

HEALTH SPENDING ACCOUNTS

A Health Spending Account (HSA) is a 100% employer-funded benefit that allows employees to use pre-tax corporate dollars to pay for a wide range of health and dental related expenses. These may be expenses not covered by a group benefits plan provided by their employer, or their spouse's employer, or government health plans.

HSAs work much like a bank account. The employer allocates an HSA credit to the employee, which is communicated to the claims adjudicator each year. Like group benefits, the HSA credit must be consistent by class of employees.

Benefits of HSA for an employer

- Contributions are flexible, as employers choose how much they will allocate to the employee's HSA account as well as the schedule
- Contributions are predictable, defined by the employer not by other factors such as claims experience or cost trends
- Contributions to an HSA is a tax deductible business expense in all provinces except Quebec
- Employer contributions to an HSA provide tax-effective compensation to their employees

Benefits of HSA for an employee

- An HSA is paid by pre-tax employer contributions, so no income tax, CPP, EI or WCB withholdings are required
- Benefit payments through an HSA are tax-free, (except in Quebec)
- Employees choose how to spend their HSA allocation, subject to Canada Revenue Agency (CRA) eligibility criteria

CRA Definition of Eligible Health Expenses

CRA allows an HSA to pay for health and dental expenses which are eligible under the group plan, but not fully reimbursed – such as deductibles and expenses above the co-insurance limit. In addition, health and dental expenses not eligible under the group plan but which meet the Income Tax Act's definition of "health expenses" eligible for the medical expense tax credit are also covered by HSAs.

THE JOHNSTONE'S ADVANTAGE

Our mission is simple:
Treat each client as if they were our only client.

Our value is clear:
We are completely independent. We work for you and offer total flexibility on insurers and plans.

We offer all your group insurance services including administration, brokerage, consulting, and communications.

We provide dedicated client support, customization and flexibility to meet all of your company's benefits needs. And we make **solid group plans simple.**



Johnstone's Benefits HSA Services

Johnstone's Benefits can help your organization design, administer, and adjudicate your HSA plan to ensure it is CRA-compliant while meeting your objectives. Or we can set you up with an alternative provider such as your current extended health insurer, or MyHSA. These providers use online submission and digital tools, while we can continue to provide adjudication compliance services.

We also provide effective employee communications to support these programs.

HSAs and COVID-19

COVID-19 has created new health and safety standards for many health and dental service providers as set out by their associations, regulatory bodies, and governments. Health and dental service providers must now wear personal protective equipment (PPE) and allow time between patients to clean equipment and surroundings.

Insurers have advised PPE fees are not an eligible expense under their existing extended health and dental plans. We have also been advised that some provincial dental associations (not BC at this time) have created specific procedure codes for PPE related expenses.

To cover COVID-19 related PPE expenses, there are two options:

- Most insurers are willing to amend your extended health and/or dental plan to cover PPE expenses, and may adjust the premium accordingly
- If an employee is charged a PPE fee, it is a reimbursable expense under an HSA as long as the fee is attributable to an eligible medical or dental expense.

Getting questions from your employees and want to look at your options? Please contact us – we're here to help!

HSA 10% Rule

Expenses that are eligible for Canada Revenue Agency (CRA)'s Medical Eligible Tax Credit (METC) and total more than 90% of the entire premium are considered as a Personal Health Spending Plan (PHSP) – assuming all other conditions are met.

HSA Claim

You have an invoice in the amount of \$100 for expenses incurred at your last naturopathic appointment – and you have reached your annual maximum paid under your extended health plan.

You are seeking reimbursement from your HSA. You can claim expenses not typically covered under the EHC plan that are under 10% of the total.

Invoice Example

\$75 for naturopath visit (EHC eligible)
\$16 for B-12 injections (EHC eligible)
\$9 for vitamins (eligible – 10% rule)

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