

HSAs, HEALTH FSAs, AND TRADITIONAL HRAs: A QUICK REFERENCE CHART

	HSA	Health FSA	Traditional HRA
What is it?	A trust account (i.e., bank account) that allows eligible individuals to pay for qualified medical expenses on a tax-advantaged basis.	A self-insured medical plan that provides coverage for qualified medical expenses on a tax-advantaged basis.	A self-insured medical plan that is funded solely with employer dollars (and no salary reduction dollars) that provides coverage for qualified medical expenses on a tax-advantaged basis.
Who is eligible to participate?	Any individual who is covered under a qualified HDHP, is not enrolled in Medicare, and cannot be claimed as a tax dependent. With certain exceptions (e.g., coverage for preventive services), 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?	Yes, if other coverage is a specifically designed health FSA or HRA (e.g., limited-purpose or post-deductible*). 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.	Yes, other coverage may include an HRA (coordination of benefits required). If health FSA is specifically designed (e.g., limited-purpose or post deductible*), participation in an HSA is allowed.	Yes, other coverage may include a health FSA (coordination of benefits required). If HRA is specifically designed (e.g., limited-purpose or post-deductible*), participation in an HSA is allowed.
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. 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 (with limited exceptions, e.g., COBRA).

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How much can be contributed?	<p>The maximum annual contribution amount is a <i>per employee</i> limit, regardless of whether the employee has multiple employers. It is set by the IRS and is applicable for the <i>calendar</i> year.</p> <p>Maximum self-only/family contribution amounts:</p> <ul style="list-style-type: none"> • \$4,150/\$8,300 (plus additional \$1,000 catch-up contribution for individuals age 55+) • For 2025: \$4,300/\$8,550 (plus additional \$1,000 catch-up contribution for individuals age 55+) • For 2026: \$4,400/\$8,750 (plus additional \$1,000 catch-up contribution for individuals age 55+) <p>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.</p>	<p>The maximum annual salary reduction amount is a <i>per employer</i> limit. It is set by the IRS and is applicable for the employer's <i>plan</i> year.</p> <p>Maximum salary reduction amount:</p> <ul style="list-style-type: none"> • For 2024: \$3,200 • For 2025: \$3,300 • For 2026: TBD <p>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.</p> <p>Employers can (but are not required to) pro rate FSA election limits for midyear new hires. By contrast, employers must pro rate FSA election limits for short plan years.</p>	<p>The maximum annual benefit amount is a <i>per employer</i> limit. It is determined by the employer and is applicable for the employer's <i>plan</i> year. Employee contributions are not permitted (with limited exceptions). There is no statutory age based or other catch-up contribution feature.</p>
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 HSA, 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 is available on the first day of the plan year. For midyear plan entrants, election amounts are available on the first day of plan participation.	Subject to plan design. Employer can implement rules regarding when funds are available for use (e.g., employer may pro-rate contributions on a per-month or per-quarter basis or may provide the full amount in a lump sum on the first day of the plan year).

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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 midyear election change 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 they communicate any changes to employees.	Employers have broad discretion to change the amount and/or timing of employer contributions, but must ensure that they communicate any changes to employees and amend plan documents.	Employers have broad discretion to change the amount and/or timing of employer contributions, but must ensure that they communicate any changes to employees and amend plan documents.
Can unused amounts be carried over to the next year?	Yes.	By default, no. However, plan can be designed or 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. Maximum carryover amounts: <ul style="list-style-type: none"> • For 2024: \$640 • For 2025: \$660 • For 2026: TBD 	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. A health FSA cannot allow terminated employees to submit claims for expenses incurred after termination except when a health FSA COBRA election applies. Health FSAs are not portable.	Yes. An HRA can (but is not required to) allow terminated employees to submit claims for expenses incurred after termination even in the absence of a COBRA election. HRAs are not portable.
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 plan year-to-date contributions (i.e., when the account is underspent) as of the health FSA COBRA effective date.	Yes. This may require actuarial valuation to determine COBRA premium if HRA is bundled with medical plan, as is generally the case.

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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.*
<i>Note that expenses incurred by an employee's domestic partner who is not the employee's tax dependent are ineligible for reimbursement.</i>			
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. Comparability rules apply to HSAs provided outside of a cafeteria plan.	Yes. Sections 105 and 125 nondiscrimination rules apply.	Yes. Section 105 nondiscrimination rules apply.
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.
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 FSA or HRA (also referred to as an HSA-compatible FSA or HRA) can reimburse expenses exclusively for dental care, vision care, and preventive care; it can also (or instead) include a post-deductible feature, which can reimburse medical expenses after the statutory HDHP deductible has been satisfied.