Title: ***Flexibility & Cost Efficiency. That's what businesses are craving - The HSA***

What does everyone know about group health & dental plans? That's easy: The cost goes up every year, and selecting a specific plan design for the increasingly diverse needs of staff can be a challenge.

So, what options does a business have when trying to make an intelligent decision around the needs of its staff, that are both <u>cost efficient</u> and <u>flexible</u>? It goes by many names: The Health Spending Account (HSA), a Flex Account, Self Insurance....the list goes on. Whatever you call them they are becoming a very attractive feature within a business's benefit offering.

Here's both how an HSA works, and a few reasons why we're seeing their popularity increase among our Group Benefit clients:

An HSA (Private Health Spending Account) is a Canada Revenue Agency approved method to provide medical, dental and vision benefits in a tax efficient manner. A corporation can write off 100% of the costs related to its HSA. All expenses reimbursed are tax-free to the employees. Medical, dental, and vision are the standard categories offered to employees in an HSA, but any CRA approved expenses are eligible even if they are not currently covered by your regular group benefits plan. This means coverage through an HSA can be supplemental to your existing plan, or used instead of it.

Many HSA's are administered electronically via a Smart Phone app. This means no forms are required and no cheques need to be written, rather the employee submits the expense via the app and within a 48 hour period the corporate account is debited the amount of the service plus a 10% admin fee, and the employee's personal account is credited the net amount of the service. There are no costs to the business (set up or otherwise) unless and until the HSA is used, no money needs to be set aside and the admin fee is only charged at the time of the claim submission.

Limits for an HSA are set by the employer, which provides cost certainty on an annual basis and means the cost of the HSA is not impacted by usage. The employer is also able to have different classes of *customized* coverage, so that the Executive/Owner Class may have 100% coverage up to the maximum allowable limits under CRA guidelines (roughly 10-15% of a position's gross income), while the Employee Class can be offered a lower amount in line with the company's compensation strategy. From a business owner perspective, an HSA is a no-brainer, every incorporated business should have one, as it allows them to use corporate dollars to pay for health services rather than after tax personal dollars.

In addition to Health Spending Accounts, Wellness Accounts are also another vehicle business owner may want to consider for employees. A Wellness Account (WSA), differs from an HSA in that it is a *taxable benefit* to the employee and includes ANY item deemed eligible by the employer, for example sports/fitness equipment, child care, home office equipment etc. A WSA can be an excellent way of promoting wellness and healthy activities among staff, as well as recruitment and retention tool for employers. Some businesses offer plans where the employee can allocate their spending amounts between their HSA and WSA, for the ultimate in flexibility.

As in all CRA related business areas, checking in with your corporate accountant to ensure compliance with all guidelines is a key measure in instituting an above-board Health or Wellness Spending Account.

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