



HRA • HSA • FSA Comparison

TAXATION			
	HRA	HSA	FSA (health care)
Taxation of contributions	No federal or state income tax ⁴ or social security/Medicare tax	No federal or state income tax ⁴ or social security/Medicare tax	No federal or state income tax ⁴ or social security/Medicare tax
Taxation of earnings (assuming assets are invested)	Tax-free if assets are held in a tax-exempt trust	Withdrawals for non-medical expenses result in federal and/or state income tax, plus an excise tax if before age 65	To employer if assets held in employer general asset accounts that are generating earnings
FICA savings	Yes	Yes/No	Yes

ACCOUNT USE			
	HRA	HSA	FSA (health care)
Qualified medical expenses	Qualified medical expenses as defined under IRC 213(d), including over-the-counter drugs if prescribed	Qualified medical expenses as defined under IRC 213(d), including over-the-counter drugs if prescribed	Qualified medical expenses as defined under IRC 213(d), including over-the-counter drugs if prescribed
Non-medical withdrawals	Not allowed	Yes, but will be included in gross income and subject to 20% excise tax, unless made after death, disability, or age 65	Not allowed
Qualified retiree insurance premiums	Retiree health insurance, including qualified long-term care (LTC) insurance premiums (subject to annual IRS limits)	Only for: <ul style="list-style-type: none"> Post-65 health insurance (except Medicare supplement policies) Medicare COBRA Qualified long-term care (LTC) Health insurance, if receiving unemployment 	None
Carryover from year to year	Yes	Yes	Depends on the employer's plan design; an annual carryover up to \$500 may apply
Portable after termination	Yes (if vested)	Yes	No

⁴ State taxes could apply in some states.



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Shaded boxes indicate which plan type may provide greater participant advantage or, in some cases, more flexibility with regard to the design element being compared.¹

ELIGIBILITY & FUNDING			
	HRA	HSA	FSA (health care)
Establishment of account	Any employer ²	<ul style="list-style-type: none"> Eligible individual Employer Integrate with employer-sponsored Section 125 Plan 	Employer sponsored benefit program via Section 125
High deductible health plan (HDHP) required	No	Yes Minimum deductible for 2017: <ul style="list-style-type: none"> \$1,300 self only \$2,600 family 2018: <ul style="list-style-type: none"> \$1,350 self only \$2,700 family 	No
Eligibility	Employee who meets employer's defined eligibility criteria ³	Eligible employee/individual covered by HDHP and no other non-HDHP coverage	Employee who meets employer's eligibility criteria
Funding	Employer	<ul style="list-style-type: none"> Individual Employee salary reduction dollars Employer 	<ul style="list-style-type: none"> Employee salary reduction dollars Employer
Maximum contribution	No maximum	For 2017: <ul style="list-style-type: none"> Self only - \$3,400 Family - \$6,750 For 2018: <ul style="list-style-type: none"> Self only - \$3,450 Family - \$6,900 Catch-Up - \$1,000	For 2017: \$2,600 annual limit on salary reduction contributions

¹ Be advised that some design elements offering the most flexibility may impose other requirements, such as tax penalties or medical coverage limitations, which may not be in the participant's best interest. It is important to carefully consider all plan features and benefits before choosing one over the other.

² Of the two types of HRAs, funded and notional (unfunded), funded HRAs are most common among governmental employers due to the immediate tax advantage enjoyed by governmental employers at the time contributions are made. Notional HRAs are most common among for-profit employers since they usually cannot take a tax deduction until after funds are paid out as claims. Thus, in most cases, there is little reason for a for-profit employer to use a funded HRA over a notional HRA.

³ In addition to meeting the employer's defined eligibility criteria, participants in an integrated HRA, must be eligible to enroll in their employer's qualified group health plan and either (a) be enrolled in or covered by that plan or (b) attest to the employer that they are enrolled in or covered by another qualified group health plan.