



CONSUMER-DIRECTED HEALTH PLANS

	Health Savings Account (HSA)	Health Reimbursement Accounts (HRA)	Flexible Spending Accounts (a/k/a 125 Plans)
What it is	A tax-sheltered saving account that is dedicated for medical expenses, tied to a high-deductible health insurance plan	An employer reimbursement plan for employees for qualified health expenses NOT covered by a group health insurance plan (e.g., deductibles, co-insurance amounts, etc.)	IRS Section 125 employer-established cafeteria plans that allow employees to have payroll deductions on a pre-tax basis and placed into an account that can be used to pay specific expenses (e.g., dependent care, medical costs, benefit plan premiums)
Deductible	Employee must be covered by a high-deductible health insurance plan; law requires at least \$1,000/year for individuals and \$2,000/year for families		
Unused balances can be carried over from year to year	Yes	Yes	No – unused funds are forfeited by the employee
Ownership	Employee	Employer	
Account Interest and dividends	Belongs to employee	Belongs to employer	
Portable (can be rolled over if the employee changes jobs)	Yes	At employer discretion; subject to COBRA continuation coverage requirements	Account cannot be maintained if the employee no longer works for the employer
Contributions to the account	May be made by the employer OR the employee – but not both	Made by employer	May be made by either the employee or employer (though more typically by the employee)
Contribution limits	Single coverage = 65% of deductible Family coverage = 75% of deductible	No statutory limits; limits may be set by employer	No statutory limits; limits may be set by employer



	Health Savings Account (HSA)	Health Reimbursement Accounts (HRA)	Flexible Spending Accounts
Benefits to the employer	Employer can receive employment tax savings on employee contributions made through salary reduction plans; deposits into the spending account are tax-deductible; reduces premium costs; Employers can provide employees an affordable and accessible means for medical care; can attract desirable employees by offering competitive benefits;	Employers qualify for preferential tax treatment of funds placed in a HRA; greater flexibility in benefits design; less expensive health plan	
Benefits to employees	Autonomy over the account and over health care costs; users can pay for services directly, bypassing reimbursement delays; employees benefit from tax-free growth; lowers an employee's taxable income; gives employees more choice and control over their health-care spending; provides opportunities for tax-deferred investments; can be used for post-retirement health expenses	More control and flexibility of benefits choices; reimbursements are tax-free	Funds set aside in a flexible spending account escape both income tax and Social Security tax; allows employees to pay for their payroll deducted health, dental, life and disability premiums on a pre-tax basis; reserves the employee's pre-tax dollars to pay for: a) health care expenses not covered by insurance (e.g., co-payment deductibles, eye exams, dental care, etc.), and b) eligible dependent care.