

HRA and HSA Comparison Chart for Congregations

While the chart explains the details on the differences between a health savings account (HSA) and a health reimbursement arrangement (HRA), here is a helpful summary of key differences.

When a congregation deposits money into an employee's health savings account (HSA), that money becomes the employee's. The employee can essentially "withdraw" funds from the account for a range of medical, dental, and vision expenses.

Conversely, the health reimbursement arrangement (HRA) is not a true account. It is more of a "promise to pay." When a congregation allocates, for example, \$500 to an employee's HRA, the money remains part of the congregation's assets until the employee requests a reimbursement. Funds from the HRA can be used only to meet the health plan's deductible.

Both of these enable a congregation to provide financial assistance with the medical expenses of their employees. Which option works best for your congregation depends on your situation, as well as the needs of your employees. Please review the comparisons below, and call if you have questions: (574) 307-5771.

	HRA for Mennonite Church USA	HSA
Type of account	Not a true account, but a "notational" account created and owned by the employer. Employer designates funds to reimburse deductible expenses as needed.	Individual account established and owned by employee.
Who makes the rules about the account	Some aspects are legally required, others were decided by Mennonite Church USA.	All features of are controlled by Section 223 of the Internal Revenue Code.
Which employees are eligible to have an account	All employees enrolled in any CEP (Congregational Employee Plan) deductible option, regardless of whether they have coverage under any other health or reimbursement plan, are eligible. Individuals considered to be self-employed for federal income tax purposes are not eligible. The final determination on whether or not a pastor is considered self-employed should come from an expert in tax accounting for pastors.	Employees enrolled in a qualifying high-deductible health plan. All deductibles available in CEP. Employees are not eligible if they are enrolled in Medicare (Part A, B, or D), covered by another non-qualifying health plan, participating in a medical expense reimbursement plan, or eligible to be claimed as a dependent on another's tax return, to name a few IRS requirements.
Account owner	Employer.	Employee, even after termination of employment.
Who can contribute	Employer only.	Employer, employee, or both.

	HRA for Mennonite Church USA	HSA
Limit on contributions	No statutory limit.	<p>Yes, set by IRS each year. In 2026:</p> <ul style="list-style-type: none"> • \$4,400 for self-only coverage • \$8,750 for family coverage <p>Individuals age 55 and older may contribute an additional \$1,000 each year.</p> <p>The contribution limit includes employer and employee contributions. Specific rules apply if not eligible for entire year.</p>
Tax treatment of contributions	Employer contributions are not taxable income. Non-discrimination requirements apply.	<p>By employer: Not taxable income and must be comparable for all employees in same category of employment (part-time/full-time*) and health coverage (self-only/family), unless made through a Section 125 plan. Contributions through a Section 125 plan are subject to non-discrimination requirements.</p> <p>By employee: Contributions through a Section 125 plan are pre-tax. Contributions made directly to an HSA are claimed as an above-the-line deduction on tax return.</p>
Expenses that qualify for reimbursement	CEP health plan deductibles only.	Any expense for medical care as defined by Section 213(d) of the Internal Revenue Code (except health premiums). Includes medical, dental, vision, and prescription drug expenses. Long-term care insurance premiums (tax-deductible portion), Medicare Part A, B, and D premiums, and Medicare Advantage premiums are also eligible expenses (but not Medicare supplement premiums).
Account balance at year end	Retained by employer.	Remains with employee and available for future expenses.
Account balance when employment ends	Retained by employer.	Remains with employee and available for future expenses. May continue to take distributions, but may only contribute if eligible.
Requirements for reimbursement	Substantiation is required. Employee must submit receipt with reimbursement request.	Substantiation is not required or managed by the HSA trustee or custodian. Employee retains receipt to verify if audited by IRS.
Tax reporting	Not required.	Employer must report employer contributions and employee contributions made through a Section 125 plan on employee's W-2. Employee must report HSA contributions and distributions on federal income tax return (form 8889).
Limits on having other medical reimbursement accounts	No. Can coordinate with medical flexible spending accounts, according to employer's plan design.	Individuals cannot participate in both a full flexible spending account (or HRA) and an HSA that reimburse the same benefits. Individuals can participate in a flexible spending account restricted to dental and vision expenses (or a flexible spending plan coordinated with HSA rules).

*Note that the IRS defines full time as a minimum of 30 hours a week.