



Understanding Health Spending Accounts



Why a Health Spending Account?

A Health Spending Account (HSA) is a non-taxable, flexible option that allows employers to determine the annual amount they want to contribute towards employee medical/dental expenses.

Health Spending Accounts allow employers to manage costs by capping the number of benefit dollars available each policy year.

HSA's are useful for more than just cost containment:

- Employees are empowered to choose how to spend their benefit dollars resulting in increased job satisfaction.
- Better employee understanding of their benefits with an appreciation for the cost of benefit packages.
- Employees can supplement core insurance coverage for expenses that may not be covered.

Who is eligible?

In addition to the Plan Member, HSAs offer a broader definition of eligible dependents compared to insured plans. Eligible dependents can include any blood relative, provided they meet the conditions established by the Canada Revenue Agency (CRA).

What expenses are covered under an HSA?

Funds in both a Top-Up or Stand-Alone HSA can be used to reimburse a wider range of expenses* such as:

- Any medications dispensed by a pharmacist
- Medical Cannabis
- Medical equipment (i.e., wheelchair, crutches)
- Practitioners defined by the CRA
- Glasses or contact lenses
- Dental work including orthodontics
- Deductibles, co-insurance, or amounts in excess of insured plan maximums

Types of Health Spending Accounts?

Stand-Alone

Plan members receive a OneCard which enables real-time claims submission at the pharmacy, dentist or practitioner's office.

Plan members can also submit claims for reimbursement.

Stand-Alone HSA plans can include additional benefits such as Life Insurance, Accidental Death and Dismemberment, Critical Illness, Short and/or Long Term Disability, Out of Canada, Employee Assistance Plan and Medical Second Opinion Services.

Top-Up

Top-Up HSA plans are used in combination with core health/drugs and/or dental coverage. This type of plan allows employers to customize their insured benefits for Extended Health Care and Dental. The Top-Up HSA covers balances and any eligible expenses* not covered through the core plan.

* As defined by CRA's guideline of Eligible Medical Expenses

HSA Features

Carry Forward of Account Balances

Employers can elect to have unused funds forfeited after 12 months or carry them forward for an additional 12 months. If after 24 months, an employee has not used the remaining year one balance, it will then be forfeited (pre-paid balances will be returned to the employer).

Claims Submission

Claims should be remitted within the HSA policy year that they are incurred. Employers can extend the allowable period for claims submission by 30/60/90 additional days after the end of each policy year. Any claims received after this period are no longer eligible.

Allocation of HSA Funds

Employers can determine what level of annual deposits will be made each policy year and can only be changed on the policy anniversary date. Deposit levels can vary by class of employee and/or family status (single/couple/family).

Prorating

Employers can elect to have new employee deposits prorated based on number of days left in the policy year.

Claims Eligibility

Employees can utilize their HSA funds for a wide range of medical and/or dental expenses as deemed eligible by the CRA guidelines.

Coordination of Benefits (COB)

If a core plan is in place, claims should first be submitted to that plan, followed by the coordinated spousal plan and finally to the HSA.

Frequency of Deposits

Employers with HSA plans can elect to limit access to funds monthly, quarterly, semi-annually or annually.

Claims Float Deposit

7% of annual employee deposits must be held on deposit with RWAM.

Monthly Payments

Payments are processed monthly through PAD.

Administration Fee

All HSA plans require a minimum annual deposit of \$5,000 and a minimum of 5 employees.

Top-up plans:

- Have a 6% fee applied to paid claims.

Stand-Alone plans:

- With an expected annual deposit greater than \$10,000 annually will have a 6% fee applied to paid claims.
- With an expected annual deposit less than \$10,000 annually will have an 8% fee applied to paid claims.

All Stand-Alone accounts include a \$150 one-time set-up fee.

Taxes

Subject to applicable provincial taxation as well as HST on administration fees.