

Frequently Asked Questions

Health Spending Accounts

1 What is a Health Spending Account (HSA)?

A Health Spending Account uniquely designed bank account established exclusively for the purpose of health care spending.

2 What is the difference between an HWT and a PHSP?

Health and Welfare Trust (HWT)

- Incorporated businesses
- No annual maximums
- Funds roll over indefinitely

Private Health Services Plan (PHSP)

- Non-incorporated/sole proprietor:
 - Annual maximums based on family size
 - \$1,500 / sole proprietor
 - \$1,500 / dependent over 18 years old
 - \$ 750 / dependent under 18 years old
- Two year forfeiture of funds from date of deposit
- Claims must be submitted within the same calendar year the service was received. eg. expenses incurred in December cannot be claimed in January. Claim must be submitted before year-end.

3 How does a Benecaid Health Spending Account work?

Your company makes a contribution on behalf of an employee(s) into a Health Spending Account to be used on medical expenses incurred. It is a non-taxable benefit for the employee and a 100% business deduction for the company. Contributions are determined at the start of the program for each employee enrolled. The contribution amount, once set at the start, can not be changed within the first 12 months. Changes can only be made at the anniversary date or if a life event has occurred (A Life Event is defined as a marriage, birth or death in the family).

4 What are the costs associated with opening an HSA?

There is an annual \$95.00 account maintenance fee as well as a 10% administration fee on all contributions plus applicable taxes.

5 Can we contribute different amounts for different employees?

Contribution levels can be based upon employee classes. If the employer can clearly define classes for employees, different amounts can be offered. However, if you have two employees doing the exact same job (i.e. if you have two full-time receptionists) they must be given the same amount.

For a PHSP, if the the sole proprietor has a full time employee(s), they can only contribute for themselves the least amount they are giving their full-time employees.

6 I am an incorporated business owner and would like to have an HSA. Do I have to provide HSA's to my full-time employees?

As long as you can prove that you are in a class of your own (i.e. executive), you do not need to offer the benefit to all employees.

7 Who can be listed as an eligible dependent?

An eligible dependent is defined as a spouse or any member of the household with whom you are connected by blood relationship, marriage or adoption, and who is financially dependent upon you at some point in the year. In addition, this dependent must be a Canadian resident, having resided in Canada for a minimum of 6 months out of the year.

8 What happens to the money if I don't use it that year?

All unused funds roll-over to the following year.

HWT - Account funds will roll over indefinitely.

PHSP - Two year forfeiture of funds from date of deposit.

9 What if I terminate employment or an employee who quits?

Contributions made to the trust can never revert back to the employer. It can also never revert to the employee in cash form unless they submit an eligible medical expense. A terminated employee will still have access to the funds remaining in the HSA by submitting medical expenses to Benecaid until the account is exhausted.

10 What happens to the funds in the account should I die?

Contributions remaining in the trust can only be released for eligible medical expenses. If there are dependents listed on the plan they still have access to the remaining funds. However, if there are no listed dependents, the funds stay in the HSA.

11 What is an eligible expense?

- 1 – Service must be performed by a licensed medical practitioner,
- 2 – Items must be prescribed by a licensed medical practitioner & dispensed by a licensed medical practitioner or a pharmacist.

For more information please refer to the CRA website and search for IT-519R2 - Medical Expense, Disability Tax Credits and Attendant Care Expense Deduction.

12 What other insurance products do you offer?

Benecaid offers additional insurance products, including *hsacomplete* to top off your HSA. The premiums for the additional insurance products can be paid for through the HSA.

13 What is *hsacomplete* and how does it work with an HSA?

Benecaid's *hsacomplete* is a basic drug and extended health coverage plan to compliment your HSA. It is there to protect your HSA in case of catastrophic illness. *hsacomplete* has an annual deductible that must be met first before this plan will start reimbursing claims to you. The annual deductible works with your HSA. Benecaid will reimburse you from your HSA first, applying the amount towards your annual deductible (as long as it is an eligible expense towards *hsacomplete*).

14 How do I submit receipts? Are there any costs?

Benecaid requires all original receipts along with a completed claim form. The claims should be mailed into Benecaid at our PO Box.

There is a \$3.75 reimbursement fee for all cheques sent to employees. This fee is paid from their HSA.

15 Is there a waiting period for when claims can be submitted?

No. As soon as Benecaid receives the appropriate set-up forms, payment, and a package is sent to the employee, claims can be submitted immediately.

16 I have expenses that were incurred before the start date. Can I submit those into my HSA?

Expenses incurred on or after the start date can be paid through the HSA. Claims incurred before the start date are not eligible.

17 What if my expenses exceed the amount in my HSA?

There are two options (Benecaid will contact the employee to confirm):

- 1 – Partial payment of the claim to the employee of what is in the account and reimburse the remaining amount when more funds become available.
- 2 – Hold onto the claims until the full amount is in the HSA.

18 My spouse has coverage however it only pays out 80%, can I submit the remaining 20% to Benecaid?

Yes. An Explanation of Benefits statement from the insurance carrier is needed. This can be submitted like any other medical receipt with a completed claim form.

19 I am currently paying for a private Health & Drug Plan. Can I pay for this through my HSA?

Health & Drug premiums paid for by another carrier is an eligible medical expense and can be paid for through your HSA. An employee would need to submit the explanation of benefits page to be reimbursed.

20 How do I enroll?

There are three forms that need to be completed to set-up a Health Spending Account?

- 1 – Trust Agreement
- 2 – Schedule A
- 3 – Employee Enrollment Form

Or, you can enroll on-line at www.benecaid.com. Simply select individual plans and Benecaid HSA from the main navigation bar at the top of the home page. When you reach the Benecaid HSA page, simply click on the enroll now button to launch the enrollment form.

21 Where can I learn more about HSAs and Canada Revenue Agency guidelines?

The Canada Revenue Agency has a Web site providing information on taxation issues. Benecaid always recommends that you consult with your accountant and the Canada Revenue Agency guidelines before opening a Health Spending Account (HSA). For specific information related to HSAs, the Canada Revenue Agency has produced the following bulletins:

IT-85R2 - Health and Welfare Trusts for Employees

IT339R2 - Meaning of Private Health Services Plan

IT-519R2 - Medical Expense, Disability Tax Credits and Attendant Care Expense Deduction

A copy of these bulletins can be requested from the Canada Revenue Agency by calling **1-800-959-5525** or visiting their Web site at www.cra-arc.gc.ca. You may also contact Benecaid directly at info@benecaid.com should you wish to have a copy of the IT bulletins e-mailed to you.

22 Is there a minimum contribution required?

While Benecaid does not charge an account activation fee, we do have a minimum requirement in terms of deposit. Each HSA must have the following minimum deposit schedule per employee:

- Regular deposits of \$50.00 per month OR
- The equivalent of \$600 per year