QUICK REFERENCE CHART: HSAs, HEALTH FSAs AND TRADITIONAL HRAs

	HSA	Health FSA	Traditional HRA
What is it?	A trust account (i.e., bank account) that allows eligible individuals to pay for qualified expenses on a tax-advantaged basis.	A self-insured medical reimbursement arrangement that provides coverage for qualified expenses on a tax-advantaged basis.	An arrangement that is paid for solely by the employer that provides coverage for qualified expenses on a tax-advantaged basis.
Who is eligible to participate?	Any individual who is covered under a qualified HDHP, is not entitled to (i.e., enrolled in) Medicare, and cannot be claimed as a tax dependent. With certain exceptions, the individual cannot have any non-HDHP health coverage. Self-employed individuals (including sole proprietors, partners in a partnership and more-than-2% shareholders in a Subchapter S corporation) are eligible but cannot participate via a cafeteria plan.	Any employee who is eligible for the employer's major medical coverage, subject to additional eligibility criteria defined by the employer. Self-employed individuals (including sole proprietors, partners in a partnership and more-than-2% shareholders in a Subchapter S corporation) are not eligible.	Any employee, subject to eligibility defined by the employer. Self-employed individuals (including sole proprietors, partners in a partnership and more-than-2% shareholders in a Subchapter S corporation) are not eligible.
Can an individual participate in more than one of these account-based plans at the same time?	Coverage under a traditional, general-purpose health FSA or HRA, including coverage via a spouse's FSA or HRA, makes an individual ineligible for an HSA. But coverage under a specially designed health FSA or HRA (e.g., limited-purpose or post-deductible) will not prevent HSA eligibility.*	An employee who is covered by a health FSA may also participate in an HRA. Coverage under a traditional, general-purpose health FSA, including coverage via a spouse's FSA, makes an individual ineligible for an HSA. But coverage under a specially designed health FSA (e.g., limited-purpose or post-deductible) will not prevent HSA eligibility.*	An employee who is covered by an HRA may also participate in a health FSA. Coverage under a traditional, general-purpose HRA, including coverage via a spouse's HRA, makes an individual ineligible for an HSA. But coverage under a specially designed HRA (e.g., limited-purpose or post-deductible) will not prevent HSA eligibility.*
Who can contribute?	HSA account holder or any other person (including the account holder's employer or family member). Catch-up contributions from an age-eligible spouse must be made to the spouse's separate HSA account.	Employer or employee. Note that for purposes of maintaining ACA excepted benefit status, employer contributions cannot exceed the greater of $500 or a dollar-for-dollar match of employee contributions.	Employer only (except for COBRA premiums and possibly other employee after-tax contributions).

	HSA	Health FSA	Traditional HRA
How much can be contributed?	The maximum annual contribution amount is a per employee limit, regardless of whether the employee has multiple employers. It is set by the IRS and is applicable for the *calendar* year. • For 2022, the maximum annual contribution amounts are $3,650 (self-only) and $7,300 (family), plus an additional $1,000 catch-up contribution for individuals aged 55+. • For 2023, the maximum annual contribution amounts are $3,850 (self-only) and $7,750 (family). $1,000 catch-up contribution remains unchanged. All contributions (i.e., employer and employee) count toward the maximums. Monthly contribution rules apply if employee is not HSA eligible for full calendar year.	The maximum annual salary reduction amount is a per employer limit. It is set by the IRS and is applicable for the employer's *plan* year. • For 2022, the maximum salary reduction amount is $2,850. • For 2023, the maximum salary reduction amount is $3,050. Employers can choose to provide a lower salary reduction limit (but cannot exceed the IRS plan year maximum). Employer contributions, if any, do not count toward the plan year maximum. There is no age based or other catch-up contribution feature. Employers can (but are not required to) pro rate FSA election limits for mid-year new hires.	The maximum annual benefit amount is a per employer limit. It is determined by the employer and is applicable for the employer's *plan* year. Employee contributions are not permitted. There is no age based or other catch-up contribution feature.
Does employer contribution affect medical underwriting?	Potentially; check with carrier regarding any carrier-specific threshold for employer funding.	No.	Potentially; check with carrier regarding any carrier-specific threshold for employer funding.
Does marital status affect the maximum contribution amount?	Yes. The combined calendar year contributions for both spouses cannot exceed the maximum calendar year contribution for family coverage (including any applicable per-person catch-up contributions), even if one spouse is enrolled in family coverage and the other is enrolled separately in individual (or family) coverage.	No. The maximum salary reduction for the plan year is per employee. A spouse's enrollment in a separate health FSA (whether with the same employer or a different employer) does not impact the employee's maximum salary reduction amount.	No. The maximum plan year benefit is determined by the employer. A spouse's enrollment in a separate HRA (whether with the same employer or a different employer) does not impact the per-employee maximum plan year benefit.
When are the contribution amounts available for use?	Contribution amounts, up to the amount that has been deposited into the account, can be used once the account has been established, which is dictated by state law (generally once the account has been opened and the first deposit made).	The entire plan year election amount can be used on the first day of the plan year. For mid-year plan entrants, election amounts can be used on the first day of plan participation.	Generally, contribution amounts, up to the plan year amount, can be used on the first day of the plan year. For mid-year plan entrants, contribution amounts can be used on the first day of plan participation. However, the employer can implement rules regarding when contribution amounts are available for use.

	HSA	Health FSA	Traditional HRA
Can employee contribution amounts be changed during the plan year?	Yes. Employers must allow account holders to start, stop or change HSA contribution amounts prospectively at least once per month throughout the year.	No. The annual FSA salary reduction amount cannot be changed during the plan year except due to a qualifying life event.	N/A
Can employer contribution amounts be changed during the plan year?	Employers have broad discretion to change the amount and/or timing of employer contributions, but must ensure that any changes are communicated to employees.	Employers have broad discretion to change the amount and/or timing of employer contributions, but must ensure that any changes are communicated to employees and plan documents are amended.	Employers have broad discretion to change the amount and/or timing of employer contributions, but must ensure that any changes are communicated to employees and plan documents are amended.
Can unused amounts be carried over to the next year?	Yes.	By default, no. However, plan can be amended to allow carryover up to an indexed maximum amount, or a grace period of up to 2-1/2 months during which claims may be incurred. • For 2022, the maximum carryover amount is $570. • For 2023, the maximum carryover amount is $610.	Yes, if permitted by the employer's plan design.
Can amounts that are unused at termination of active employment continue to be spent down?	Yes. HSAs are nonforfeitable and portable.	Generally no. Cannot use unused amounts to pay for claims incurred after termination (except as COBRA or a plan's grace period may allow). Health FSAs are not portable.	Yes. An HRA can permit unused amounts to be used until depleted to pay for claims incurred after termination (COBRA also applies). HRAs are not portable.

	HSA	Health FSA	Traditional HRA
What medical expenses are eligible for reimbursement?	Otherwise unreimbursed Section §213(d) expenses of account holder, spouse and tax dependents incurred on or after the HSA is established, but not insurance premiums (with limited exceptions for COBRA coverage, long-term care insurance, health coverage while drawing unemployment compensation). If account holder is 65 or older, any health insurance premiums for account holder (and spouse/dependents aged 65 or older) are eligible for reimbursement, except a Medicare supplemental policy (Medigap).	Otherwise unreimbursed Section §213(d) expenses of employee, spouse, children until the end of the year in which they turn 26, and dependents, incurred during the coverage period (including any grace period). Reimbursable expenses are subject to employer designed limitations, as memorialized in the health FSA plan document. Cannot reimburse insurance premiums.*	Otherwise unreimbursed Section §213(d) expenses of employee, spouse, children until the end of the year in which they turn 26, and dependents, incurred during the coverage period (including any grace period), including premiums for eligible health insurance and long-term care insurance. Reimbursable expenses are subject to employer designed limitations, as memorialized in the HRA plan document.*
	Note that expenses incurred by an employee's domestic partner are ineligible for reimbursement, unless the domestic partner is a tax dependent of the employee (which is generally not the case).		
Are distributions (or cash-outs) for nonmedical expenses permitted?	Yes. Distributions cannot be restricted to pay or reimburse only qualified medical expenses. However, distributions for nonmedical expenses are taxable and subject to a 20% excise tax (no excise tax applies if account holder is 65 or older).	No.	No.
Is expense substantiation required?	Yes. HSA account holder must retain records.	Yes. Employer/plan administrator must substantiate claims.	Yes. Employer/plan administrator must substantiate claims.
Do nondiscrimination rules apply?	Yes. Section 125 nondiscrimination rules apply for HSAs offered under a cafeteria plan. Additionally, employer contributions made outside a cafeteria plan are subject to comparability requirements.	Yes. Sections 105 and 125 nondiscrimination rules apply.	Yes. Section 105 nondiscrimination rules apply.

	HSA	Health FSA	Traditional HRA
Is it an ERISA plan?	Generally no, unless employer takes action that triggers ERISA. (Employer contributions alone do not trigger ERISA.)	Yes, unless plan is maintained by governmental entity or church.	Yes, unless plan is maintained by governmental entity or church.
Does COBRA apply?	Generally no. However, there is uncertainty as to whether COBRA provisions may apply to an HSA that is an ERISA plan.	Yes, but COBRA provisions apply only when the unclaimed health FSA account balance exceeds the year-to-date contributions.	Yes. This may require actuarial valuation to determine COBRA premium.
Resources	IRS Publication 15-B IRS Publication 969 IRS Publication 502	IRS Publication 502 IRS Publication 969	IRS Publication 969 DOL FAQs

*A limited-purpose health FSA or HRA can only reimburse eligible dental and vision expenses (but not medical expenses); a post-deductible health FSA or HRA can reimburse all eligible medical expenses but only once the minimum statutory HDHP deductible is met.

About NFP

NFP is a leading property and casualty broker, benefits consultant, wealth manager, and retirement plan advisor that provides solutions enabling client success globally through employee expertise, investments in innovative technologies, and enduring relationships with highly rated insurers, vendors and financial institutions.

Our expansive reach gives us access to highly rated insurers, vendors and financial institutions in the industry, while our locally based employees tailor each solution to meet our clients' needs. We've become one of the largest insurance brokerage, consulting and wealth management firms by building enduring relationships with our clients and helping them realize their goals.

For more information, visit **NFP.com**.