

# What are Medical Expense Accounts: FSAs, HSAs, MSAs, and HRAs?

*No, it's not an alphabet game! With a variety of health plan types to choose from, affordability questions extend beyond premiums. Individuals also need to consider how to pay the deductibles and other out-of-pocket expenses of their plan. Several funding strategies exist that allow individuals to set aside needed funds to do just that!*

Let's take a look at the major funding strategies designed for today's health plans, which cover out-of-pocket expenses for individuals/families. Each strategy is unique – and collectively are complex, with various rules and regulations in setting them up, facilitating them and adhering to them.

**Health Savings Accounts (HSAs):** a tax-exempt account set up with a qualified HSA trustee to pay or reimburse certain medical expenses you incur, including deductibles of a [HDHP plan](#).

**Medical Savings Accounts (MSAs):** referred to as Archer MSAs, created to help self-employed and employees of certain small employers meet medical care costs not covered by their HDHP plan.

**Flexible Spending Arrangements (FSAs):** allows employees to be reimbursed for medical expenses. Typically funded through voluntary salary reduction agreements with the employer. Health FSAs are employer-established benefit plans and any contributions into a FSA are tax free.

**Health Reimbursement Arrangements (HRAs):** funded solely by the employer, not through voluntary salary reduction. Employees are reimbursed tax free for qualified medical expenses up to a maximum amount. It may be available along with other health plans including FSAs.

Please be advised, IRS regulations and governmental oversight subject these plans to frequent changes. Stay updated and current with the latest information pertaining to these strategies by accessing Publication 969, available online at [irs.gov](https://www.irs.gov).

## Frequently Asked Questions

**Q** What is meant by a qualified 'trustee'?

**A** A qualified trustee is recognized as an organization trained, licensed and qualified to manage these types of funding strategies. I.e. banks, insurance companies, [TPAs](#), etc.

**Q** How can I determine which option is the right choice for my organization?

**A** Third Party Administrators, in partnership with your trusted benefits agent, are excellent resources and can provide detailed advice and guidance in selecting the right choice for your organization's specific needs.

Funding Strategy Attributes:	HSA	MSA	FSA	HRA
Provide funds to cover out-of-pocket medical expenses.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Can only be set up in conjunction with HDHP plans.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Must be set up with an approved trustee.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sets limits on the amount contributed per year.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Employee contributions are tax-exempt.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Account moves with the employee – even if there is a change of employer.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Distributions made as reimbursement or prior to paying bill.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Available only to self-employed or employee of small employer (< 50 employees)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
End of year balance of account can be carried over to the next year.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Set up as employer-established benefit plan – funded by employee with funds voluntarily withheld from pay. Employer may also contribute.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Funded solely by the employer with contributions being tax-exempt.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
End of year unused balance is forfeited.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Distributions from account are for reimbursement only.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>