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New Research from EBRI:

HSAs More Effective at Consumer Engagement Than HRAs

WASHINGTON—Which type of health plan is more likely to get workers involved in their own health care: Health savings accounts (HSAs) or health reimbursement arrangements (HRAs)?

The two account-based types of health insurance are similar, but a new report from the nonpartisan Employee Benefit Research Institute (EBRI) finds that people with HSAs are more likely to engage in cost-conscious behavior related to use of health care services than are those in HRA.

For example, HSA participants are more likely to report that they asked for a generic drug instead of a brand name; checked the price of a service before getting care; asked a doctor to recommend less costly prescriptions; developed a budget to manage health care expenses; and used an online cost-tracking tool provided by the health plan, according to the EBRI data.

Adults with an HSA were also more likely than those with an HRA to be engaged in their choice of health plan. Individuals with an HSA were more likely than individuals with an HRA to report that they had participated in a health-risk assessment, health-promotion program, or biometric screening program when it was available.

“HRAs and HSAs may be similar, but there are some key differences that may produce different incentives related to using health care services, and different consumer engagement experiences,” said Paul Fronstin, director of EBRI’s Health Research and Education Program, and author of the report. “The data show that those with an HSA were more likely to respond to health pricing than were those with an HRA.”

An HSA is owned by the individual with the high-deductible health plan and is completely portable. There is no annual use-it-or-lose-it rule associated with an HSA, as any money left in the account at the end of the year automatically rolls over and is available for future use. Both individuals and employers are allowed to contribute to an HSA. Distributions from an HSA can be made at any time. An individual need not be covered by a high-deductible health plan to withdraw money from the HSA. This means that individuals who do not use all the money in their HSA during their working years can use it to pay out-of-pocket expenses when they are retired.

In contrast, an HRA is an employer-funded health plan that reimburses employees for qualified medical expenses. HRAs are typically set up as notional arrangements. Leftover funds at the end of each year can be carried over for future use (at the employer's discretion), allowing employees to accumulate funds over time. In principle, at least, this provides an incentive for individuals to make health care purchases responsibly. However, an employer is not required to make the unused balance available to a worker when he or she leaves.

Ultimately, an HSA creates a stronger financial incentive than an HRA for workers to be more engaged in their health care because the account is owned by the worker and completely portable upon job change, EBRI found. Other research has also found that HSA plans have a greater effect than HRA plans on the use of health care services and the cost per episode.

The full report, "Consumer Engagement Among HSA and HRA Enrollees: Findings from the 2013 EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey," is published in the June 2014 *EBRI Notes* and is available online at www.ebri.org

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