CENTERSTAGE

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March 2018

Getting to Know HSAs, FSAs, and HRAs

This month's CenterStage features Hierl Benefit Advisor, Tonya Bahr, discussing the differences, similarities, and customizations of HSAs (Health Savings Accounts) versus FSAs (Flexible Savings Accounts), as well as how HRAs (Health Reimbursement Arrangements) may be a great add-on.

About Tonya

Tonya Bahr has 15 years of experience in human resources and benefits. Throughout her HR career, Tonya has been involved in benefit plan designs, wellness program implementations, and open enrollment facilitation. She has a passion for educating employees and business owners on benefit options, helping them make decisions that best fit their personal and financial objectives.

So, which is better for you: a FSA or a HSA?

Comparing the Differences

Health Savings Accounts (HSA) and Flexible Spending Accounts (FSA) are two popular ways employers can help their employees pay for out of pocket expenses associated with their healthcare costs. Both offer pre-tax advantages, which make them attractive. However, the names of these accounts really do distinguish their purposes. **One is a SAVINGS account while the other is a SPENDING account.**

Here are some tips and advice Tonya says to keep in mind when choosing between an HSA or FSA:

1. **Unlike the FSA, an HSA is portable and flexible**. You can never lose the money in the account (both employee and employer contributions) so if you change jobs, change plan types, or don't use the money in a given year, it all goes with you. The amount you can contribute toward an HSA is greater and the balance in the account earns interest.
2. **With an FSA,** you can use the entire contribution amount upfront even if you haven't contributed the full amount.
3. **With an HSA,** you can only use the money actually in the account, but the FSA allows you to use the full contribution amount elected.
4. **You cannot contribute to an HSA and a full FSA at the same time.** However, you can have an HSA and Limited FSA. Limited FSAs can only be used toward dental and vision expenses; whereas HSAs and full FSAs can be used toward medical, prescription, dental, and vision. HSA dollars can also be used to pay Cobra premiums, Long Term Care premiums, and Medicare premiums. Once an individual reaches age 65, money in an HSA can be spent on anything. The money is no longer earmarked for qualified medical expenses.

5. **HSAs are only available with High Deductible Health Plans (HDHP).** HDHPs can seem a little intimidating at first given employees are responsible for the deductible before copays apply. However, they offer lower premiums, which is money in an employee's pocket, which can in turn be used to start funding an HSA.

	FSA	HSA
Plan Type	Traditional	HDHP
Fund Ownership	Employer	Employee
Rollover	Sometimes employers allow a small grace period	Full amount
Portable	No	Yes
Contribution Changes Allowed During the Year	No	Yes
Tax Benefit	Pre-tax	Pre-tax
Withdrawals (non-qualified expenses)	No	Yes – 20% penalty until age 65
Maximum Annual Contribution	$2,650 single/family (employers can cap this at a lower amount if they want)	$3,450 single $6,850 family $1,000 (55+)
Use of Money	Up front	As you go

HRAs

Health Reimbursement Arrangements (HRA) are a vehicle used to offset increased plan design changes and employee's out of pocket responsibility. Under an HRA, an employer purchases a plan design (typically a higher deducible option or out of pocket maximum), but they offer their employees a different plan. The difference is paid by the HRA. Employees submit their claims to a third party who manages the HRA and then in turn sends the employee funds to cover the cost of care. **This type of scenario can work well for groups that have a healthier population and don't experience high claim costs.**

The savings is in the premium reduction for going with a higher deductible option and the gamble that employees won't meet the limits of the HRA. Employers take on a risk with this type of arrangement because if a lot of members experience high claims and meet the HRA limits, the employer is the one paying to fund the HRA.

To conclude, employers can have an HRA with either an FSA or an HSA, but there are restrictions on how far down a qualified HDHP can go and still be HSA-qualified. Tonya's suggestion is to avoid this risk by contacting her and discussing your options. **You can contact Tonya Bahr at 920.921.5921 for more information.**