

Health Reimbursement Arrangement vs. Health Savings Account Comparison

	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
Funding	<ul style="list-style-type: none"> Only the employer can contribute to an HRA account; employee contributions are not permitted. HRAs for active employees are typically notional accounts. 	<ul style="list-style-type: none"> Contributions may be made by the employer, the employee, or both. Employee contributions may be made via payroll deduction if allowed by the employer, or directly to a financial institution without employer involvement. Account must be held in trust. To be eligible to make contributions, the employee must be enrolled in a high-deductible plan (HDHP) that meets specific requirements (see below). The employee may not be enrolled in any other plan that is not an HDHP.
High Deductible Health Plan (HDHP) Enrollment	No statutory requirement to be enrolled in an HDHP with specific deductible and out-of-pocket limit requirements, but typically paired with a higher deductible plan.	<ul style="list-style-type: none"> To be eligible to make contributions to an HSA, the employee must be enrolled in a plan meeting the following requirements (2018, indexed annually): <ul style="list-style-type: none"> Minimum deductible: <ul style="list-style-type: none"> \$1,350/single \$2,700/family Maximum out-of-pocket limit: <ul style="list-style-type: none"> \$6,650/single \$13,300/family <p><i>Note: HDHP enrollment is required only for eligibility to make contributions, not for eligibility to use funds accumulated.</i></p>
Maximum Contribution	No statutory requirement with respect to maximum employer contributions.	<ul style="list-style-type: none"> Statutory contribution limits based on HDHP coverage tier elected (2018, indexed annually): <ul style="list-style-type: none"> Single: \$3,450 Any other tier: \$6,900 Catch-up contributions permitted for age 55+: \$1,000
Employee Discretion on Use of Funds	Based on plan design. Most HRA plans for active employees automatically reimburse the participant's out-of-pocket expenses under the health plan with which the account is associated, though your plan may require claim submission.	Employee/accountholder decides if and when to reimburse eligible medical expenses. Expenses are not required to be reimbursed in the year in which they are incurred, so the accountholder may opt to pay expenses out-of-pocket and invest the HSA account balance to take advantage of the tax-free growth. Eligible expenses incurred in the interim can be reimbursed any time the accountholder decides to do so.
Tax Treatment	<ul style="list-style-type: none"> Contributions are not subject to income and employment (FICA) taxes. Distributions for eligible medical expenses (see IRS Pub. 502) not subject to income and employment (FICA) taxes. 	<ul style="list-style-type: none"> Employee contributions made via payroll deduction and employer contributions are not subject to federal and most state income taxes, and federal employment (FICA) taxes. (Contributions made directly to a financial institution are eligible for an above-the-line deduction by the individual on his tax return that year. However, there is no exemption from FICA taxes for such contributions.) Investment earnings are not subject to federal and most state income taxes. Distributions for eligible medical expenses (see IRS Pub. 502) not subject to federal and state income taxes.

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Eligible Medical Expenses	Technically, all medical expenses listed in IRS Publication 502 are eligible expenses under an HRA. However, most HRA plans for active employees reimburse only out-of-pocket expenses under the health plan with which the account is associated.	All medical expenses listed in IRS Publication 502. However, health insurance premiums are not HSA-eligible medical expenses except: <ul style="list-style-type: none"> • Health insurance premiums if collecting unemployment. • COBRA premiums. • Long-term care premiums. • Medicare premiums for Parts A, B, C, and D but not Medicare supplement plan premiums.
Annual Carryover of Unused Amounts, Vesting and Portability	No statutory requirement – based on plan design. Plans covering active employees generally provide that unreimbursed balances at year-end are carried over, but are forfeited when participant changes health plans, and at termination/retirement.	The employee/accontholder owns the account while actively employed and after termination/retirement. Contributions are immediately vested and portable, and are available for reimbursement of eligible expenses at the accountholder's discretion.
Distributions for Other Than Qualified Medical Expenses	Not allowed.	Allowed, subject to income tax and 20% penalty. Distributions for other than qualified medical expenses after attaining age 65 are subject to income tax but the penalty does not apply.
Interaction with Other Plans	<ul style="list-style-type: none"> • The HRA cannot reimburse expenses that are reimbursed by another health plan. • Individual may have coverage under another health plan such as a flexible spending account (FSA), but the HRA plan must specify order of reimbursement. 	<ul style="list-style-type: none"> • To be eligible to make HSA contributions, an employee may not be enrolled in any health plan that is not an HDHP, except as provided below. • Simultaneous participation in an HRA and/or FSA does not disqualify an employee from making HSA contributions if the HRA or FSA is one of the following types: <ul style="list-style-type: none"> ○ Limited purpose HRA/FSA—reimburses only expenses for preventive care, permitted insurance (e.g., insurance for fixed amount per day of hospitalization, insurance for specified disease or illness, and permitted coverage), or permitted coverage (e.g., dental, vision). ○ Post-deductible HRA/FSA—only reimburses expenses incurred after applicable statutory minimum HSA deductible is met. ○ Suspended HRA—during the suspension period, reimburses only preventive care, permitted insurance, and permitted coverage. ○ Retirement HRA—only reimburses expenses incurred after retirement.
Death of Account Holder	Generally, once coverage under the health plan the HRA is associated with ends, the HRA balance is forfeited. If the surviving spouse and/or dependents are permitted to continue coverage under the active health plan, unused HRA funds may continue to be available.	The surviving spouse, if any, becomes the accountholder. Distributions to any other beneficiaries of the HSA account would be subject to income tax.