

**Chart Compares HRA,
HSA, And Health FSA Features**

Feature	HRA	HSA	Health FSA
Applicable IRC Sec./Law	IRC Sec. 106(c)(2), No specific law	IRC Sec. 223, P.L. 108-173	IRC Sec. 125
Available to	All employers, regardless of number of employees, current employees and retirees, their spouses and dependents, and spouses and dependents of deceased employees, and COBRA qualified beneficiaries; not to self-employed	Any individual covered only by a qualified high deductible health plan (including self-funded employer-sponsored plans and the self-employed); no employer involvement required	All employees qualified under the plan
Funds available for qualified medical expenses for spouse, dependents, regardless of coverage under the employee's plan	Yes	Yes	Yes
Can have other health coverage	Yes	Only own high deductible health plan, or dental, vision, long-term care	Yes
Can be used with other health plans	Yes, of any other type, regardless of deductible, out of pocket maximum	Only with plans with specified high deductibles and maximum out of pocket expenses	Any group health plans, except HSAs, but coordinated with HRA
Cash available from account	No, only payment for incurred medical services	Yes, taxable at 10% and includible in gross income	No
Balance May Be rolled over...	1. No	1. For other HSAs, and Archer MSAs	1. No
1. From/to other plans...	2. Yes	2. Yes	2. No, funds subject to use-it-or-lose it before plan's year end, no deferral of compensation into next plan year
2. To subsequent years...			
Can be used to pay for other insurance	Yes, health insurance only; no long term care (LTC) insurance	No, except COBRA, qualified LTC insurance, health plan while collecting unemployment	No

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Feature	HRA	HSA	Health FSA
Can use debit, credit, and stored-value cards to pay for qualified expenses	Yes	Yes	Yes
Contributions, tax-free to employee	Employer only, no limit	Employer or employee or both—limited to annual deductible amount, indexed (see Report 356.-5)	Employee and/ or employer, limited only by IRC Secs. 125 and 105(h) nondiscrimination requirements
Contributions can be made as a lump sum any time during the year	Yes	Yes	No, must be made regularly over the FSA's plan year
Employer contributions:			
1. Subject to FICA, FUTA, income tax?	1. No	1. No	1. No
2. Reportable on employee's W-2?	2. Yes	2. Yes	2. No
Pretax contribution (Salary reduction)	No	Yes, through IRC Sec. 125	Yes
Subject to COBRA	Yes	No	Yes, in limited circumstances
Subject to ERISA	Yes	Yes, if offered through employer, but strictly individual HSAs are allowed	Yes, for underlying health benefit
Individual trust fund—Interest earned, not taxable	Not required; no interest	Required, earns tax-free interest, IRS-authorized trustees, custodians plus insurers, banks	No, no trust required

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Feature	HRA	HSA	Health FSA
Funds available after employment termination, regardless of COBRA	Yes, if plan allows	Yes, subject to certain restrictions	No, only through COBRA continuation
Discrimination	IRC Sec. 105(h) and HIPAA	Comparability rules for contributions (same amount or same percentage for all employees with comparable coverage)	IRC Sec. 125
Penalty for discrimination	Sec. 105(h) and HIPAA penalties	35% excise tax on employer's aggregate HSA contributions	Highly compensated or key employees taxed on discriminatory amount
Employer obligated to ensure claimed medical expenses are qualified	Yes	No, individual is responsible	Yes
Written plan document required	Yes	Yes, if part of Sec. 125 plan	Yes
Separate reporting	As required for each ERISA plan	Annual individual reporting on tax returns and by accounts trustees/custodians	As required for each ERISA plan
Employees may make changes midyear	No	Yes, but may change taxability	Only due to specified status changes, if the plan allows

