HSAs and HRAs: The Differences

While high-deductible health plans (HDHPs) coupled with a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA) are alike in their design to encourage consumers to play a bigger role in the decisions affecting their health care, there are several key differences between these two separate funding vehicles.

	HSA	HRA
What are the key design features of an HDHP?	An HDHP with an HSA must meet IRS guidelines, including minimum deductibles and out-of-pocket maximums.	An HDHP with an HRA has no requirements. You can design a plan around your company's needs.
What type of limits does the account include?	By law, HSAs have maximum amounts that may be contributed to the account, and minimum health plan deductibles and out-of-pocket maximums under the HDHP.	HRAs let you design a plan that meets your needs with employer-specified contribution amounts.
Who can contribute, and how much?	For 2009, employers and employees can contribute to HSAs up to: ■ $3,000 a year for Individual coverage* ■ $5,950 for Family coverage* Those individuals who are 55 and older may make "catch-up" contributions of $1,000 per year (for 2009 and all years going forward).†	Only employers can contribute to an HRA. Employers decide the amount allocated to each eligible employee each year.
Who owns the account?	Since employees own their HSA accounts, balances remain with them if they change jobs.	Employers own HRAs, so HRA balances remain with the employer if the employee changes jobs.
Who manages the account?	By law, HSAs must be established with a bank or other qualified financial institution. BCBSD offers integrated HSAs through a qualified financial institution.	HRAs are administered by Blue Cross Blue Shield of Delaware (BCBSD).
Do funds roll-over from year-to-year?	Funds automatically roll-over from year-to-year.	Funds may or may not be rolled-over from year-to-year, in whole or in part, subject to the employer's discretion.
What tax advantages does the account offer?	Employer and employee contributions to HSAs are tax-excludable by an employee. HSA withdrawals to pay for or reimburse qualified medical expenses** are tax-exempt.	Employer contributions to HRAs are tax-excludable by an employee. Employee reimbursements or payments made from an HRA are tax-exempt.**
Can you invest the accounts?	Account balances earn interest and may be invested. Interest and investment gains are tax-excludable by an employee.	Accounts are generally not invested and do not earn interest.

**For 2009, the minimum deductible is $1,150 for an Individual HDHP and $2,300 for a Family HDHP. The calendar year in-network, out-of-pocket maximum is $5,800 for an Individual HDHP and $11,600 for a Family HDHP. Out-of-network deductible, coinsurance and out-of-pocket maximums accumulate separately from in-network accounts. All of these amounts are subject to annual cost-of-living indexing after 2009.*

†Eligibility to contribute to an HSA is determined by the effective date of the HDHP coverage. If an individual is not covered under a qualifying HDHP on December 1, the contribution depends on the number of months he/she has HDHP coverage during the calendar year and is a pro-rata contribution. If an individual is covered under a qualifying HDHP on December 1, he/she is treated as an eligible individual for the entire current calendar year. If he/she ceases to be an eligible individual during the following calendar year, the excess contribution amount above the pro-rata contribution is included in income and subject to a 10 percent additional tax.

*** HSAs generally permit payment or reimbursement of qualified medical expenses as defined by Section 213(d) of the Internal Revenue Code. For HRAs, employers generally limit reimbursements to a smaller category of Section 213(d) qualified medical expenses. As required by law, HRAs and HSAs are permitted to pay or reimburse qualified medical expenses incurred by a qualified individual (an employee, spouse and/or dependent children as defined under applicable federal laws and regulations).*