

how to reduce your health care costs

A Side-By-Side Comparison of Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs) and Health Savings Accounts (HSAs)

Unfortunately not all employers are equally qualified when it comes to managing their health care plans. Many recent studies have all come to the same conclusion—some employers manage their plans better than others. The difference in plan performance cannot be explained by demographics, location or plan coverage.

So why is it that one plan does better than another? The answer is simple. The plans that perform better are addressing three main areas that can positively affect costs: chronic disease management, providing cash incentives to alter employee behavior and effective communication and administration of the plan.

If you would like to learn how PrimePay can help you implement a plan that will effectively meet your needs, please contact your local PrimePay representative.



Our expertise will help answer tough questions like:

- Can an S-Corp shareholder participate in an HSA and not offer the benefit to the rest of their employees?
- Can account funds from an FSA be used for non-medical expenses?
- Can an employee still receive reimbursements from an HRA after they leave the company?

The interaction of each of these plans is complicated and quickly changing. The chart on the inside of this booklet will answer these questions and help you become more knowledgeable on the subject of health care spending accounts.

PrimePay can help you accomplish more
with fewer things on your plate.



comparison of FSAs, HRAs and HSAs

	Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)	
ACCOUNT OWNERSHIP	Who owns the account?	The Individual/Employee.	The Employer.	The Individual/Employee.
	Who funds the account?	It is typically funded by the Employee but can be funded by the Employer.	Only the Employer funds the account (Self-Employed is precluded).	The Employer or Employee (or both) or a Self-Employed Individual may fund the account. Subject to maximum contribution limits.
	How is the account funded?	A set amount of pre-tax wages, designated by the Employee, is deposited directly into an account on a per payroll basis.	The Employer reimburses the Employee when presented with a valid receipt.	The money is deposited directly into the account. Contributions can be made via payroll deduction or on an after-tax basis (tax-deductible). Allows full-year contributions for individuals who enroll in an HDHP mid-year, provided certain conditions are met.
	Is it a personal account?	Yes.	No.	Yes.
	Does interest accrue on the funds in the account?	Interest does not accrue.	Interest does not accrue.	Interest can be accrued tax-free in qualified HSAs.
PORTABILITY	Is the account portable?	No. Unused funds must be spent by the plan's year end (or by termination of employment), otherwise the individual loses the money in their account.	No. However, an Employer may choose to continue reimbursing a former Employee's expenses from the HRA depending on the plan's design.	Yes. Rollover is allowed. The individual owns the HSA and takes it when leaving their employment.
	Does the account permit rollovers?	Yes, but only up to an additional 2 1/2 months; however, there is a one-time tax free rollover to an HSA provided that certain conditions are satisfied.	Yes. See the response above. In addition, there is a one-time tax free rollover to an HSA provided that certain conditions are satisfied.	Yes. Amounts in the unused account will rollover from year to year.

ELIGIBILITY

EXPENSES / CLAIMS

	Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
Who is eligible?	Any Employee is eligible—subject to Employer-designed exclusions.	Any Employee is eligible—subject to Employer-designed exclusions. Eligibility may or may not be tied to a high-deductible health plan (HDHP).	Any Individual is eligible who is covered under a HDHP (as defined in section 223 of the Internal Revenue Code), not entitled to Medicare and not claimed as a tax dependent. With certain exceptions, the Individual cannot have any non-HDHP coverage.
Are self-employed individuals (including more than 2% shareholders of an S-Corporation and partners in a partnership) eligible to participate?	No.	No.	Yes. But they will not be eligible to participate in a cafeteria plan used to fund an HSA in their workplace. However, contributions can be made on a tax deductible basis.
What type of corresponding health plan is allowed/required?	Any type of health plan arrangement or no health plan at all.	Any type of health plan arrangement or no health plan at all.	Only a defined high-deductible health plan (HDHP).
Can account funds be used for non-medical expenses?	No. The health/medical portion of an FSA can only be used for expenses defined under section 213(d) of the Internal Revenue Code.	No. Only expenses defined under section 213(d) of the Internal Revenue Code are covered under an HRA or as specified by the plan.	Yes. However, funds used for non-medical expenses are taxed as income and incur a 10% penalty. After age 65, there is no penalty.
What medical expenses are eligible for reimbursement?	Any unreimbursed medical expenses as specified in section 213(d) of the Internal Revenue Code incurred during the coverage period. Qualified long-term care services cannot be reimbursed.	Any unreimbursed medical expenses as specified in section 213(d) of the Internal Revenue Code incurred while coverage is in effect, including premiums for eligible health insurance and long-term care insurance—for the Employee, spouse and dependents—subject to Employer-designed limitations. Long-term care services (if the HRA is an FSA) cannot be reimbursed.	Any unreimbursed medical expenses (as specified in section 213(d) of the Internal Revenue Code) of the account holder, spouse and dependents, incurred after the HSA is established, including premiums for COBRA insurance, long-term care insurance, health insurance while drawing unemployment compensation; or if 65 or older—any health insurance except a Medicare supplemental policy.

EXPENSES / CLAIMS

	Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
What is the tax treatment for the account?	Contributions to FSAs are tax-free and so reduce annual taxable income.	Reimbursements to the Employee are tax-free as long as they are used on qualified health care/medical purchases. These reimbursements are also tax deductible to the business.	Qualified HSAs are tax-free as long as funds are spent on medical expenses defined under section 213(d) of the Internal Revenue Code.
To be reimbursable, must claims be incurred during the current coverage period?	Yes.	Yes, but there is a big exception. Claims incurred, but not reimbursed, due to an insufficient HRA balance can be reimbursed in the subsequent year if the Individual was a participant when the claims were incurred and is still a participant.	Distributions for qualifying medical expenses incurred after the HSA is established will be tax-free. The expense does not have to be reimbursed at the time it is incurred. An account holder could elect to maintain receipts for a period of years before reimbursement.
Is expense substantiation required?	Yes.	Yes.	No; however, an Individual HSA owner must retain the records.
Is claims adjudication required? That is, must someone other than the covered Individual/ Employee process and approve the claim?	Yes.	Yes.	No; however, an Individual HSA owner must retain the records.

Do you need more detailed information? PrimePay can help you determine which plan is best for your business by utilizing analytical and quantitative tools to help tailor a strategy for your business.

To find your local PrimePay office, please see our Office Locations listing on www.primepay.com. Or you can go to the Contact Us link on the primepay.com website, fill out and submit the online form and we'll give you a call regarding the services you are interested in.

PrimePay • www.primepay.com