



The Health Spending Account

MAKE YOUR INSURANCE PLAN MORE FLEXIBLE!

What is a Health Spending Account?

A Health Spending Account (HSA) is the perfect add-on to a group insurance plan. You just deposit a certain number of credits in the account for each plan member at the beginning of each plan year and they use the credits to pay for their (or their dependents') health or dental expenses that aren't covered by their provincial health insurance plan or any other group insurance plan. In accordance with Canada's *Income Tax Act* (ITA), the total number of credits allocated for the year has to be determined at the beginning of the HSA year.



Advantages for plan sponsors

Adding this option to your group insurance plan shows existing and future plan members that you care about their health.

With an HSA, you can:

- Manage plan costs more effectively, since the total cost of an HSA cannot exceed the total credits allocated to it plus administration fees and applicable taxes
- Increase plan member awareness of health and dental costs
- Expand the scope of your basic health plan's coverage
- Meet the different needs of all plan members by giving them more flexibility

Advantages for plan members

The HSA is flexible and user-friendly. Plan members will:

- Benefit from a health plan that's better adapted to their life and that of their family members
- Be more involved in planning and managing their healthcare costs
- Benefit from preferential tax treatment, since HSA credits used to pay for health and dental claims are a non-taxable benefit for plan members (except in Quebec, where expenses paid through an HSA are subject to **provincial** income tax, but not federal income tax)

Who is eligible?

All of your plan members and their dependents are eligible, but you can choose to only offer it to certain employee classes if you like. You can choose from the following eligibility options:

Employees:

- All employees
- Certain employee classes

Dependents:

- Based on the contract definition
- In accordance with ITA and CRA rules (broader definition)

You decide who's eligible. If you like, plan members can also use their HSA for expenses incurred by **eligible dependents (as defined in the ITA)**, even if they have individual coverage or have been exempted from coverage.

Dependents as defined in the ITA include:

- The plan member's spouse
- The plan member's children and grandchildren, and those of his/her spouse, provided they are dependent on the plan member for support at one point during the year
- The plan member's parents, grandparents, siblings, uncles, aunts, nephews and nieces, and those of his/her spouse, provided they:
 - Reside in Canada at one point during the year
 - Are dependent on the plan member for support at one point during the year

Eligibility criteria

To be able to use HSA credits, the products and services received must:

- Be eligible for the *Medical Expense Tax Credit* under the ITA
- Not be fully covered by a private or government plan
- Have been prescribed by a healthcare professional (certain exceptions apply)

Using credits

Based on their individual needs, plan members can use their credits to cover a number of different types of expenses, including:

- Certain additional health and dental expenses that aren't covered under your plan
- Deductibles or co-insurance amounts
- Incurred expenses above the covered maximum
- Their premium contribution

 **Your plan may include certain restrictions**

Eligible health and dental expenses

Eligible expenses are defined by the Canada Revenue Agency (CRA). For a complete list of eligible expenses, visit the CRA website at cra-arc.gc.ca, and enter "eligible medical expenses" in the site's search engine. For more details, click on the Income Tax Folio S1-F1-C1, Medical Expense Tax Credit link on the web page.

Allocating credits

Plan sponsors have several options for determining how many credits will be allocated to plan members:

- A fixed number of credits that may vary based on the coverage type selected by the plan member (individual – family – single-parent – couple) or on the employee class
- A personalized number of credits for each plan member

Managing credits

When you add the HSA to your group insurance plan, you'll need to choose one of the following options for managing credits:

Credit carry-forward

Any credits that haven't been used during the year for which they were intended are carried forward to the following year (any credits **carried forward** that haven't been used by the end of that second year will be lost).

This option is right for you if you want plan members to:

- Be able to accrue more credits
- Have more time to spend their credits

This approach also encourages plan members to think carefully about how they want to spend their credits, since they receive a fixed number of credits and are responsible for managing them.

Expense carry-forward

Any expenses that aren't reimbursed in full during the year in which they are incurred can be carried forward and paid with the credits available the following year. Any unused credits will be lost.

This option is right for you if you:

- Want plan members to have ample pre-tax dollars to spend on healthcare, since they can use credits from the current year to pay for expenses incurred the previous year
- Don't want to have to worry about managing the credits

No carry-forward

Any unused credits at the end of the year will be lost.

No carry-forward is the right choice for budget-minded plan sponsors. This "use it or lose it" approach means that neither credits nor expenses can be carried forward to the following year.

Depositing credits

You can choose to deposit credits in an HSA:

- **Once a year, at the beginning of the HSA year**
Plan members have access to all of their credits as soon as the HSA year starts.
- **Periodically throughout the HSA year:**
 - Monthly
 - Quarterly
 - Every six months

Credits are deposited in plan members' HSAs at regular intervals—plan members don't have access to all their credits at once.



Submitting claims

Depending on the type of expenses incurred, there are several ways plan members can submit a claim:

- Dentists, vision care specialists, and other health professionals registered in the TELUS Health eClaims program: Eligible expenses will automatically be submitted to their HSA for reimbursement. Plan members who don't want to automatically apply these expenses to their HSA must call our Customer Contact Centre to let us know.
- Dentists, vision care specialists, pharmacists, and other health professionals NOT registered in the TELUS Health eClaims program: They'll have to pay the amount not covered by their base plan, and then submit a claim for reimbursement under their HSA via one of the following methods:
 - Via the **secure site for plan members**, by checking the appropriate box
 - Via the **Omni mobile app**, by activating the HSA option
 - By mail, by completing the "Health Spending Account" section of one of the following forms: *Claim for Health Care Benefits (19132A)* or *Claim for Dental Care Expenses (19110A)*

Once a claim has been approved, benefits will be paid by direct deposit or cheque, depending on what's indicated in the plan member's file.

The HSA balance is debited when each claim is paid. Plan members can check their HSA balance on the explanation of benefits produced for each claim processed (available on the secure site, mobile app or sent by mail).

Reports

Plan members

Plan members have access to the following reports to track their credits:

- **Explanation of benefits**—indicates the type and amount of expenses reimbursed, as well as the remaining credits for the current plan year (more than one plan-year may appear)
- **Health claims report for income tax purposes**—generated at the end of February for each plan member, it shows the total amounts claimed and reimbursed

Plan sponsors

Depending on the size of the group, how often the reports are needed and how credits are managed, various types of reports can be prepared in accordance with the HSA's provisions.

The reports sent to plan sponsors include:

- Claims by Payment Level for HSA
- Claims by Service Type for HSA
- Claims by Certificate
- Report containing the data needed to calculate taxable benefits (only available upon request for Quebec residents)
- HSA Balance

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