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Your HRA and FSA:

Working Together to Pay Health Care Expenses

Your health plan offers a health reimbursement account (HRA) and a flexible spending account (FSA). How are these accounts different? How do they work together?

What is an HRA?

An account that is connected to your health care medical deductible.

What is an FSA?

An account that helps pay for eligible health care expenses, including your deductible or other expenses not covered such as pharmacy copays, vision and dental.

If I have an HRA and an FSA which account will be used?

The HRA and Health Care FSA, while separate accounts, provide reimbursement of qualified medical expenses as defined by your employer and the IRS – deductible.

Should you have both accounts, expenses eligible under both plans will be reimbursed through the FSA first, then default to the HRA.

Your HRA can be used *only* for covered medical expenses applied to your deductible; you cannot use this account for prescription drug copay, dental, vision, hearing, or other types of health care expenses

You use the FSA for out-of-pocket medical, prescription drug, dental, vision, and hearing care expenses. The expenses can be for you or your dependents (even if they aren't covered by a company-sponsored plan).

What is the difference between a Health Reimbursement Account and a Flexible Spending Account (FSA)?

An HRA and FSA are all IRS-approved plans where distributions are used to pay for qualified medical expenses on a pre-tax basis. However, there are some key differences:

HRA: An HRA is a notional account funded solely by the employer. Employees may not contribute. Contributions are not included in employees' income. Employers pay only after their employees incur eligible medical expenses.

FSA: An FSA can be funded by the employer and/or the employee, though usually it is funded primarily by the employee.

Flexible Spending Account (FSA)



Contribution limits:

Individuals with an FSA make pre-taxable contributions, and as a result, reduce their tax liability. In 2020, the FSA maximum contribution is \$2,750.

The employee and qualified dependents can use the FSA to pay for a wide range of out-of-pocket medical expenses (approved by the IRS). Expenses include prescriptions, eye exams and treatments, dental care, first aid supplies, and more.

A Health Reimbursement Arrangement is an employer-owned and funded account.

Health Reimbursement Arrangement (HRA)



Contribution limits:

There are no government limits on funding; the employer determines the contribution amount in the account each plan year. The employer is the sole contributor to the HRA, therefore the employer receives the tax breaks. Contributions do not affect and are not counted against the employee's income.

Eligible Expenses:

Employees with an HRA use the funds to pay for qualified deductible medical expenses for themselves and their qualified dependents.

What expenses can I claim from these accounts?

You can use the HRA only for eligible medical expenses applied to deductible. The FSA, on the other hand, can be used for eligible medical, prescription drug, dental, vision, hearing, and other types of health care expenses. If you have an FSA, all the money you contribute for the year must be used before you can access the funds in your HRA.

Expenses you can claim...	HRA	FSA
Out-of-pocket medical expenses, like deductibles (and coinsurance if permitted)	Yes	Yes
Prescription drug copayments	No	Yes
Dental expenses not covered by your plan	No	Yes
Vision expenses including eye glasses, contact lenses, and supplies	No	Yes
Hearing care	No	Yes

Important Note: No "double dipping" allowed!

Participants cannot be reimbursed for the same expense twice (e.g. an individual cannot pay for an expense out of their HRA and then also be reimbursed for the same expense from their FSA).

What if an expense is eligible for reimbursement under both my HRA and Health Flexible Spending Account (FSA)?

This depends on your employer design for your plan. You may not choose which account will cover the expense. Your expense will be reimbursed by the plan that's set up to pay first, and when the money for that account is depleted, funds from the other account will be used toward future eligible expenses.

Expenses reimbursed under your HRA may not be reimbursed under any other plan or program, including your Health FSA – and vice versa. Your HRA and health FSA, while separate accounts, provide reimbursement of qualified medical expenses that are defined by your employer and the IRS. This means you can't submit a claim for an eligible Health FSA expense and then request reimbursement for the same expense from your HRA. There's no "double-dipping."