



HRA vs. HSA – What's the difference?

For 2020, employee's selecting the PEIP HSA Compatible Plan have their choice of receiving a \$2,400 City Contribution into either an HSA or an HRA. Trying to decide which one to select? Read on!

| QUESTIONS | HSA | HRA |
|--|---|--|
| What does it stand for? | Health Savings Account | Health Reimbursement Arrangement |
| Who is eligible? | Employees enrolled in the PEIP HSA Compatible Plan who do not have other health coverage, including Medicare, Tricare or a spouse's health insurance (unless it, too, is an HSA Qualified High Deductible Plan), etc. | Any employee enrolled in the PEIP HSA Compatible plan. |
| How much will the City contribute? | \$2,400 for the year; or \$1,200 for those enrolled on or after July 1 | \$2,400 for the year; or \$1,200 for those enrolled on or after July 1 |
| Can I also contribute my own money through payroll deduction? | Yes | No |
| How much of my own money can I contribute? | For an employee under age 55 by 2020 year end, the annual employee contribution limit to an HSA for single coverage is \$1,150 and for family coverage is \$4,700. For an employee age 55 or older by 2020 year end, the annual employee contribution limit to an HSA for single coverage is \$2,150 and for family coverage is \$5,700. | Employee contributions are not allowed. |
| What can the money be used for? | Qualifying medical, dental and vision expenses listed in IRC 213(d). HSA funds may not be used for Medicare Medigap policies, but may be used for COBRA premiums and long-term care insurance premiums. | Qualifying medical, dental and vision expenses listed in IRC 213(d). HRA funds may be used to pay for retiree health insurance premiums, including Medicare Supplement premiums, as well as COBRA premiums and long-term care insurance premiums. |
| Whose expenses can be paid out of my account? | Expenses for you, your spouse and your tax-dependent children, regardless of whether or not they are covered under the City's health insurance plans. | Expenses for you; and your spouse and children under age 26 if they are on the City's insurance or if you can attest that they have other health insurance. |
| How do I get access to my funds? | Through a debit card, or by submitting a disbursement request online or via fax. | By submitting a claim form with documentation supporting the expenses. Request can be made online, by fax or mail. |
| Do I have to supply proof of the expense? | No – not to gain access to your funds. But you should keep receipts for all HSA-funded purchases in case of an IRS audit. | Yes, a receipt or other valid documentation must be provided at the time you request a disbursement. |
| Who owns the account? | The Employee | The City's VEBA trust. |
| Will I earn interest on the funds in my account? | Yes | Yes |
| Can I select my own investments? | Yes, but to elect a fund other than the default option you must have a balance of \$2,000 or more in your HSA. | Yes, there are five investment options. |

HRA vs. HSA – What's the difference? (Continued)

| QUESTIONS | HSA | HRA |
|--|--|---|
| Do unused funds roll over to the next year? | Yes | Yes |
| Will I still have access to my funds if I leave employment with the City? | Yes | Yes |
| Are cash outs permitted? | Yes, but distributions for anything other than an eligible medical expense will be subject to an excise tax. The excise tax is waived if you are age 65 or older. | No |
| Can I also participate in a Flexible Medical Account? | Yes, but only for qualifying vision or dental claims and qualifying medical claims that exceed the minimum deductible limit of \$1,400 single/\$2,800 family. Minimum contribution is \$130, maximum contribution is \$2,700. | Yes, Qualifying medical, dental and vision expenses listed in IRC 213(d). Minimum contribution is \$130, maximum contribution is \$2,700. |
| Can I still have access to my existing HRA if I select an HSA for 2020? | Yes, but only for qualifying vision or dental claims and qualifying medical claims that exceed the minimum deductible limit of \$1,400 single/\$2,800 family. | N/A |
| Can I name a beneficiary? | Yes, the account holder designates a beneficiary. | Yes; if you do not have a spouse or children. If you have a spouse and/or dependent children the money would be distributed to them before a named beneficiary. |