

COMPARE & CONTRAST FSA & HRA

Let's take a look at the comparison between an FSA and an HRA. To recap:

Flexible spending account (FSA): This tax-advantage account is used to put money into in order to pay for out-of-pocket, qualified medical expenses. It is typically set up with a cafeteria (aka Section 125) plan and the money is provided by the employee.

Health reimbursement account (HRA): An account of this caliber is owned by an employer and funded by that employer. The tax-advantage plan money is available at the beginning of the year to reimburse employees for out-of-pocket, qualified, medical expenses.

Both are great options to help pay for health care costs, tax-free.

[IRS Notice 2013-54](#) made some changes that may impact your FSA or HRA.

In general, the notice mentions that employers that provide pre-tax benefits such as an FSA or HRA could face massive penalties if these plans are not in compliance.

[FSAs & HRAs] are great options to help pay for health care costs, tax free.



Does your company provide an HRA? Here's what you need to check off your list to maintain compliance.

Your HRA:

- Is integrated with an Affordable Care Act (ACA) compliant group health plan
- Isn't offered as a stand-alone benefit; unless reimbursement is for dental and vision only
- Isn't offered to pay for individual medical premiums
- Is offered to retirees only on a stand-alone basis
- However, a retiree's participation in the HRA, could possibly prevent the eligibility for a subsidy.
- Can reimburse qualified medical expenses for another, non-company sponsored group health plan
- Is a COBRA-eligible benefit

More of an FSA company? Take a look through this list to make sure you comply.

Your FSA:

- Is only offered to employees eligible for the group health plan
- Actual participation in the plan is not required
- The maximum employer benefit cannot exceed the greater of: (a) two times the employee's annual health FSA election, or (b) the employee's annual health FSA election plus \$500
- Has had its eligibility checked to ensure it is consistent with the medical plan
- Plan documents reflect the treatment of positive end of year account balances (use it or lose it, grace period, or rollover)
- Communications to employees have been updated to show maximum contribution limits an employee can make to their health FSA
- Is a COBRA-eligible benefit, if there is a positive balance in the account upon termination

