

HCSA Criteria

In establishing an HCSA program, an employer must consider the following:



- The amount of the annual HCSA entitlement, and whether funds will be contributed annually, or quarterly.
- Whether the HCSA plan is to have a one-year roll-over or forfeiture feature to dispose of unused account balances at the end of the year.
- Plans can either include a one-year roll-over of unused balances or an one-year roll-over of unclaimed expenses.

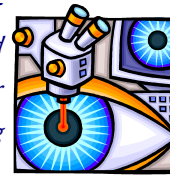


Roll-over of unused balances allows unclaimed funds contributed during one calendar year, to be carried into the next calendar year to be applied to current calendar year expenses.

For example, if the entitlement is \$300 per year, and at the end of the year, there is an unclaimed balance of \$100, this \$100 could be carried into the next calendar year.

The account balance into the new calendar year would therefore be \$400.

The alternative allocates one fixed entitlement per year, but allows expenses to be carried into the next calendar year for continued reimbursement. In this situation, any remaining unclaimed funds in the accounts are forfeited to the Plan, at the end of each year. *For example, if the entitlement is \$300 per year and a claim for \$450 is submitted, the claim would be paid with the available funds from the incurred year's entitlement and then carried into the new year for further reimbursement using the new year's entitlement.*



Canada Revenue Agency (CRA) prohibits plans from including both roll-over approaches. The same approach must apply to all employees within the Plan.

To receive more information on this benefit, or to coordinate an HCSA arrangement, please contact the Marketing Department at D.A. Townley & Associates Ltd. at:

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Health Care Spending Account Benefits

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Health Care Spending Accounts

Health Care Spending Accounts (HCSA) are gaining considerable popularity within the benefit industry. It is a tax-effective approach where an employee can use pre-tax dollars to offset the costs of deductibles, co-payment amounts and other expenses deemed to be a medical expense by Canada Revenue Agency (CRA).



Employers find implementation of an HCSA program, an effective method of offsetting the affect or reaction to cost-cutting plan changes. *For example, if the employer implements a deductible, eliminates a benefit, or introduces a co-payment, in an effort to reduce the increasing costs to the plan, an HCSA program can be implemented. The employer may now assign a fixed annual dollar entitlement and employees then decide how they wish to apply those benefit dollars to suit their own specific needs.*

Examples of Eligible Expenses

The HCSA benefit may be used to reimburse for such items which are considered by CRA to be a medical expense. Some examples would



be eye examinations, vaccines and injections, eyeglasses, orthodontia and dental procedures which are not covered 100% by the regular plan. Other examples of eligible expenses are fertility treatments, detoxification clinic, private clinic CT scans, home care, prescribed weight loss programs, smoking cessation programs, laser eye surgery, audiologists, and sign language interpretation.



Premiums paid to another private health services plan, such as for emergency travel insurance, may be reimbursed through the HCSA. Medical Services Plan of BC (MSP) premiums are not eligible. For a complete list of eligible medical expenses, refer to CRA's web site: http://www.cra-arc.gc.ca/E/pub/tp/it519r2-consolid/it519r2-consolid-e.html#P178_27514

Employer Advantages

As employer's determine the amount to be allocated to the HCSA, there are no surprises with respect to hidden benefit costs. Employers are able to budget such costs and the financial commitment is defined upfront. Contributions are a tax-deductible expense to the Employer. Employers have more flexibility in plan design guidelines. These plans can be used to replace or supplement existing benefit plans.

Employee Advantages

Employees are pleased with the added flexibility of being able to direct their benefit dollars to meet their individual health care needs. *For example, an employee who does not wear glasses, gains no value from a Vision Care benefit. However, if those dollars are allocated to an HCSA, they can be applied to expenses that are meaningful to that particular employee.* All reimbursed claims are non-taxable.



Eligibility

An HCSA covers the plan member, spouse, and dependents. A dependent includes any person for whom the plan member could have otherwise claimed a medical expense tax credit under the Income Tax Act.

Employees may submit medical expenses on behalf of a dependent not covered under their regular plan, such as a dependent parent.



Terminated employees have 30 days to submit any claims to their HCSA, provided the expenses were incurred while they were employed and eligible.