

# HSA, FSA, & HRA

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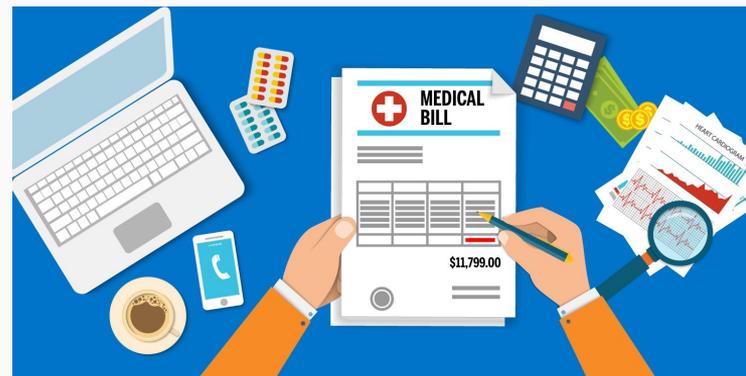


## MFC University



# Topics

1. Health Savings Account (HSA) Overview
2. Pros and Cons of HSA
3. Flexible Spending Account (FSA) Overview
4. Pros and Cons of FSA
5. Health Reimbursement Account (HRA) Overview
6. Pros and Cons of HRA



HSA, FSA, and HRA all are normally sponsored by employers health insurance. They are designed to allows individual to self-insure for medical cost and provide tax-advantages.



# HSA Overview

## Health Savings Accounts (HSA):

1. Is an account used to save for future medical expenses and reduce your taxable income.
2. To qualify for an HSA you have to use a High-Deductible Health Insurance Plan (HDHP).
3. The IRS defines a HDHP for an individual as out-of-pocket maximum of \$6,550 and a minimum deductible of \$1,300.
4. The IRS defines a HDHP for a family as out-of-pocket maximum of \$13,100 and minimum deductible of \$2,600.

# HSA Overview

## Contributions:

1. Most employer's group health plans offer an HSA that you can contribute directly into.
2. If your employer does not offer an HSA, and you have a qualifying HDHP, you can open your own HSA outside of your employer and contribute.
3. Individual HSA contribution limit is \$3,450 for 2018.
4. Individual HSA contribution limit is \$3,500 for 2019.
5. Family HSA contribution limit is \$6,900 for 2018.
6. Family HSA contribution limit is \$7,000 for 2019.

# Pros and Cons for HSA



## PROS:

1. Three tax advantages:
  - a. Goes in pre-tax into the HSA.
  - b. Grows tax free.
  - c. No taxation on any withdrawals if used for qualifying medical expenses.
2. Your HSA balance will rollover every year going forward so you will not lose your savings.
3. Some HSA plan allow you to invest in mutual funds, stocks, and bonds for growth.
4. Some employers provide funds in HSA account for employees.
5. No minimum required distributions like there are for IRAs and retirement plans.

# Pros and Cons for HSA

## Cons:

1. To qualify for an HSA you must be in a High Deductible Health Plan (HDHP). Being in one of these plans can result in high deductible and out-of-pocket cost.
2. Some individuals may want to select a health plan that has lower deductibles and better coverage. They will pay more in premiums up front. Those with health issues or families are more likely to have higher medical expenses.



# FSA Overview

Flexible Spending Account (FSA):

1. It allows for employees to save money on a pre-tax basis for qualify health care cost.
2. Three types of FSA:
  - a. General FSA - covers IRS qualifying medical expenses.
  - b. Limited Purpose FSA - Normally covers vision and dental only.
    - i. Often paired with an HSA plan.
  - c. Dependent Care FSA - covers employee's dependent care while they work.

# FSA Overview



## Contributions:

1. Employee contribution limit for 2018 is \$2,650.
2. Employee contribution limit for 2019 is \$2,700.
3. Married couples can each have their own FSA. It is limited to a combine \$5,000 contribution between them.

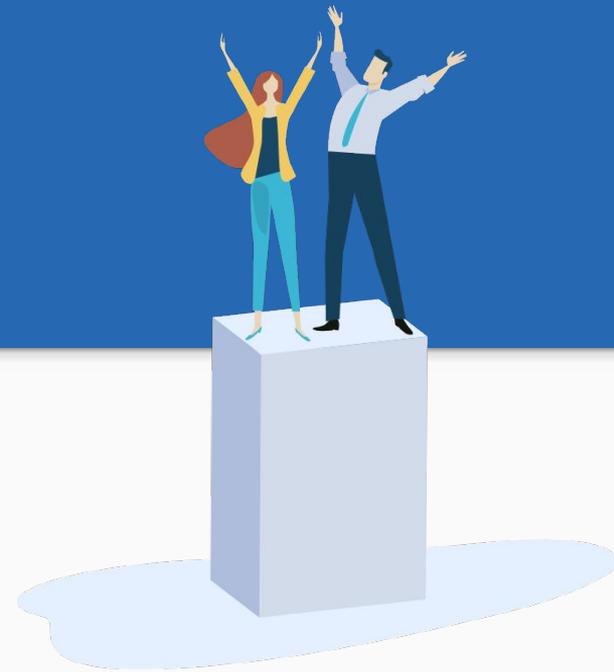
# Pros and Cons for FSA

## Pros:

1. Tax Advantage.
2. One does not have to be in a HDHP.

## Cons:

1. Use it or lose it. The balance will not roll over. There is a grace period of 2.5 months with a \$500 max at the start of the new year.
2. FSA are not portable. They are owned by the employer.



## HRA Overview

### Health Reimbursement Arrangement:

1. It is an employer's account that refund an employee's medical expense based on a pre-set agreement.
2. Own and funded by employer.
3. No government contribution limits.
4. Eligible expenses are determined by the employer.
5. Depending on plan, HRA balances may roll over each year (plan specific).
6. It is not portable.



# Pros and Cons for HRA

## Pros:

1. No cost to the employee as it is a benefit provided by the employer.

## Cons:

1. Employers determine what is an eligible expense.
2. Self-employed individuals cannot use an HRA.
3. Employee must pay for the medical expense upfront and then file a claim for reimbursement.

# Sources



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