Designing Your Health Spending Account Contribution Formula

A health spending account gives you full control of the plan design within the limitations imposed by the Canada Revenue Agency. Most decision relates to how you divide the benefits budget amongst staff. You need to strike a balance between your corporate culture, attracting new staff, rewarding existing staff and retaining key staff.

More than a quarter century ago, it was common to have a $100 monthly health spending account contribution. Many of those plans remain unchanged and still attract employees who have modest health care needs.

Since the turn of the century, it has become common to differentiate the contribution level in order to target specific human resource objectives. Organizations that value retention will vary the contribution amount by years of service. Those who want to target rewards to certain segments of their work force will vary amounts by occupation or percentage of earnings. Others will use a percentage of earnings times years multiplied by years of service, within a range, in order to achieve the contribution distribution that rewards and retains their target staff.

The following table provides some insight into the range of contribution amounts amongst staff based on the contribution formula of various plan designs. Plans with seniority as a factor tend to have a broad range that starts low and ends high. Plans that use a percentage of income multiplied by years of service have the broadest range.

Distribution of Health Spending Account Contributions amongst Plan Designs

	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile	Contribution Range
Level Benefit		Yes			$100-$200
Percentage of Income		Yes	Yes		$100-$300
Seniority	Yes	Yes	Yes		$84-$300
Occupation		Yes	Yes	Yes	$100-500
Income and Seniority	Yes	Yes	Yes	Yes	$75-$500

Distribution of Monthly Health Spending Account Contributions

	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Average	$77.93	$125.33	$237.00	$502.36
Median	$91.67	$125.00	$208.33	$400.00

Source: www.HealthSpending.com/contribution-formula