

# Comparing HRA vs. HSA vs. FSA

Health reimbursement accounts (HRAs), health savings accounts (HSAs) and flexible spending accounts (FSAs) are all offered with various HealthFlex plans. They share some similar traits but have important differences. This document summarizes some of the key characteristics of HealthFlex HRAs, HSAs and FSAs. More information is available through the HealthFlex/WebMD website at [www.gbophb.org](http://www.gbophb.org) [select “**Reimbursement Accounts**” under **HealthFlex Vendor Links** (left column)].

	HealthFlex HRA	HealthFlex HSA	HealthFlex FSAs
<b>Plan Integration</b>	C2000, C3000	H1500, H2000	B1000, C2000, C3000, H1500, H2000
<b>Account Type</b>	Tax-advantaged account to pay/reimburse for qualified medical expenses	Tax-advantaged account to pay/reimburse for qualified medical expenses	Tax-advantaged accounts to pay/reimburse for qualified expenses <ul style="list-style-type: none"> <li>• Medical Reimbursement Account (MRA)</li> <li>• Dependent Care Account (DCA)</li> </ul>
<b>Funding/ Earnings</b>	<ul style="list-style-type: none"> <li>• Funded by plan sponsor (annual conference or UMC employer)</li> <li>• Defined contribution excess (if applicable)</li> <li>• You are not permitted to fund an HRA</li> <li>• Account does not earn interest</li> </ul>	<ul style="list-style-type: none"> <li>• Funded by plan sponsor</li> <li>• You may choose to add funding to an HSA (optional)</li> <li>• Account assets may earn tax-deferred interest</li> </ul>	<ul style="list-style-type: none"> <li>• You fund your FSA</li> <li>• Accounts do not earn interest</li> </ul>
<b>Contributions (participant vs. plan sponsor)</b>	<ul style="list-style-type: none"> <li>• Plan sponsor contributions are excluded from your gross income and are not subject to federal income tax</li> <li>• You are not permitted to contribute to an HRA</li> </ul>	<ul style="list-style-type: none"> <li>• Plan sponsor contributions are excluded from gross income and are not subject to federal income tax</li> <li>• Your HSA contributions are pre-tax if done by salary reduction</li> <li>• After-tax contributions are also permitted and may be deducted on federal tax return</li> </ul>	<ul style="list-style-type: none"> <li>• Your FSA contributions are excluded from gross income and are not subject to federal income tax</li> <li>• Your FSA contributions are pre-tax if done by salary reduction</li> </ul>
<b>Annual Funding Limit (2016)</b>	<ul style="list-style-type: none"> <li>• No annual limit</li> <li>• Amount determined by plan sponsor</li> <li>• Some plan sponsors may provide additional HRA contribution</li> </ul>	Annual federal limit for total HSA contributions (plan sponsor and participant): <ul style="list-style-type: none"> <li>• \$3,350 (self-only) or \$6,750 (family)</li> <li>• Individuals 55 and older may contribute extra \$1,000 annually (\$4,350 self-only, \$7,750 family)</li> </ul>	<ul style="list-style-type: none"> <li>• MRA: \$300 – \$2,550</li> <li>• DCA: \$300 – \$5,000</li> </ul>

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# Comparing HRA vs. HSA vs. FSA (continued)

	HealthFlex HRA	HealthFlex HSA	HealthFlex FSAs
<b>Funds Availability</b>	<ul style="list-style-type: none"> <li>Annual plan sponsor contributions are available for use at beginning of plan year</li> </ul>	<ul style="list-style-type: none"> <li>Annual plan sponsor contributions are available for use upon deposit at beginning of plan year.</li> <li>Participant contributions are available monthly as they are deposited to the HSA</li> </ul>	<p><b>MRA:</b></p> <ul style="list-style-type: none"> <li>Annual contributions are available at beginning of plan year</li> </ul> <p><b>DCA:</b></p> <ul style="list-style-type: none"> <li>Contributions are available monthly as they are made to DCA</li> </ul>
<b>Eligible Expenses/ Usage (for primary participant, spouse and eligible dependents)</b>	<ul style="list-style-type: none"> <li>Use only for eligible health care expenses (not premiums, except after retirement)</li> <li>After retirement: may use for premiums (medical, dental, vision and long-term care)</li> </ul>	<ul style="list-style-type: none"> <li>Use primarily for eligible health care expenses</li> <li>If use for non-health care expenses, tax penalty may apply</li> <li>Limited use for premiums: limited to continuation coverage, long-term care or Medicare (not including Medicare supplement)</li> </ul>	<p><b>MRA:</b></p> <ul style="list-style-type: none"> <li>Use for eligible health care expenses</li> <li>May not use for premiums or long-term care</li> </ul> <p><b>DCA:</b></p> <ul style="list-style-type: none"> <li>Use for eligible day care expenses for dependent children age 12 and under, and for dependent adults who are incapable of self-care</li> </ul>
<b>Substantiation/ Documentation (“proof” of claim)</b>	<ul style="list-style-type: none"> <li>Required for reimbursement</li> </ul>	<ul style="list-style-type: none"> <li>HSAs do not require claims processing when a distribution is made. However, as the account holder, you are responsible for reporting any taxable HSA distributions to the IRS</li> </ul>	<ul style="list-style-type: none"> <li>Required for reimbursement</li> </ul>
<b>Carry-over at year-end</b>	<ul style="list-style-type: none"> <li>Unused balance carries over year to year as long as you remain employed in UMC and through retirement</li> <li>No dollar limit on accumulated balance</li> </ul>	<ul style="list-style-type: none"> <li>Unused balance carries over year to year</li> <li>No dollar limit on accumulated balance</li> </ul>	<p>IRS “use it or lose it” rules apply</p> <p><b>MRA:</b></p> <ul style="list-style-type: none"> <li>\$500 carryover permitted to the following plan year. Remainder forfeited if not spent by December 31 (runout period to file claims: through April 30 of the following year)</li> </ul> <p><b>DCA:</b></p> <ul style="list-style-type: none"> <li>No carryover after December 31</li> </ul>
<b>If you lose HealthFlex eligibility (but continue UMC employment)</b>	<ul style="list-style-type: none"> <li>Unused balance remains until exhausted</li> </ul>	<ul style="list-style-type: none"> <li>Unused balance is <i>portable; remains with you</i> indefinitely regardless of UMC appointment/employment</li> </ul>	<ul style="list-style-type: none"> <li>Eligible expenses can only be incurred through your last date of HealthFlex coverage.</li> <li>Deadline to file claims: 90 days after leaving HealthFlex</li> </ul>
<b>If you terminate UMC employment</b>	<ul style="list-style-type: none"> <li>Unused balance can be used for eligible expenses for up to one year.</li> </ul>	<ul style="list-style-type: none"> <li>Unused balance is <i>portable; remains with you</i> indefinitely regardless of UMC appointment/employment</li> </ul>	<ul style="list-style-type: none"> <li>Eligible expenses can only be incurred through your last date of HealthFlex coverage.</li> <li>Deadline to file claims: 90 days after leaving HealthFlex</li> </ul>

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# Comparing HRA vs. HSA vs. FSA (continued)

	HealthFlex HRA	HealthFlex HSA	HealthFlex FSAs
<b>If you retire</b>	<ul style="list-style-type: none"> <li>Unused balance remains until exhausted</li> </ul>	<ul style="list-style-type: none"> <li>Unused balance is <i>portable; remains with you</i> indefinitely regardless of UMC appointment/employment</li> </ul>	<ul style="list-style-type: none"> <li>Eligible expenses can only be incurred through your last date of HealthFlex coverage pre-retirement</li> <li>Deadline to file claims: 90 days after leaving HealthFlex</li> </ul>
<b>Compatibility with other reimbursement accounts</b>	<ul style="list-style-type: none"> <li>Compatible with full-use MRA</li> <li>Compatible with DCA</li> <li>Limited compatibility with HSA—HRA is restricted to dental and vision expenses only (limited-use HRA)</li> </ul>	<ul style="list-style-type: none"> <li><b>Not compatible with full-use MRA or full-use HRA</b></li> <li><i>Limited compatibility with MRA (health care FSA) balance. MRA use must be limited to dental/vision expenses only (including MRA balance carried over from a prior year and spouse's MRA)</i></li> <li>Compatible with DCA</li> </ul>	<ul style="list-style-type: none"> <li>May elect MRA and/or DCA <b>MRA:</b></li> <li>Compatible with HRA. MRA pays first; HRA pays only after MRA funds are exhausted.</li> <li>Full-use MRA is not compatible with HSA</li> <li><b>DCA:</b></li> <li>Compatible with HSA and HRA</li> </ul>
<b>Other limitations</b>	<ul style="list-style-type: none"> <li><b>Not compatible with premium tax credit (PTC)</b> for health coverage obtained through public Health Insurance Marketplace (state or federal “exchanges”). If you leave HealthFlex in the future and enroll in a Marketplace plan, you must forfeit any remaining HRA balance (or convert to limited-use HRA) to qualify for a PTC</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Optional accounts</li> <li>New elections required each year (if desired) during Annual Election. Elections from prior year do not renew automatically to the next plan year</li> </ul>

## Glossary

**FSA**—Flexible spending account  
**MRA**—Medical reimbursement account (also called *health care FSA*)  
**DCA**—Dependent care account (also called *dependent care FSA*)  
**HRA**—Health reimbursement account (also called *health reimbursement arrangement*)  
**Limited-use (HRA or MRA)**—Use limited to dental and/or vision expenses only

**HSA**—Health savings account  
**CDHP**—Consumer-driven health plan  
**HDHP**—High-deductible health plan (IRS-qualified high-deductible health plan—eligible for HSA contributions)  
**PPO**—Preferred provider organization health plan

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