

Comparison Guide to HSAs, HRAs and FSAs

As health care needs change, understanding the features and benefits of these three tax-advantaged accounts may be helpful in making more informed health care choices.

	Health Savings Account (HSA)	Health Reimbursement Account (HRA)	Flexible Spending Account (FSA)
Who owns the account?	Employee	Employer	Employer
Who funds the account?	Employee, employer and/or another individual	Employer	Typically only employee, but employer can contribute
Does interest accrue?	Yes, interest accrues tax-free.	Usually no interest. Employer can credit interest if dollars are invested.	No interest accrues.
Do unused funds roll over to the next year?	Yes	Yes, however this is not a requirement.	No
Is the account portable between employers?	Yes	Usually not	No
What type of health plan is compatible?	Only qualified high-deductible health plans (HDHP)	All health plans, but typically offered with a high deductible plan (HDHP)	All health plans
What expenses qualify for reimbursement?	Qualified medical expenses as defined by IRS Publication 502. Some non-medical expenses are allowed (taxed as income, these incur a 10% penalty until age 65).	Qualified medical expenses as determined by employer.	Qualified medical expenses as defined by IRS Publication 502.
Are contributions tax-free?	Contributions to the HSA are tax-free as long as they are spent on qualified medical expenses.	Contributions are tax-free.	Contributions are tax-free.
How is the account funded?	Contributions are deposited into the account by the employee, employer or other individuals. A one-time rollover from an FSA, HRA or retirement account is permissible.	The employer funds the account.	An employee must elect an amount of money from their wages to fund the account.
What are the contribution limits?	These accounts are reviewed and indexed annually by the IRS to determine contribution limits. Current contribution limits can be found on the IRS Web site in Publication 969.	Limits are set by the employer.	Limits are set by the employer.

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What are the vesting rules?	All funds are always 100% vested.	Vesting is not typical.	Any funds contributed by the employee are 100% vested.
Do medical expenses need to be incurred during the plan year to qualify?	No, but they cannot be incurred before the account has been created.	No, but they cannot be incurred before the account has been created.	Typically, yes. Exceptions may apply by employer.
Can I deduct the full amount at the beginning of the plan year for expenses?	No, only funds available to date can be used to pay for qualified expenses.	Yes, these funds are generally available on the first day of coverage.	Yes, these funds must be available on the first day of coverage.
Can this fund be used in conjunction with other funds?	HSAs can be combined only with a limited-purpose FSA. HSAs cannot be combined with HRAs. A one-time rollover from an FSA or HRA is permissible.	HRAs can be combined with FSAs. HRAs cannot be combined with HSAs.	FSAs can be combined with HRAs. HSAs can only be combined with a limited purpose FSA.
Who is responsible to substantiate that funds are used for qualified expenses?	Employees bear the responsibility of substantiation.	A third party must provide substantiation.	A third party must provide substantiation.
Who is the Fallon Community Health Plan preferred vendor?	Sterling HSA Wells Fargo	UltraBenefits	UltraBenefits

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