

# Employer Funded Health Service Spending Account Agreement

## Purpose

The purpose of this Health (Service) Spending Account is to assist Members with the financial cost of their health expenses. There is no insurance component or spreading of risk amongst members.

## Definitions

**Plan Sponsor:** \_\_\_\_\_

**Administrator:** Benefits Interface, Inc.

**Member:** Eligible employees as determined by the Plan Sponsor.

**Member Benefit Account:** Individual non-segregated accounts used to reimburse Members for eligible health related expenses.

**Deposit:** Amount contributed by the Plan Sponsor to a Member Benefit Account.

**Carry-forward Method:** Deposit Carry-forward.

**Plan Effective Date:** \_\_\_\_\_

<u>Plan Sponsor</u>	<u>Administrator</u>
Telephone: Contact: e-mail:	Benefits Interface, Inc. PO Box 30 Newmarket ON L3Y 4W3 Telephone: 905-577-7685 Contact: Mr. John Vandeweerd e-mail: john@benefits.org

## Taxation and Fees

The cost of a Health Spending Account is presently tax-deductible (Federal Income Tax) to the Plan Sponsor and presently non-taxable to Members (except for Provincial Income Tax for Quebec residents).

Provincial Sales Tax and Provincial Premium Tax is paid on Deposits to the Health Spending Account and the Administration Fee. The province that the employee works in determines the tax rates. Federal Goods and Services Tax is paid on the Administration Fee. With each deposit, the Plan Sponsor pays the appropriate taxes to the Administrator for remittance.

An Administration Fee equal to 10% of new Deposits and reallocations is paid by the Plan Sponsor to the Administrator and earned when Deposit allocations are made to Member Benefit Accounts.

## General Administration

The Health Spending Account is designed to comply with the requirements of a "Private Health Services Plan" as outlined in the Income Tax Act and Revenue Canada Interpretation Bulletins and will be amended in order to meet the minimum requirements of existing or future legislation.

The Administrator will provide the Plan Sponsor with booklets that describe the benefit plan to new Members.

Either the Plan Sponsor or Administrator may terminate this agreement by providing 30 days written notice.

The Administrator will rely on the information provided by the Plan Sponsor and Members.

The Plan Sponsor's auditor may review the trust account at any time.

Any document, data or information collected during the administration of this plan is the property of the Administrator and will not be released without the express written consent of the Plan Sponsor, Administrator and Member. A record keeping charge may be required to release information.

**Deposit Administration**

Prior to January 1st of each calendar year, the Plan Sponsor will determine the level of monthly Deposits (Deposit Schedule) that will be made to individual Member Benefit Accounts during that year.

At the beginning of each month, the Plan Sponsor will remit the monthly Deposits for Member Benefit Accounts, Federal and Provincial taxes and the Administration Fee to the Administrator.

Deposits will be held by Benefits Interface in a non-segregated trust account until paid out in claims, taxes or fees. Interest will be earned by Benefits Interface and service charges incurred will be paid by Benefits Interface.

Deposits to the individual Member Benefit Accounts will be used to reimburse Members for eligible health-related expenses that they incur during the calendar year that the deposits are made.

The Administrator will provide the Plan Sponsor with summary and transaction reports at the end of each calendar year. The Plan Sponsor may request these reports on a more frequent basis.

At the end of each calendar year, the Administrator will refund, to the Plan Sponsor, Deposits that can no longer be used by Members. The refund will be in the form of a credit to the remittance account unless this agreement has been terminated in which case the refund will be in the form of a cheque.

**Claims Administration**

The Income Tax Act and Revenue Canada Interpretation Bulletins define eligible expenses.

Expenses may be for the Member, their spouse or their dependants, as defined by the Income Tax Act.

Claims must have been incurred while the Member was a participant in the Health Spending Account.

Members should mail a completed claim form, receipts and other required documentation to the Administrator on a monthly basis. Claims must be submitted no later than the last day of the calendar year in which the product or service was purchased.

The Administrator will adjudicate the eligibility of claims received from Members and pay eligible claims within two weeks of receiving sufficient documentation. A new claim form and summary of Member Benefit Account information will accompany each claim cheque. Claim cheques will be mailed to the member's home address or sent to the Plan Sponsor for distribution.

Claims may be reimbursed from Deposits made to the Member Benefit Account during the calendar year that the claim was incurred.

Dated at \_\_\_\_\_, \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_.

Signature of Plan Sponsor \_\_\_\_\_, Signature of Administrator \_\_\_\_\_