

## Comparison of HRA & HSA Features

	<u>HRA</u>	<u>HSA</u>
<b>The Governing Law</b>	Section 105	Section 223
<b>What does the Law do?</b>	Allows employers to reimburse employee medical expenses	Allows individuals and employees to pay for certain medical expenses tax free
<b>What Health Insurance may be used</b>	Any. No prescribed plan design; employers usually use a High Deductible plan to maximize ER savings	A certain kind of plan called a High Deductible Health Plan (HDHP) which has a certain plan design prescribed by law.
<b>Are both of these approaches considered Consumer Directed Health Care (CDHC)?</b>	Yes. However, employees are spending ER money not their own which may not promote optimal wise decision making	Yes. The HSA forces ee's to make wise health care purchasing decisions because they are spending their own money.
<b>How does it work?</b>	ER can agree to reimburse medical expenses of employees. Usually the employer will agree to reimburse some or all of the deductible, possibly some Rx costs.	An HDHP is implemented as either a full replacement or as part of a selection of plans then a Savings Account is opened.
<b>Who pays the premium for the insurance</b>	The ER will pay the premium and may ask employees to pay a certain percentage just as now.	Same as HRA
<b>Who funds the HRA or HSA?</b>	The employer funds or reimburses employees as employer has agreed to do.	The employer and/or the employee may fund/make deposits into the ee's Health savings accounts.
<b>Who owns and controls the money going into the HRA and HSA?</b>	The Employer.	The Employee.
<b>May an employer recoup funds if an employee terminates?</b>	With the HRA the employer doesn't put any money out until an ee has a claim. Money paid to toward a claim cannot be recouped.	No. Once the employer puts money into an ee's savings account, it is not forfeitable. It is owned and controlled by the employee.
<b>May the funds be carried over year after year?</b>	Employer's decision at time of setting up the plan.	The funds are portable and may be carried over indefinitely year after year.
<b>Employee contributions (deposits) tax free</b>	Not applicable/Employees do not contribute	Yes
<b>Employer deposits to ee's HSA or reimbursements under the HRA tax deductible to the ER?</b>	Yes	Yes
<b>Are deposits subject to annual dollar limits</b>	Employer decides what amounts to reimburse	Yes. By law all deposits (called contributions) are capped at 100% of the deductible for a given year.
<b>Can insurance premiums be paid out of the HSA or reimbursed out of the HRA?</b>	Yes.	Health insurance premiums cannot be paid from HSA funds. *

\* Some insurance premiums can be paid with the HSA fund but not health insurance premiums.