

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.