

HSAflex
health spending account
the evolution of health and dental care benefits ◉


General Information

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Why have Employee Benefits

Employee Benefits are part of a comprehensive compensation strategy for Employers. Employee Benefits are often a matter of philosophy (or practical and applied psychology), but there's an optimum point (which often varies by type of business) at which Employers need to obtain and retain valuable Employees and (perhaps) also fulfill social obligations.

Employees (including business Owners and Shareholders), receive enhanced security from Health and Dental Care benefits - which they perhaps could not obtain due to health, or couldn't afford to obtain themselves. Without Employee Benefits, valuable Employees may be difficult to obtain or retain, and training them for another Employer is expensive.

Employees receive significant advantages from the tax free benefits provided by Health and Dental Care. Employees earning up to \$42,960 per year (about 20% Tax Rate) must otherwise earn \$1.25 to have \$1.00 to spend. Those earning \$46,605 to \$75,657 per year (at about 30% Marginal Tax) must otherwise earn about \$1.42 to have \$1.00 to spend.

Why have an Assureflex Plan

As with other aspects of a business operation, maximization of effectiveness (the most return for the least expenditure) is a primary objective. That's why Assureflex © is used by Employers, to provide Health and/or Dental Care for Employees, or additional non-taxable Executive Compensation. Assureflex © is simply the most available for the least expense.

Assureflex is available to bona fide Employees of corporations, earning a salary, starting with as few as one Employee. If the Employee is also a Shareholder, the benefit maximums must be "reasonable", and not based on Dividends. Calendar year suggested maximums are \$1,000 Single / \$2,500 Family. Other amounts can be selected for all, or specified Classes.

Assureflex is available to bona fide Employees of non-incorporated businesses, who are "arms-length" Employees. Actively employed Owners can participate, if benefit maximums are the same as those of the "arms-length" Employees. Calendar year suggested maximums are \$1,000 Single / \$2,500 Family. Other amounts can be selected for all of the Employees.

Assureflex © Plans require no Premiums until a Claim is actually made. When Claims are made, they are evaluated, processed and paid. Premiums (for claims processed and paid) are invoiced Monthly at Claims plus 10% (plus applicable taxes), and conserves the Employer's Cash Flow. Maximum annual Employee benefit levels are pre-determined by the Employer.

Assureflex © administration fees and Ontario government taxes are:

administration 10% of the eligible claims that are paid.

taxes

- 8% PST is charged on the total claims paid.
- 13% HST is charged on the administration fees.
- 2% Tax is charged on the total premiums.

Implementation Options

Assureflex © Plans can be implemented in configurations to suit the needs of the Employer and Employees. Assureflex © Plans are used to: (a) Provide Health and Dental, (b) Replace pre-paid Health and/or Dental, or (c) Supplement Insured Plans. Shown below are some of the most popular Assureflex © implementation options:

Provide Dental Care

Insured Dental Care is an un-necessary expense. There is no reason to pay claims plus 25% to 50% for benefits that have no risk. Since there is no risk to insure, why have expensive pre-paid premiums, when Assureflex © Dental can be implemented instead, and at no cost until a Claim is actually made.

Provide Health Care

Insured Health Care may be an un-necessary expense. There is no reason to pay claims plus 25% to 50% for benefits that have essentially no risk, as long as it is understood Travel Insurance is needed (when going out of country) and the Trillium Drug Plan provides payment for Drugs over 4% of Net Income.

Non-taxable Executive Compensation *

Executives (at \$93,208 to \$144,489/yr.) must earn \$1.77 (at 43.41% marginal tax rate) to pay for \$1.00 Medical Expense (that is claims plus 77%). Assureflex Health and Dental Care benefits can be implemented to provide (or to enhance Insured benefits), at only claims plus 10% (plus the applicable Ontario Taxes).

Executives (at \$144,489 to \$150,000/yr.) must earn \$1.87 (at 46.41% marginal tax rate) to pay for \$1.00 Medical Expense (that is claims plus 87%). Assureflex Health and Dental Care benefits can be implemented to provide (or to enhance Insured benefits), at only claims plus 10% (plus the applicable Ontario Taxes).

Executives (at over \$220,000 per year) must earn \$2.15 (at 53.53% marginal tax rate) to pay for \$1.00 Medical Expense (that is claims plus 115%). Assureflex Health and Dental Care benefits can be implemented to provide (or to enhance Insured benefits), at only claims plus 10% (plus the applicable Ontario Taxes).

* tax calculations are based on 2018 combined marginal tax rates

On implementation: Employers are provided a Policy Agreement, Administration Manual, fillable self-calculating Claims Forms, and Benefit Booklets for distribution to eligible Employees. These documents are provided in PDF format, so that they can be retained as server/personal computer files and accessed and/or printed as required.

Professional Corporations

Assureflex © is now also available to Professional Corporations, as the result of the changes in the Ontario Business Corporations Act effective January 2002 combined with necessary regulations or by-laws of the governing Acts of affected professions. The regulated professions affected by the Professional Corporations provision are:

Lawyers
Chartered Accountants
Certified General Accountants
Social Workers and Social Service Workers
Professionals under the Regulated Health Professions Act:

members of the College of Chiropodists of Ontario
members of the College of Chiropractors of Ontario
members of the Royal College of Dental Surgeons of Ontario
members of the College of Dental Technologists of Ontario
members of the College of Dental Hygienists of Ontario
members of the College of Denturists of Ontario
members of the College of Massage Therapists of Ontario
members of the College of Medical Radiation Technologists of Ontario
members of the College of Nurses of Ontario
members of the College of Opticians of Ontario
members of the College of Optometrists of Ontario
members of the College of Pharmacists of Ontario
members of the College of Physicians and Surgeons of Ontario
members of the College of Physiotherapists of Ontario
members of the College of Psychologists of Ontario

Assureflex © Plans can provide significant Corporate and Personal tax advantages.
Assureflex © Plans are available to Professional Corporations starting at 1 participant.
Annual maximum of at least \$10,000 Single / \$25,000 Family, should be considered.

Legislation

Assureflex © Plans are Private Health Services Plans, as described in the Income Tax Act (currently Section 118.2) and as interpreted by the Canada Revenue Agency in the Income Tax Folio S1F1C1 Medical Expenses, allowable for Health and Dental Care.

Shareholders

Shareholders are eligible if they are also bona fide Employees and they belong to a Class with other eligible Employees or, (where all the bona fide Employees in a Class are coincidentally Shareholders) if benefit amounts consist of reasonable remuneration, not limited to a Shareholders Class.

Retired Employees

Retired Employees are eligible to participate. Employers can include the benefits for Retired Employees as part of benefits for Employees, or define a separate Class for Retired Employees, with benefits specific to the Retired Employees Class. CRA considers Retired Employees eligible for benefits.

Employees and Contract Employees

Employees (may include Employees who are on Contract, but excludes Independent Contractors) are eligible for HSA benefits. Employees can be defined (generally) as those for whom the Employer withholds and remits payroll taxes (incl.: EI - unless non arms length, CPP and Income Taxes).

Unincorporated Business Owners

Unincorporated Owners are eligible if also bona fide Employees, and they belong to a Class with the same benefits as arms-length Employees. Unincorporated Owners are not eligible if the Class is for Owners only, as it results in a taxable transfer of funds from the business to the Owners.

Avoiding Discrimination

Employers (in order to avoid any discrimination) must advise all eligible Employees of the benefits available to them (or the eligible benefit Class). The Assureflex Corporation provides Benefit Booklets (for all the eligible Employees or Classes) for distribution to all of the eligible Employees.

Assureflex © Plans are only available to the bona fide Employees of organizations. This is due to the CRA view that without employee status there is no transfer of the assumption of risk from the Employee to their Employer, as there would be for those who pay pre-calculated pre-paid premiums to an insurance company for the risk.

Cost-containment

Assureflex © Plans are designed to provide the maximum service at minimum expense. The following is a summary of areas where Assureflex © will maintain cost-containment integrity, and where some other Health Spending Account providers will seek to obtain addition fees, for unnecessary services or options or duplications of government plans.

Set-up Fees

Assureflex © Plans have no set-up fees or annual fees.

Stop Loss Insurance

Some Health Spending Account providers encourage the purchase of Stop Loss Insurance for an extra fee and this is unnecessary. With Assureflex © Plans, the Employer's stop loss results from setting annual maximums per Employee, and Employee's stop loss results from the Ontario Trillium Drugs Plan, which provides for the payment of Drugs that exceed 4% of net household income.

Travel Insurance

Some Health Spending Account providers encourage the purchase of Travel Insurance for an extra fee and this is unnecessary. Not all Employees will travel each month, so the premiums for Travel Insurance is a poor allocation of funds. Travel Insurance can be purchased (if and when needed) from several insurers, but there may be a surcharge (or decline) due to older ages or health concerns.

Pre-funding

Most Health Spending Account providers require the monthly/quarterly/annual pre-funding of benefits, which will require a payment in advance for Claims plus Administration Fees (and taxes). Assureflex © Plans require no advance payment, just Claims plus Administration (plus taxes) when a Claim is actually made, and Assureflex © will make payment to Employees and then invoice to Employer.

Legal Cautions

Some Health Spending Account providers allow Health Spending Accounts to Owners only, of non-incorporated businesses without arms-length Employees. This is contrary to CRA regulations and does not meet Financial Services Commission of Ontario definition of "insurance". It is, therefore, a fully taxable (same as income) benefit to the Owner.

Some Health Spending Account providers, located outside of Ontario, do not collect the Ontario 13% HST on Administration, or the 8% PST on Claims, or 2% Ontario Premium Tax on Claims and Administration. This is contrary to the "place of supply" rules, and therefore requires the Employers to "self-assess" and remit all of the applicable taxes.