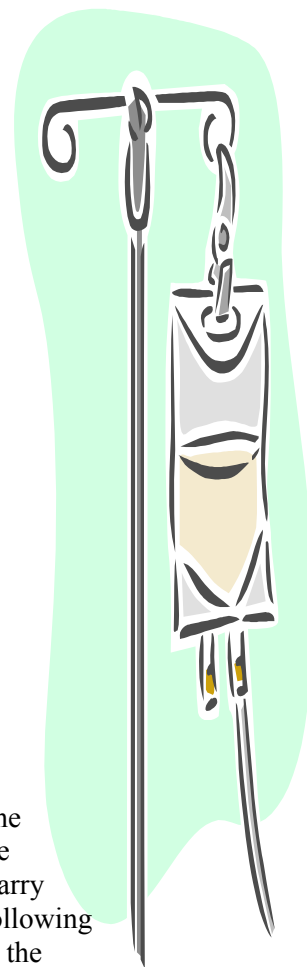


# Health Spending Account

## Pacific Employee Benefits



**A Health Spending Account** allows employers to offer an effective benefit solution to their employees.

An HSA can be the solution for many situations including:

- Employers that want to offer additional benefits to valued employees
- Companies with no current employee benefit program
- Employers that wish to work within a budget
- Employers that would like to “top up” their traditional benefits with a budgeted mechanism

### **What is an Health Spending Account (HSA)?**

HSA is a savings account for your health services. The employer designates a dollar amount that each employee may use on any CRA (Canada Revenue Agency) eligible health and/or dental expenses. The amount designated is the maximum amount that each employee may spend in a one year period. The employer knows in advance the maximum potential cost. Expenses put through the HSA are deductible to the employer and are not considered a taxable benefit to the employee. At the beginning of each year, the maximum amount starts again. Employers have the option to offer a “carry forward”, which would allow funds that were not used in a particular year to carry forward to the following year as shown in the example below. If there are still unused amounts at the end of the second year, the money will be refunded to the employer. Please note that refunds are considered taxable income to the employer upon return, as the employer would have received a business deduction in the year prior.

Example:

Annual Limit:	\$1,000.00
1 <sup>st</sup> Yr, Employee spends:	\$ 500.00
2 <sup>nd</sup> Yr Funds Available:	\$1,500.00
2 <sup>nd</sup> Yr, Employee spends:	\$ 400.00
Returned to Employer:	\$ 100.00 (remainder of first year allocation)

### **HSA Feature Highlights**

- Costs will not increase annually
- No initial set up fee
- Maximum spending limits and reimbursement percentages are set by employer
- Employees are reimbursed for qualifying expenses
- 15% Adjudication fee is charged on eligible claims (HST is charged on adjudication fee only)
- Compliant with Privacy Expectations, employers are not part of the claims process
- Benefit levels can be prorated for the plan’s first year
- Plans are based on a calendar year
- Benefit spending is flexible for each employee -the employees choose and manage their year’s allocation

### **What is an allowable expense?**

Attached is a list of eligible expenditures