

Comparisons of HSAs, FSAs and HRAs

	HSA	HEALTH CARE FSA	HRA
What does it stand for?	Health Savings Account	Health Care Flexible Spending Account	Health Reimbursement Account
Who owns it?	Employee	Employer	Employer
Who funds the account?	Employee, employer and others	Typically by employee, but employer can contribute	Employer only
What type of corresponding health plan is allowed?	Eligibility to contribute requires opening and maintaining a qualifying high-deductible health plan.	A full purpose health care FSA is compatible with any type of health plan coverage. A limited purpose health care FSA is typically used in conjunction with participation in an HSA and its qualifying high-deductible health plan.	An HRA is allowed with any type of health plan.
Can unused amounts carry over?	Yes. The individual owns the account and any contributions made to it, regardless of the source or timing of the contribution.	Yes, by plan design, a plan may allow up to \$500 to carry forward to future plan years. This is an optional plan feature. If the plan does not have a carryover, any remaining balance at the end of the plan year is forfeited.	Yes. The employer can choose to have unused funds roll over from year to year. However, rollover is not required.
Is the account portable between employers?	Yes. The individual owns the account.	No. FSAs cannot be rolled over to a new employer.	No. An HRA may be designed to allow former employees to use their funds, but it cannot be rolled over to a new employer.
Does interest accrue?	Interest may accrue in an HSA, depending upon the custodian and the type of deposit account.	Interest does not accrue.	Interest does not accrue.
Is the account subject to COBRA continuation?	No. An HSA is not a health benefit plan subject to continuation.	COBRA rights apply.	COBRA rights apply.
How is it funded?	Money is deposited directly into the account. Contributions can be made by employee or other person on an "after tax" basis, by employer or through pre-tax salary deduction.	Based on the employee's annual election, the employer designates a specific amount of wages to be deducted from the employee's payroll check pre-tax.	The employer contributes a set amount on a notional basis.
What is the contribution amount?	Annual contribution limits are established by the IRS and indexed for inflation. Please refer to the IRS Contribution/Deductible Guidelines sheet for specifics.	The annual maximum amount of employee contribution is established by the IRS. This is subject to change annually with IRS Cost Of Living Adjustments (COLA).	No restrictions. For HRAs, the employer determines the minimum and maximum amounts.
Is there a "catch-up" contribution provision for older workers?	Employees ages 55 and older may contribute more to the account per year until they are enrolled in Medicare. Please refer to the IRS Contribution/Deductible Guidelines sheet for specifics.	Not available.	Not available.
Can the account be funded with pre-tax salary deduction?	Yes.	Yes.	No, employer-funded only.
Is vesting allowed?	An HSA is a bank account owned by the employee. The funds are available as they accrue in the account.	Funds are available for use with eligible health care expenses on the first day of the plan year.	The plan design may or may not impose a vesting schedule.

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What are the tax benefits for employees?	Contributions are tax deductible, interest and capital gains on investments are tax-free. Withdrawals for qualified medical expenses are tax-free, although state taxes may apply.	Employee contributions are exempt from federal and FICA tax as well as most state and local tax. Reimbursements are tax-free.	Reimbursements are federal income tax-free.
What health care expenses can be paid from the account?	Funds can be used for any qualified medical expense as defined under Section 213(d) of the Internal Revenue Code (IRC), except for health insurance premiums, with specific exceptions.	Funds can be used for eligible health care expenses as defined under Section 213(d) of the IRC except for health insurance premiums.	Funds can be used for any eligible health care expense as defined under Section 213(d) of the IRC, including health insurance and long-term care insurance premiums. Premiums under employer pre-tax plans are not Section 213(d) of the IRC, though they are tax deductible.
Can funds be used for non-health care expenses for those under age 65?	Non-health care distributions must be included in gross income and are subjected to a 20% penalty tax. An exception to the 20% penalty applies to distributions for non-qualified expenses for those individuals who are disabled or deceased.*	No. A health care FSA can only be used for eligible health care expenses.	No. Funds may only be used for eligible health care expenses.
Can funds be used for non-health care expenses for those over age 65?	Yes. Non-health care distributions must be included in gross income but are not subject to the additional 20% tax penalty.*	No. The health care portion of an FSA can only be used for eligible health care expenses.	No. Funds may only be used for eligible health care expenses.
Can COBRA premiums be reimbursed from the account?	Yes. Distributions to pay premiums for COBRA are tax-free.	No. A health care FSA may not reimburse participants for premiums paid for health insurance. This includes premiums paid for health coverage under a plan maintained by the employer or the employee's spouse or dependent.	Yes. COBRA premiums may be reimbursed from the account.
Must a health care expense be incurred during the plan year the contribution is made?	No. Expenses are eligible for reimbursement once an HSA is established.	Yes, if the plan does not have a grace period or carryover feature.	No. However, reimbursements cannot be made for expenses incurred prior to the account being established.
Is the annual amount of the contribution available on the first day of coverage?	Only the amount currently available in the HSA may be used to pay or reimburse qualified expenses.	Yes. 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 funds may be available on the first day of the plan year. However, funds can be prorated during the year if the employer elects to do so.
Is third-party substantiation of expenses required?	No. If audited by the IRS, the employee shows that HSA funds were used only for qualified medical expenses.	Yes. Each request for reimbursement must be substantiated before it can be reimbursed.	Yes. Each request for reimbursement must be substantiated before it can be reimbursed.
Can the account be integrated with other accounts?	Yes. An HSA can be combined with a limited purpose health care FSA for use with eligible dental and vision expenses.	A health care FSA is compatible with an HRA, but only a limited purpose health care FSA can be integrated with an HSA.	An HRA is compatible with an FSA, but only a limited purpose HRA can be integrated with an HSA.

*HSA funds used for non-qualified 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-qualified medical expenses are taxed (but not penalized).

Health savings accounts (HSAs) are individual accounts offered or administered by Optum Bank®. Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. State taxes may apply. Fees may reduce earning on accounts. FSAs/HRAs are administered by OptumHealth Financial Services, Inc. and are subject to eligibility and restrictions. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment and restrictions. Federal and state laws and regulations are subject to change.



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