

HSA, FSA & HRA COMPARISON CHART 2021



	HEALTH SAVINGS ACCOUNT (HSA)	HEALTH FLEXIBLE SPENDING ACCOUNT (FSA)	HEALTH REIMBURSEMENT ARRANGEMENT (HRA)
REIMBURSABLE EXPENSES	<p>Employees can use the HSA to pay for Code §213(d) medical expenses, expenses such as expenditures for medical care, to the extent that such amounts are not reimbursed by insurance or any other source. Medicines and drugs (other than insulin) can be qualified medical expenses only if they are prescribed.</p> <p>With certain exceptions, qualified medical expenses do not include payments for health insurance premiums or coverage contributions toward self-funded health coverage. However, the expense for coverage under any of the following will be an HSA-qualified medical expenses: HSA funds may not be used to pay insurance premiums (or contribute toward self-funded health coverage) except as follows:</p> <ul style="list-style-type: none"> ▪ continuation coverage for the HSA account holder, or for his or her spouse or tax dependent; ▪ a qualified long-term care insurance contract; ▪ health care coverage while the individual (i.e., the HSA holder or his or her spouse or dependent) is receiving unemployment compensation under federal or state law; <p>for account holders age 65 or over, premiums for Medicare and other healthcare coverage other than Medicare Supplement.</p>	<p>Effective 1/1/2020, employers may adopt a plan change to include over-the-counter medicines as a reimbursable expense.</p> <p>Any expense for medical care, as defined in Section 213 of the Internal Revenue Code (except long-term care premiums and expenses associated with long-term care and other health care premiums)..</p>	<p>Unreimbursed Code §213(d) medical expenses of employee, spouse, children until the end of the year in which they turn 26, and dependents, incurred while coverage in effect.</p> <p>Reimbursement is not permitted for individual insurance premiums, including Medicare.</p>
EXPENSE SUBSTANTIATION & CLAIMS ADJUDICATION	Not required, but employees should maintain receipts to show that funds were used to pay for qualified medical expenses if audited by the IRS.	Required.	Required.
ELIGIBLE EMPLOYERS	Any size employer that offers HDHP.	Any size employer that offers a group medical plan unless the health FSA is a limited purpose FSA.	Any size employer but must offer HRA with sponsored group health plan.
ELIGIBLE EMPLOYEES	<p>Eligibility is based on being enrolled in an IRS qualified High Deductible Health Plan.</p> <p>Ineligible Individuals – if you have non-HDHP coverage or can be claimed as a dependent on someone else's tax return, and/or enrolled in Medicare.</p>	<p>Employees, who the employer defines as eligible for employer-provided medical coverage under the terms of the plan.</p> <p>Self-employed can't contribute.</p>	Only available to employees covered by their employer's group health insurance policy.

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WHEN ARE EMPLOYEES ELIGIBLE TO PARTICIPATE?	Any month whereby the individual meets the above criteria.	Upon open enrollment or when an individual experience a midyear change in status event.	A waiting period cannot exceed 90 days.
EMPLOYEES PERMITTED TO OPT OUT	Yes.	Yes.	Yes.
EMPLOYEE SALARY REDUCTION FUNDING	Yes.	Yes.	Not permitted but can be offered with Health FSA and POP.
ELIGIBLE FOR HSA CONTRIBUTIONS	N/A	Yes, provided the Health FSA is a limited purpose FSA.	Yes, if reimburses only dental, vision or post-deductible expenses.
HEALTH PLAN COVERAGE REQUIREMENTS	Must be enrolled in a HDHP as defined by the IRS.	Participation is offered only to employees who are also eligible to participate in the employer's major medical plan, unless the HFSA is a limited-scope dental or vision benefit.	HRA must be offered with a group health plan.
ANNUAL CONTRIBUTION CAPS	In 2021, employees can contribute up to \$3,600 if they have self-only coverage and \$7,200 if they have family coverage. If the employee is 55 years old or older, he/she can contribute an additional \$1,000 to their plan.	For 2021, employees can contribute up to a maximum of \$2,750 to their account.	There is no minimum or maximum limitation the employer may contribute.
PORTABILITY	Yes.	No. Although, COBRA must be offered with underspent accounts, but may be terminated at the end of the year in which the qualifying event.	Cannot be rolled over to a new employer.
CARRYOVER / ROLLOVER	All funds belong to the employee. Unused balances roll over into the next year. Funds do not expire from year-to-year. Rollover funds do not count towards the contribution limit.	Amounts must be incurred by the end of the plan year and do not usually carryover unless an employer allows up to \$550 to carry over into the next year. Amounts that roll do not affect the maximum election that can be made for the plan year. Otherwise, employers may adopt a 2 month grace that allows participants to access unused amounts remaining in their accounts.	At the discretion of the employer.
MEDICARE SECONDARY PAYER RULES	Yes, if enrolled in Medicare.	No.	Applies.

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SUBJECT TO COBRA	No, HSA is not a medical plan and not covered by COBRA. However, COBRA premiums can be paid out of the HSA.	Yes, provided the qualified beneficiary “underspent” his/her account as of the date of the qualifying event meaning the amount available that may be used for reimbursable expenses exceeds the amount that is required to be paid for COBRA.	Yes, provided the employer has 20 or more employees.
SUBJECT TO FORM 5500 FILING	No.	Yes, except exemption applies to for small unfunded plans. (Small plan which have – fewer than 100 plan participants at the beginning of the plan year.)	Yes, except for small unfunded plans. (Small plan – fewer than 100 plan participants at the beginning of the plan year.)
SUBJECT TO NONDISCRIMINATION REQUIREMENT	Yes, Section 125 nondiscrimination testing is required.	Yes. Section 125 nondiscrimination testing is required.	Applies.
ERISA REQUIREMENTS & NOTICES	Typically, no.	Applies.	SPD & SBC
TREATMENT OF EMPLOYEES WITH SPOUSE’S GROUP COVERAGE	Individuals with health coverage outside of the HDHP generally are not eligible to make or receive HSA contributions. Exceptions: preventative care, vision, dental and/or coverage under “permitted insurance” or expenses incurred after the legally required minimum deductible is met.	Employees with spouse’s group coverage can participate.	Employees with spouse’s group coverage cannot participate.
PATIENT-CENTERED OUTCOME RESEARCH TRUST FUND (PCOR) FEE	No.	Yes, unless the health FSA is an excepted benefit.	Payment is due July 31 of the year following the last day of the plan year.
EMPLOYEE CONTRIBUTION AMOUNT	Employees can change their HSA contribution amounts at any time during the year.	Employees elect contribution amount during open enrollment—cannot change amount except for qualifying life event.	Funded solely by the employer.

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