



TECHNICAL UPDATE

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FSAs, HRAs, AND HSAs

Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), and Health Savings Accounts (HSAs) are tax-advantaged accounts used to pay for qualified medical expenses such as co-pays, prescriptions, dental, and vision costs. Employers can offer any or all of these accounts as a benefit to offset healthcare costs. These accounts use pre-tax dollars and must adhere to specific rules and limits set by the IRS. The table below provides a general overview of how these accounts differ:

Plan Feature	Flexible Spending Accounts (FSAs)	Health Reimbursement Arrangements (HRAs)	Health Savings Account (HSAs)
Who creates the account?	Employer	Employer	Employer or individual
Who contributes?	Employer and employee	Employer only	Employer and employee
Pre-tax salary reduction	Permitted	Not permitted. HRAs are exclusively employer-funded	Permitted subject to maximums
Maximum contribution	2024 amounts have not been released by the IRS. 2023 maximum is \$3,050 for healthcare and limited purpose and \$5,000 for dependent care	Set by employer	For 2024, maximum contribution is \$4,150 (single) / \$8,300 (family)
Carry-forward of amounts from year to year	Employer may either allow carryover of up to \$610 (the 2024 IRS rollover amount has not been released yet) or offer a 2.5-mth grace period	Plan may cap amount of carryforward	Required
Portability	FSAs are covered under COBRA and can be converted via COBRA only	None	Individual money is portable and may be rolled into another HSA once in a 12-mth period
High-deductible health Plan (HDHP)	Not required; note that having a medical FSA disqualifies an employee from making or receiving HSA funds	Not required	Required. For 2024, minimum deductible is \$1,600 (single) / \$3,200 (family). Preventive care expenses do not have to be subject to the deductible
Out-pocket-maximum for HDHP	N/A	N/A	For 2024, \$8,050 (single) / \$16,100 (family)
Reimbursement of health insurance premiums	Generally, no	For an HRA paired with group coverage: certain health and long-term care insurance is reimbursable For an HRA paired with individual market coverage or Medicare: individual market premiums or Medicare premiums are reimbursable For an "excepted benefit" HRA: premiums for excepted benefits or for short-term limited duration insurance are reimbursable	Certain health and long-term care insurance (including COBRA) premiums while receiving unemployment compensation, and retiree medical for individuals 65 or over (but not Medigap plans)
Distribution for non-medical expenses (Including cash-outs)	Not allowed	Not allowed	Subject to tax and 20% penalty, with certain exceptions

WHAT THIS MEANS FOR COUNTIES

Each type of account offers benefits depending on your health insurance needs. Understanding the differences can help determine which account or combination of accounts is the best fit for your situation. For more information, contact CTSI at (303) 861-0507.