

# INCIDENTAL HEALTH EXPENSE

## PRODUCT GUIDE

Group  
solutions





## WHAT IS THE INCIDENTAL HEALTH EXPENSE BENEFIT?

Incidental Health Expense (IHE), is an optional component that provides Employers with choices in the health care needs of their employees and the flexibility to use benefit dollars where they most need them.

No two employees have the identical benefit needs, so it's fortunate when their workplace can provide a benefit option like IHE that allows them the flexibility and choice to put more dollars towards the health expenses that mean the most to them.

### How does it work?

- Employer adds the IHE Benefit to the Extended Health Benefit (EHB) portion of their group insurance plan.
- Employees can use the IHE Benefit to pay for incurred expenses not eligible under the Extended Health and Dental Benefit.
- Health expenses that would qualify as a medical expense under the Income Tax Act are eligible for reimbursement through the IHE Benefit. For more details on eligible medical expenses, visit [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).
- Cost structures include single and family rates and the employer chooses the Benefit amounts.
- IHE Benefit costs are added to the single/family EHB rates.

## What are the employer advantages?

- Employers can elect to have employees share in the cost of the benefit because IHE is considered insurance.
- Monthly costs are more predictable as the employer chooses the maximum benefit amounts.
- Employers can offer more plan design flexibility to employees.
- IHE premiums are tax deductible as a business expense and offer the same premium tax advantage as regular group insurance premiums.
- Drug claims, Medical Supplies, and other high cost claims – such as Out of Country, remain part of the standard Extended Health Care Benefit.

## What are the employee advantages?

- Employees enjoy the flexibility to use these pre-determined benefit dollars to meet their family needs since any medical expenses qualifying under the Income Tax Act are eligible for reimbursement.
- Benefits reimbursed through the IHE Benefit are not taxable to the employee. (In Quebec, premiums paid by the Employer are a taxable benefit to the employee.)

## PLAN DESIGN

- Coverage is based on \$0 deductible, 100% coinsurance.
- The Employer may choose IHE Benefit amounts ranging from \$100 single/family to \$5,000 single/family per year in multiples of \$25.00.
- For groups with multiple classes, the employer may choose to add the IHE Benefit to selected classes, or all classes. Benefit amounts may also vary by class.
- Coverage may be on a policy year or calendar year basis to match the existing benefit year.
- Changes to the maximum benefit will be allowed on the policy anniversary.

## Comparison to a Health Spending Account

### Health Spending Account (HSA) vs. Incidental Health Expense (IHE)

HSA	IHE
Expanded definition of dependent	Same definition of dependent as an insured plan
Can include employees not covered under EHB or Dental plan	Must be enrolled in EHC and therefore qualify for the IHE Benefit
HSA funded by Employer	Costs can be split between employee and Employer
Benefit Expense or allotment can be carried forward	IHE Benefit must be used in the year it is allocated for expenses incurred in the benefit year
ASO funded	IHE Benefit offered as insured or ASO (20Plus only)

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<sup>1</sup> *Financial Post Magazine*, June 2010, based on revenue

<sup>2</sup> As at June 10, 2010

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