

## Healthcare Account Comparison

# HSA | FSA | HRA

Health Savings Accounts (HSAs), Healthcare Flexible Spending Accounts (FSAs), and Health Reimbursement Arrangements (HRAs) each let members use tax-free dollars to pay for qualified medical expenses. But there are some important differences to keep in mind.



### HSA

#### Long-term savings account

- Contribute pre-tax funds<sup>1</sup>
- Invest funds tax-free<sup>2</sup>
- Funds never expire
- Requires HSA-qualified health plan



### FSA

#### Short-term spending account

- Contribute pre-tax funds<sup>3</sup>
- Funds expire
- Compatible with traditional health plans



### HRA

#### Employer-funded spending account<sup>4</sup>

- No contributions required
- Funds expire
- Variations compatible with most health plans

<sup>1</sup>HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax deductible with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

<sup>2</sup>Investments are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured, or guaranteed by HealthEquity, Inc. Investing through the HealthEquity investment platform is subject to the terms and conditions of the Health Savings Account Custodial Agreement and any applicable investment supplement. Investing may not be suitable for everyone and before making any investments, review the fund's prospectus.

<sup>3</sup>FSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize FSA funds as tax deductible with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

<sup>4</sup>In addition to restrictions imposed by law, your employer may limit what expenses are eligible for reimbursements. It is the members' responsibility to ensure eligibility requirements as well as if they are eligible for the plan and expenses submitted.

Consideration	HSA Health Savings Account	FSA Healthcare Flexible Spending Account	HRA Health Reimbursement Arrangement
Health plan type	HSA-qualified/High-deductible health plan	Generally a traditional health plan	Either HSA-qualified or traditional health plan
Account ownership	Member-owned (take your HSA with you)	Employer-owned (no portability)	Employer-owned (no portability)
Who contributes?	Member, employer or family <sup>1</sup>	Member, employer	Employer only
Tax-deductible contributions	Yes – State, federal and FICA tax deductible for employers and members <sup>2</sup>	Yes – State, federal and FICA tax deductible for employers and members <sup>3</sup>	Yes – State, federal and FICA tax deductible for employers
Adjust contribution amount?	Anytime	Only during annual enrollment (or with qualifying life event)	Employer chooses at beginning of plan year
Tax-free spending	Yes, for qualified medical expenses <sup>2</sup>	Yes, for eligible medical expenses	Yes, for eligible medical expenses
Debit card	Yes; varies by plan	Yes; varies by plan	Yes; varies by plan
Can members invest?	Yes <sup>4</sup>	No	No
Tax-free earnings	Yes	No	No
Do funds expire?	Never	Yes	Yes
Account carryover	Yes – even if you change health plans, employers, or retire	Varies by plan – some offer grace periods or limited carryover (up to \$550 for 2021)	No
2021 contribution limits	\$3,600 (Individual) \$7,200 (Family)	\$2,750 (Individual or family)	Varies by plan type
Account compatibility	LPFSA, DCFSA, HRA <sup>5</sup>	LPFSA, DCFSA, HRA	FSA, HSA <sup>5</sup> , LPFSA, DCFSA

Questions? We're here for you 24/7.

866.735.8195 | [HealthEquity.com/Learn](https://HealthEquity.com/Learn)

<sup>1</sup>Some employers offer a base contribution and/or a contribution match. Please carefully review your annual enrollment materials to find out what's available.

<sup>2</sup>HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-deductible with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

<sup>3</sup>FSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize FSA funds as tax-deductible with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

<sup>4</sup>Investments are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured, or guaranteed by HealthEquity, Inc. Investing through the HealthEquity investment platform is subject to the terms and conditions of the Health Savings Account Custodial Agreement and any applicable investment supplement. Investing may not be suitable for everyone and before making any investments, review the fund's prospectus.

<sup>5</sup>Only limited purpose HRAs are HSA compatible

HealthEquity does not provide legal, tax or financial advice. Always consult a professional when making life changing decisions. Copyright © 2020 HealthEquity, Inc. All rights reserved.

Plan\_Comparison\_HSA\_FSA\_HRA\_Dec\_2020