

Difference Between HRA and HAS

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Key Difference – HRA vs HSA

Both Health Reimbursement Arrangement (HRA) and Health Savings Account (HSA) are two health benefit plans designed to offer affordable health care coverage to employees in the United States in order to cover their health care expenses. Both plans share a similar objective, there are specific differences between them. The key difference between HRA and HSA is that **HRA is an employer funded health benefit plan that reimburses for medical expenses including personal [health insurance](#) policy premiums of employees** whereas **HSA is also a tax-advantaged health benefit plan exclusively available to taxpayers in the United States who are enrolled in a High-Deductible Health Plan (HDHP).**

What is HRA?

HRA (Health Reimbursement Arrangement) is an employer funded health benefit plan that reimburses for medical expenses including personal health insurance policy premiums of employees. Here, the employer makes contributions to an account where reimbursements are provided for eligible medical expenses. HRA is a national health benefit plan where no funds are expensed until reimbursements are paid and the funds roll over and accumulate over the years if they are not withdrawn. Employers facilitate reimbursement to employees only after the employees incur approved medical expenses. The amount of funds that an employer can contribute is limited in certain HRAs.

E.g. Annual employer contributions for HRAs in small businesses are at \$4,950 for a single employee and \$10,000 for an employee including family

HRA can reimburse any medical expense qualified under IRS (Internal Revenue Services) section 213 of the Internal Revenue Code. However, employers can decide which medical expenses to reimburse according to their company policies within IRS guidelines. This means that employers do not have to cover all types of medical expenses.



HRAs have benefits to both employers and employees. For employees, this provides medical coverage for a number of medical conditions. Furthermore, HRA is fully funded by the employer and funds are available from the first day of coverage. From the point of employers, HRA serves as an employee retention tool and tax advantages are also offered by the IRS.

What is HSA?

HSA (Health Savings Account) is also a tax-advantaged health benefit plan exclusively available to taxpayers in the United States who are enrolled in a High-Deductible Health Plan (HDHP). HDHP is a health insurance plan that offers lower premiums and higher tax deductibles than a conventional health plan. The minimum deductible amounts for an HSA-eligible HDHP are established by the Treasury Department every year. The Treasury Department specifies employees the information and resources they need in order to make informed health care decisions for themselves and their families.

Federal [income tax](#) is waived off from the funds contributed to HSA at the time of deposit. Funds roll over and accumulate year over the years if they are not withdrawn. Employees are also allowed to withdraw funds for non-medical expenses; however, in that case, a penalty will be applicable. In this aspect, HSA is very similar to an [individual retirement account \(IRA\)](#). Furthermore, like in HRA, there is a maximum limit of funds.

What are the similarities between HRA and HSA?

- Both HRA and HSA have a list of eligible medical expenses that can be claimed via either plan.
- In both HRA and HSA funds are rolled over and accumulated if they are not withdrawn.

What is the difference between HRA and HSA?

HRA vs HSA	
HRA is an employer funded health benefit plan that reimburses for medical expenses including personal health insurance policy premiums of employees.	HSA is also a tax-advantaged health benefit plan exclusive available to taxpayers in the United States who are enrolled in a High-Deductible Health Plan (HDHP).
Enrollment in HDHP	
There is no mandatory requirement for an employee to be enrolled in HDHP to be eligible for HRA.	HSA is exclusively available for employees enrolled in HDHP.
Sponsor	
Employer takes out the HRA on behalf of the employee.	Employee takes out the HSA.

Summary – HRA vs HSA

The difference between HRA and HSA is that HRA is a health benefit plan taken out by the employer on behalf of the employee while the employer takes out the HSA. It is important to note that these two plans are not health insurances although funds of HRA can be used to pay health insurance premiums. In both plans, tax advantages are available and funds are rolled over the years if they are not withdrawn.

References:

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