

Difference Between HSA and PPO Health Insurance

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Key Difference – HSA vs PPO Health Insurance

Many individuals use health benefit plans to cover their medical expenses when in need. Among a number of such plans, HSA (Health Savings Account) and PPO Health Insurance (Preferred Provider Organization) are two popular choices for a similar requirement in the United States. The key difference between HSA and PPO health insurance is that **HSA is a tax-advantaged health benefit plan exclusively available to taxpayers in the United States who are enrolled in a High-Deductible Health Plan (HDHP)** whereas **PPO is a cost sharing health plan that collaborates with medical services providers such as hospitals, doctors and other medical specialists to create a network of participating providers.**

What is HSA?

HSA (Health Savings Account) is 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 individuals the information and resources they need to make informed health care decisions for themselves and their families. Funds can be withdrawn for a number of qualified medical expenses including vision and dental related costs.



Contributions to HSA is not taxed and the funds in the account grow tax-free. Further, distributions for qualified medical expenses are tax waived off as well. Funds in HSA is accumulated over the years where individuals can spend many years before using the funds. 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 is PPO Health Insurance?

PPO (Preferred Provider Organization) is a cost sharing health plan that collaborates with medical services providers such as hospitals, doctors and other medical specialists to create a network of participating providers. If a patient uses participating providers in the network, the charges will be lower compared to consulting a provider outside the network. Once a patient sees a doctor who is a part of this program, the patient will pay a part of the cost and the PPO will pay the remainder. PPO health insurance is a convenient choice for patients who require special attention and want the freedom to select a number of service providers without needing a referral. This type of health plan is often characterized with high premiums and usually a copay (a fixed amount the patient has to pay prior to receiving a service from the medical specialist). PPO plans are largely different from one another especially with regard to out-of-network coverage.



Since PPO contributes to a part of the cost, they will need to ensure that the health care service is absolutely necessary for the patient. As a result, the patient is required to obtain pre-authorization before expensive tests and treatments where payment will not be made by the PPO if there is no authorization.

What is the difference between HSA and PPO Health Insurance?

Loyalty vs Honesty

HSA is a tax-advantaged health benefit plan exclusively available to taxpayers in the United States who are enrolled in an HDHP.

PPO is a cost sharing health plan that collaborates with medical services providers such as hospitals, doctors and other medical specialists to create a network of participating providers.

Enrollment in HDHP

HSA is exclusively available for individuals enrolled in HDHP.	To apply for PPO health insurance there is no requirement of HDHP.
Cost	
Costs incurred are claimable in HSA if they were incurred for qualified medical expenses.	In PPO health insurance costs are shared among the patient and the PPO provider.
Premium	
HSA incurs low premiums.	Premiums in PPO health insurance is generally high.
Pre-authorization	
Under HSA pre-authorization is not required.	PPO health insurance requires pre-authorization from the service provider.

Summary – HSA vs PPO Health Insurance

The difference between HSA and PPO health insurance is a distinct one where HSA reimburse for qualified medical expenses while PPO health insurance builds a network of medical service providers to choose from without the need for referrals. It is important to note that these two plans are not health insurances. The related costs and benefits should be carefully considered in selecting either plan since the premiums and other payments charged are very different to one another.

References:

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