

How POP, FSA, and HRA Work Together

IRS Code	Section 125 of IRS Code		Section 105 of IRS Code
Law Summary	Allows employees to choose pre-tax benefits		Allows employers to reimburse employees tax-free for medical expenses
Plans	POP Premium Only Plan	FSA Healthcare Flexible Spending Account	HRA Traditional Health Reimbursement Account
Other Plan Names Used	Section 125 POP Cafeteria Plan	Flex Plan Medical FSA	Integrated HRA 213(d) HRA
Purpose of Plan	Pay insurance premiums pre-tax	Pay out-of-pocket medical/dental/vision expenses pre-tax	Employer reimburses employee for eligible medical expenses

Employers must have a POP Document in place if they are offering benefits with pre-tax payroll deductions. Employers can also offer an HRA, and it may be combined with Section 125 plans such as an FSA.

Example of Plan Design and How They Can Work Together.	POP	FSA	HRA
	Employees' share of insurance premiums is deducted pre-tax from their paycheck. This lowers taxable income right away.	Employees can choose to put their own pre-tax dollars into an FSA, up to \$3,400 in 2026 (projected). These funds can be used for eligible medical, dental, and vision (Section 213(d)) expenses.	Employer provides each employee with \$500 in an HRA to cover IRS-approved Section 213(d) expenses (e.g., copays, prescriptions, lab fees). Expenses are reimbursed tax-free using employer money.

Example Claim in Action	<p>An employee has a \$200 prescription:</p> <ol style="list-style-type: none"> 1. The claim is run through their HRA first (employer dollars). 2. If the HRA balance runs out, eligible expenses can then be paid from the employee's FSA. 3. If neither account has funds, the employee pays out of pocket.
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How it Works Behind the Scenes	<p>Employees receive one debit card for both FSA and HRA.</p> <p>MoneyWise (the administrator) programs the card so that charges pull in the right order:</p> <ul style="list-style-type: none"> - HRA funds first (employer money) - Then FSA funds (employee money) <p>Employees don't have to decide which account to swipe — it's automatic.</p>
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