BENEFITS INSIGHTS

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Comparison of HSAs, HRAs, QSEHRAs and Health FSAs

This chart provides a quick and easy comparison of the different types of tax-advantaged health care accounts.

	Health Savings Account (HSA)	Health Reimbursement Arrangement (HRA)	Qualified Small Employer HRA (QSEHRA) (effective for plan years beginning on or after Jan. 1, 2017)	Health Flexible Spending Account (FSA)
Who owns the account?	Individual or employee	Employer	Employer – Can only be sponsored by small employers that are not subject to the ACA's employer shared responsibility rules	Employer
Eligible individual	Individuals and families covered by a qualified high deductible health plan (HDHP) and no other health plan that covers the same benefits. Individuals are not eligible if they can be claimed as a dependent on another person's tax return.	Current and former employees whose employers offer such a plan.	Must be provided on same terms to all employees, although certain categories of employees may be excluded, including collectively bargained employees, employees who are part time or seasonal, employees who have not completed 90 days of service and employees who are younger than age 25.	Current and former employees whose employers offer such a plan.

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Eligibility of spouse or dependents	Spouses and dependents are eligible to use employee's account.	Spouses and dependents are eligible to use employee's account.	May be designed to reimburse expenses of spouse and dependents.	Spouses and dependents are eligible to use employee's account.
Who may fund the account?	Anyone can make contributions to an individual's HSA, including employer/employee. Employee may contribute pre-tax dollars through a Section 125 plan.	Employer only	Employer only	Employer or employee. Typically the employee contributes pretax dollars through a Section 125 plan.
What plans may be offered with the tax-advantaged account?	A high deductible health plan (HDHP) that satisfies minimum annual deductible and maximum annual out-of-pocket expense requirements.	Effective for 2014 plan years, an employer must offer a health plan and the HRA must be considered integrated with group health plan coverage. Stand-alone HRAs are not permitted unless they are limited to excepted benefits or fall under an exemption to the ACA.	Employer cannot offer any group health plan.	Effective for 2014 plan years, health FSAs must qualify as excepted benefits to satisfy ACA reforms. To qualify as an excepted benefit, the FSA must meet a maximum benefit requirement and other group health plan coverage must be offered by the employer.
Is there a limit on the amount that can be contributed per year?	Yes **2017:** $3,400 for self-only HDHP coverage $6,750 for family HDHP coverage **2018:** $3,450 for self-only HDHP coverage $6,900 for family HDHP coverage Catch-up contributions of $1,000 per year are permitted for individuals who are age 55 by the end of the tax year.	No, there is no IRS prescribed limit.	The maximum benefit for any year cannot exceed $4,950 (or $10,000 for QSEHRAs that also reimburse medical expenses of the employee's family members). These dollar amounts are subject to adjustment for inflation for years beginning after 2016.	Effective for taxable years beginning after Dec. 31, 2012, employees may not elect to contribute more than $2,500 per year to a health FSA offered through a cafeteria plan. The limit was $2,550 for 2016, and the limit increases to **$2,600** for 2017.

Can unused funds be rolled over from year to year?	Yes	Yes	Unclear due to the maximum benefit requirement. Guidance from federal agencies on this issue would be helpful.	No, with two exceptions. If the FSA allows, unused amounts may be used for expenses incurred during a grace period of 2 ½ months after the end of plan year. Also, if the FSA does not incorporate a grace period, it may allow employees to carry over up to $500 in unused funds into the next plan year.
What expenses are eligible for reimbursement?	Section 213(d) medical expenses, including: -COBRA premiums -QLTC premiums -Health premiums while receiving unemployment benefits -If Medicare eligible due to age, health insurance premiums except medical supplement policies Over-the-counter (OTC) medicine or drug expenses cannot be reimbursed unless they are prescribed or are insulin.	Section 213(d) medical expenses, including health insurance premiums for current employees, retirees and qualified beneficiaries, and QLTC premiums. Effective for 2014 plan years, cannot reimburse health insurance premiums for individual coverage. Employer can generally define “eligible medical expenses” to be more restrictive than the IRS guidelines. OTC medicine or drug expenses cannot be reimbursed unless they are prescribed or	Section 213(d) medical expenses, after the employee provides proof of coverage. This would include, for example, premiums for individual health insurance coverage and other out-of-pocket medical expenses. Employer can generally define “eligible medical expenses” ” to be more restrictive than the IRS guidelines.	Section 213(d) medical expenses. OTC medicine or drug expenses cannot be reimbursed unless they are prescribed or are insulin. Expenses for insurance premiums are not reimbursable. Employer can generally define “eligible medical expenses” to be more restrictive than the IRS guidelines.

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Must claims submitted for reimbursement be substantiated?	No	Yes	Yes	Yes
May account reimburse non-medical expenses?	Yes, but taxed as income and 20 percent penalty (no penalty if distributed after death, disability or age 65).	No	No	No
Federal tax treatment of employee contributions	Tax-deductible for individual, even if he or she does not itemize, provided contributions do not exceed the individual's annual contribution limit. If an employee contributes to his or her HSA through salary reduction, the contributions are tax-free and are not subject to FICA and other employment taxes.	n/a	n/a	If an employee contributes to an FSA through salary reductions under a cafeteria plan, the contributions are tax-free and are not subject to FICA and other employment taxes.
State tax treatment of employee contributions	State laws may vary	n/a	n/a	State laws may vary