



2021 health account comparison

There are several health accounts that can offer ways to help you pay and save for healthcare expenses. These are some of the similarities and differences between these accounts.

Plan feature	Flexible Spending Account (FSA)	Health Savings Account (HSA)	Health Reimbursement Account (HRA)	Retirement Healthcare Savings Plan (RHSP)/VEBA Trust
How can I use this account?	Use to pay for current year out-of-pocket qualified medical expenses	Use to pay for current and future year out-of-pocket qualified medical expenses	Use to pay for current year out-of-pocket qualified medical expenses	Use to pay for out of pocket qualified medical expenses in retirement
Who can contribute?	Employer and/or employee	Employer and/or employee ¹	Employer only	Mandatory employer contribution and voluntary employee contribution
How are contributions taxed?	Employer and employee contributions are not taxable	Employer and employee contributions are not taxable	Employer contributions are not taxable	Employer contributions are not taxable; Employee contributions are after tax
Are earnings taxed?	Not applicable	Not taxable	Not applicable ²	Not taxable
Are distributions taxed?	Not taxable when used for qualified medical expenses ³	Not taxable when used for qualified medical expenses ³	Not taxable when used for qualified medical expenses ³	Not taxable when used for qualified medical expenses ³
Are there any annual contribution limits?	\$2,750	\$3,600 Single \$7,200 Family ⁴	No limit	No limit
Are catch-up contributions available?	Not applicable	Age 55+ and not enrolled in Medicare	Not applicable	Not applicable
Do funds carryover year to year?	Yes, if permitted under the plan—up to \$500 ⁵	Yes	Yes	Yes
Are account funds immediately available for employees to use?	Funds are available for use for qualified medical expenses on the first day of the plan year.	Yes	Yes. The employer determines the vesting schedule.	The employer determines the vesting schedule for employer contributions. Employee contributions are always immediately vested
Are rollovers available?	No. FSAs cannot rollover to a new employer.	An HSA may be rolled over to another HSA ⁶	No. Funds in an HRA belong to an employer and cannot rollover to a new employer.	No
Is enrollment into a qualified High Deductible Health Plan (HDHP) required?	No	Yes	No	No
What types of health care expenses can it be used for?	Any qualified medical expense defined under IRC Section 213(d). Health insurance premiums excluded. Limited when used with an HSA.	Any qualified medical expense defined under Section IRC 213(d), some insurance premiums for long term care insurance and COBRA defined under Section 223(d)(2)(C).	Any qualified medical expense defined under Section IRC 213(d).	Any qualified medical expense defined under Section IRC 213(d). Long-term care included.

*Check with your employer to see which, of these health care accounts are offered as part of their benefits program.



¹ Additional restrictions apply: (1) Must be covered under a qualified HDHP on the first day of any month for which eligibility is claimed, (2) Must not be enrolled in Medicare, (3) May not be covered under any health plan that is not a qualified HDHP, with exception of certain permitted coverage and certain health related payment plans, (4) Cannot be claimed as a dependent on another individual's income tax return.

² To the extent that HRAs are not funded and there are no investments.

³ Distributions for qualified medical expenses are tax-free. Any distributions prior to age 65 and not used for qualified medical expenses are subject to ordinary income tax and a 20% excise tax. Any distributions after age 65 that are not used for qualified medical expenses are taxable at ordinary income tax rates.

⁴ The contribution limits may have to be prorated on a monthly basis if a person isn't considered to be HSA-eligible the entire year.

⁵ Employer may limit amount. Alternatively, some plans may allow up to a 2½ month grace period, during which employees can be reimbursed for qualified medical expenses with funds remaining from the prior plan year.

⁶ Additional IRS regulations may apply for transfers from other tax advantaged accounts.

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