with HealthEquity to perform certain HRA/FSA administrative services. BLUE CROSS®, BLUE SHIELD® and the Cross and Shield symbols are registered marks of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans. Blue Cross and Blue Shield of North Carolina is an independent licensee of the Blue Cross and Blue Shield Association. U8784, 5/18

