HSAs, FSAs, or HRAs? What is the Difference?

Health care accounts are not all created equal. That's why you need an experienced, trusted adviser to help you understand health care accounts. You'll then make an informed decision about the type of health plan and corresponding health account that is right for you. HealthEquity is here to help you understand about the complex, and sometimes confusing, health care accounts and their acronymns (like HSAs, HRAs, and FSAs).

Use the chart below to help compare three of the more common types of account and what they offer.

	Health Savings Account (HSA)	**Health Reimbursement Arrangement (HRA)**	**Flexible Spending Account (FSA)**
Account definitions.	A tax-advantaged account used to pay or qualified medical expenses of the account holder, spouse, and/or dependents.	An employer-funded arrangement used to reimburse employees for out-of-pocket qualified medical expenses.	An employer-established, tax-advantaged account funded by the employee to pay for qualified medical expenses with pre-tax dollars.
Who can open the account?	The employee or employer as long as the employee is enrolled in an HSA-eligible health plan.	The employer.	The employer.
Who can contribute?	Employers, employee/account holder, or any third party.	The employer.	The employee.
Who owns the account?	The employee/account holder.	The employer.	The employee, but all account balances revert back to the employer at the end of the plan year.
Is there an annual contribution limit?	In 2012, the annual contribution limits are $3,100 for individuals and $6,250 for families. In 2013, limits are $3,250 and $6,450, respectively.	Yes, as determined by the employer's plan design.	Yes, as determined by the employer's plan design.
Do unused funds carry over to the next year?	Yes.	Possibly, as determined by employer's plan design.	No.
Can you take the account funds with you if you change jobs, change health plans, or retire?	Yes.	No.	No.

Can you use the account for retirement income?	Yes, after age 65, you can withdraw funds for any reason with no penalty. Although, if not used for qualified medical expenses, withdrawals will be taxed as income.	No.	No.
Is the account tax advantaged?	Yes, account holders contribute tax-free, any interest or investment gains are tax-free, and when used for qualified expense, you withdrawals are always tax free.	No.	Yes, employees contributions are made through pre-tax payroll deductions.
Can the account earn interest?	Yes, and after the account balance reaches a minimum balance requirement (typically $2,000), you can invest in HealthEquity's investment funds and any gains are also tax-free.	No.	No.
Will the account reduce health insurance premiums.	Yes, for both the account holder and the employer, if applicable.	No.	No.
Can the account reduce the out-of-pocket health care expenses of the account holder?	Yes.	Yes.	Yes.

The HSA Advantage

Triple Tax Savings

Deposits

- Pre-Tax Payroll
- Employer Contributions

Earnings

- Interest
- Investment Gains

Withdrawals

- Medical
- Dental

- Vision
- Prescriptions

All Tax Free!

After age 65 there is no penalty for any distribution, and distributions for medical expenses (including Medicare premiums) are still tax free!

Qualified and Non-Qualified Medical Expenses

Use your health care account to pay for, or get reimbursed for, a variety of health care expenses. See the complete list of qualified medical, dental, vision and pharmacy expenses in *IRS Publication 502—Medical and Dental Expenses*. See the complete list of qualified dependent care expenses for a dependent care FSA in *IRS Publication 503—Child and Dependent Care Expenses*.

Qualified Medical Expenses

- Acupuncture
- Alcoholism (rehab, transportation for medically advised attendance at AA)
- Ambulance
- Amounts covered under another health plan
- Annual physical examination
- Artificial limbs/teeth
- Birth control pills/prescription contraceptives
- Body scans
- Breast reconstruction surgery
- Chiropractor
- Contact lenses
- Crutches
- Dental treatments
- Eyeglasses/eye surgery
- Hearing aids
- Home care
- Long-term care expenses
- Medicines (prescribed, not imported from other countries)
- Nursing home
- Nursing services
- Optometrist
- Oxygen
- Stop-smoking programs
- Surgery

- Telephone equipment and repair for hearing-impaired
- Therapy
- Transplants
- Weight-loss program (if prescribed by a physician for a specific disease)
- Wheelchairs
- Wigs (if prescribed)

Non-Qualified Medical Expenses

- Babysitting, child care, and nursing services for a normal, healthy baby (may qualify under a dependent-care FSA)
- Dancing lessons
- Diaper service
- Elective cosmetic surgery
- Electrolysis or hair removal
- Funeral expenses
- Future medical care
- Hair transplants
- Health club dues
- Insurance premiums other than those explicitly included
- Medicines and drugs from other countries
- Nonprescription drugs, medicines, and supplements (unless prescribed)
- Nutritional supplements, unless recommended by a medical practitioner as treatment for a specific medical condition diagnosed by a physician
- Teeth whitening

The penalty for using HSA funds for non-qualified medical expenses is 20%. Keep all itemized receipts and copies of prescriptions for over-the-counter medications in case of an IRS audit.