



# H.S.A.

## HEALTH SPENDING ACCOUNT

### What is a Health Spending Account?

Health Spending Accounts allow employers to manage their costs by capping the number of benefit dollars available each HSA policy year. However, they are useful for more than just cost containment. When employees are empowered to select their own Health and Dental benefits, job satisfaction often grows.

Successful plans increase employee understanding of their benefits and an appreciation for the cost of benefit packages.

The biggest advantage to a Health Spending Account is that it allows health-related expenses to be paid on a pre-tax basis. Employees can be given tax-free reimbursement for eligible medical or dental expenses not covered under their insured plans (except in Quebec). Health Spending Accounts maintain their favourable tax status provided they meet the definition of a "Private Health Services Plan" (PHSP) as defined under the federal Income Tax Act.

### How Do Health Spending Accounts Work?

Employees can be reimbursed from their Health Spending Accounts for deductibles, co-insurance amounts, or amounts in excess of plan maximums that would otherwise be paid out-of-pocket. Additionally, funds in a Health Spending Account can be used to pay for items not covered under an employee's health or dental plan such as:

- Medications dispensed and 'recorded' by a pharmacist. Recorded means that the sale is put through pharmacy software and a prescription number is shown. Medications purchased off the shelf do NOT meet these requirements.
- Orthodontics
- Glasses or contact lenses
- Expenses can be paid for dependants even if the employee does not have family coverage under the insured plan.

### Carry Forward of Account Credits

Credits – If an employee does not use the full amount of their credits in any one year, they will automatically be carried forward to increase their account in the next year. If after two years you have not used your year one allowance, the remainder of the year one allowance will revert back to the employer. (Employers can request that unused allowances be returned after a policy year-end - no carry-forward).

Claims - If your claims in any one year exceed your account limit, you will be reimbursed up to the applicable policy year maximum.

If your claims exceed the policy year maximum, they become ineligible and cannot be carried forward. If however, you have money in your account at year-end, and you have eligible expenses for that policy year, they must be submitted to RWAM within 31 days of the policy year-end for payment. Failure to do so renders these claims ineligible.

### Administration Fee

This fee takes into consideration the adjudication of claims and the ongoing administration of each employee account. RWAM's fee is 8% of paid claims (plus GST).

*\* Fees and Rates are subject to change*