HRA vs. HSA

Employers are looking to consumer-driven health plans to help control costs, as health care costs continue to increase at an alarming rate. Such consumer plans include MSAs, HRAs, HSAs, and FSAs. Below you will find information on the HSA and HRA to help you understand the difference between two of the more popular consumer driven plans.

	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)	**ADVANTAGE of Health Reimbursement Arrangement (HRA)**
Overview	An employer funded benefit plan, without any salary reduction, that reimburses employees for qualified medical expenses.	An account created in conjunction with a High Deductible Health Plan (HDHP) to pay for qualified medical expenses.	The HRA was created in 1954 and over the last 50 years has been thoroughly reviewed, clarified and tested. The HSA was created in late 2003 and many clarifications are still pending.
Eligibility	Any employee that satisfies the employer established non-discrimination rules under IRC § 105(h).	Any individual covered under a qualifying HDHP and not qualified for Medicare or under another non-qualifying health plan.	The HRA does not require a High Deductible Health Plan.
Health Plan Requirements	None.	Must have a qualifying HDHP. For individual coverage an annual deductible no less than $1,150 with a maximum annual out of pocket limit of no more than $5,800. For family coverage an annual deductible no less than $2,300 with an annual out of pocket limit of no more than $11,600.	The HRA will work with any Health Insurance policy, regardless of deductible amounts and out of pocket maximums.
Ownership	Owned by the employer, however an employer may allow a former employee access to any accrued funds.	Owned by the individual.	HRA funds are owned by the employer and are not lost to an employee who leaves or is terminated.
Funding	Employer funded.	Employer and/or employee funded.	Employer controls funding amounts of the HRA.
Contribution Limits	Unlimited. **Within plan parameters.*	100 % of the deductible or $2,900/$5,800, whichever is less. **Born before 1952, add $1,000.*	The HRA is unlimited, while the HSA is restricted to a maximum funding of $2,900/$5,800 (individual/family) per year.
Tax Treatment	Non-taxable to the employee, deductible by the employer	Employer portion is non-taxable to the employee and deductible by the employer. Employee funding is typically a post-tax contribution and deductible as a personal expense on the 1040, unless a § 125 plan is in place.	100% of HRA funds are non-taxable.
Non-Discrimination Requirements	Subject to non-discrimination requirements under §105(h).	Employer must make "comparable" contributions for all employees.	With an HRA, the employer has the ability to exclude certain employees (i.e. Part-time, Age, Length of service)
Allowed Benefits	Reimbursement of qualified health insurance premiums and medical expenses under § 213 (including OTC drugs).	Reimbursement of qualified medical expenses under § 213 (including OTC drugs).	The HRA can be used for health insurance premiums, while the HSA cannot.
Portability	Pursuant to employer's Plan.	Belongs to the individual.	The employer retains HRA funds.
Carry over	Unused funds may be carried forward to subsequent years.	Unused funds may be carried forward to subsequent years.	
Administration	Generally self-administered or TPA.	Funds held by qualifying trustee, directed by individual.	With the HRA, funds are not transferred to/from a third party.

NOTE: Insurance regulations may prohibit the reimbursement of health insurance premiums in your state. For additional details, please contact a BASE® Benefit Specialist.