

Health Care Spending Accounts

How do you create a competitive, long term benefits package without losing control of your costs?

Generational differences, lifestyle choices and cultural diversity have created the need for multiple benefit options. As such, employee benefit needs are rarely met by a “one-size-fits-all” solution. Organizations are challenged to maintain a comprehensive and flexible group benefit plan while also managing costs. Health and dental benefit premiums, in particular, are impacted by factors beyond an employer's control, such as plan member utilization, inflation, changes to provincial health care plans and advancements in medical treatments. This makes a cost-effective, one-size solution even more difficult. As rates climb, employers may look to one or more of the following alternative solutions in order to both maintain benefit levels and manage costs:

- 1) adjust benefit maximums and/or deductibles
- 2) implement employee cost sharing
- 3) implement a health care spending account

A health care spending account is a flexible, tax-effective solution. Employers can maximize the value of their benefits plan, meet the diverse needs of their employees and limit the financial impact on their business.

Health Care Spending Account (HCSA) Added Value for Employers and Employees

Managing benefit costs doesn't have to lead to a reduction in health and dental benefits. Employers can implement an HCSA as a way to limit their benefit costs to a predefined amount and provide employees with coverage for a wide range of out-of-pocket health and dental expenses. In addition, employees have increased control and flexibility over the use of their benefit dollars. A recent study indicates that employee reactions are positive. According to the *2008 sanofi-aventis Health Care Survey*, employees who have health care spending accounts were more likely to rate their plans as excellent or very good (64 per cent and 62 per cent).

Health Care Spending Accounts – What You Should Know

- The HCSA is used to pay for health and dental expenses not otherwise covered by the group benefit plan or by the provincial health insurance plan. To be eligible, expenses must qualify as a medical expense tax credit under the Income Tax Act (go to the Canada Revenue Agency website <http://www.cra-arc.gc.ca/E/pub/tp/it519r2-consolid/README/html> for a list of eligible expenses).
- The HCSA is available to groups of all sizes even if health and/or dental benefits are not part of the group benefit plan.
- Employers determine their HCSA contribution levels; there is no minimum or maximum allocation.
- Contributions can be made on an annual lump sum or incremental basis.

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- Contributions can be tied to a specific benefit (i.e., dental only).
- Claims are paid for using contributions from the same year in which they were incurred. They cannot be rolled over to the next year. However, unused contributions from one year can be rolled over to the next year.

Benefits for Employers

- Opportunity to increase compensation for all employees, or for a specific group of employees, at a pre-determined cost.
- Control over benefit costs that are typically impacted by claims experience, health care inflation and changes in private health care spending.
- Seamless implementation and co-ordination with other benefits.

Benefits for Employees

- Added coverage for out-of-pocket health and dental expenses, that a traditional health care benefit may not cover, such as:
 - expenses in excess of maximum coverage amounts
 - deductibles and co-insurance payments
 - eye glasses, contact lenses, laser eye surgery
 - payments to medical practitioners, hospitals, etc.
- Tax-free reimbursement for any medical or dental expenses not covered under their traditional benefit plan (except in Quebec).
- Claims submission process that co-ordinates with insured health and dental plans.
- The ability to manage their own health care budget more effectively.

Choose WDG Inc. for Your Company's Group Benefit Plan

A strong group benefit plan is an important part of any business strategy, and can help organizations attract and retain top employees. The HCSA helps employers to maximize the value of their benefits program while controlling their costs.

About WDG Inc.

The William Douglas Group Inc. works with employers to help manage their employee benefit plans. We design and administer group insurance plans with a focus on small to medium size businesses. In addition, WDG Inc. manages flex plans, health care spending accounts and association programs for larger organizations. Our benefit plans provide comprehensive coverage and services in health and dental care, life insurance, disability, critical illness and travel insurance.

Our plans are underwritten by a select group of carriers who have proven leadership in the industry. By dealing with highly-rated benefit providers, WDG Inc. offers stable, well-established insurance plans for your company and its employees.



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