Making Sense of HSAs and HRAs

Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs) are consumer-driven products that are transforming the healthcare industry by creating **active** health consumers. These accounts are in conjunction with high deductible health plans and should be viewed as **extremely flexible** spending plans. Active consumers make better personal choices about their health care based on credible health care information and financial incentives.

HSA and HRA products are designed with the new health care consumer in mind. Each product offers a medical plan, coverage for preventative and a health care bank account your employees control and access themselves to cover some of the costs of medical services outside preventative care. These plans transform consumers from passive health plan members into **value-conscious** consumers.

HRAs vs. HSAs

	HRA	HSA
ER Owned Acct	yes	no
Funds Rollover	no	yes
Funds Transferable if EE terminates	no	yes
ER contributes	yes	optional
EE contributes	no	yes
IRS limitations	no	yes
ER $$$ are tax deductible	yes	yes

HRAs offer the funding option that gives employers the most control. The Employer determines what services are covered and retains control over unused funds. Employer saves premium dollars by enrolling on a health plan with a higher deductible. Savings are used to help fund the account. Employers can contribute anywhere from $50 to $5000 per employee. Employers are only responsible to keep 1/24% of the total funded available in this separate account.

HSAs are setup through financial institutions in the employees' names and allow them to save and pay for medical expenses tax-free. Additional items such as dental and eyeglasses can be deducted tax-free but do not accrue to the medical deductible. Employees are limited to save up to the annual calendar year deductible. Requires enrollment in a High Deductible HealthPlan (HDHP).