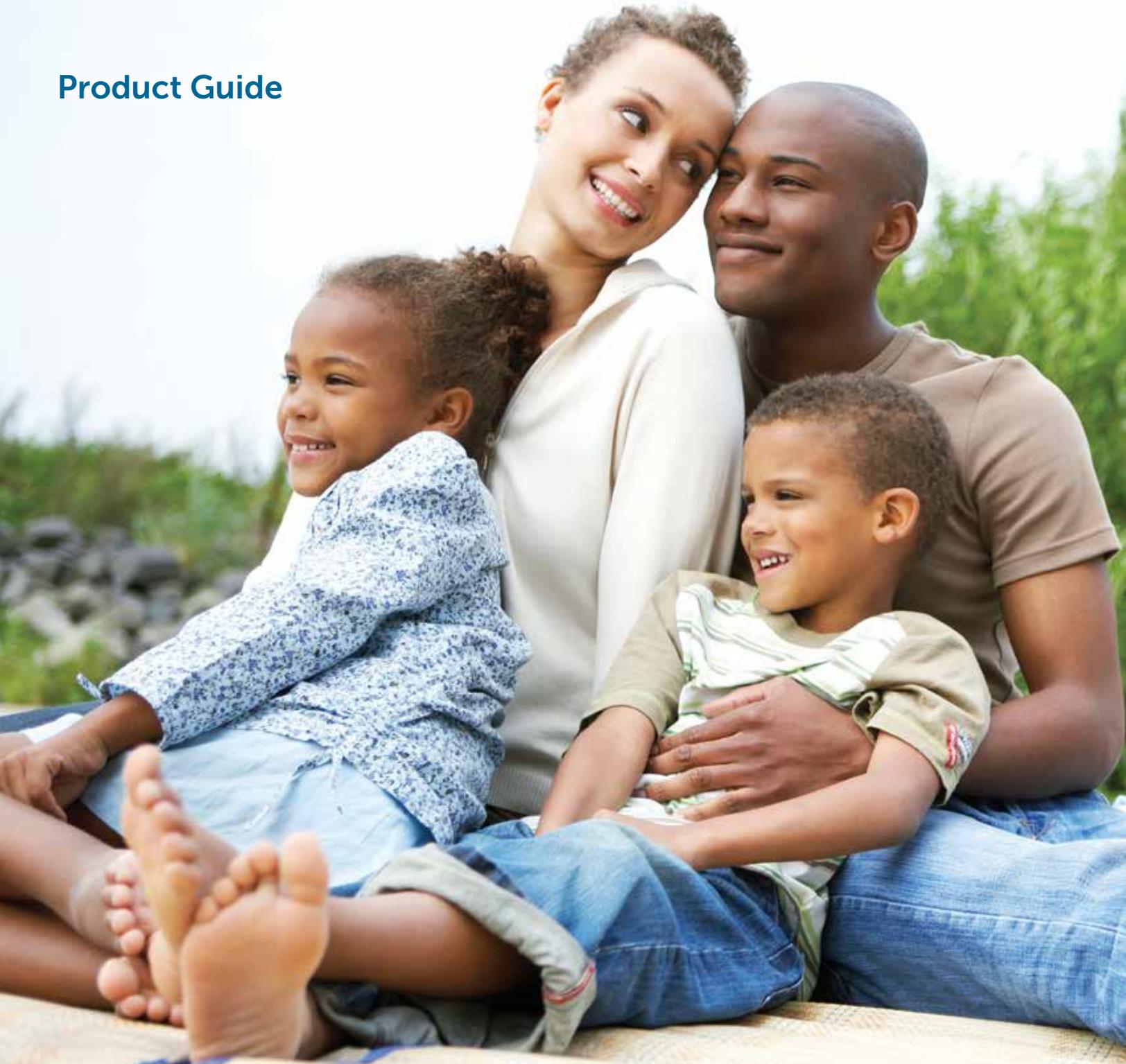


HEALTH CARE

SPENDING ACCOUNT

Product Guide





ONE TOOL, MANY APPLICATIONS

People at different ages and life stages have different health needs and priorities—and they value different benefits as a result. The active, healthy person with a wellness orientation has different needs and interests than someone who suffers from one or more chronic diseases. Younger people have different needs than those who are older.

Creating a plan that satisfies everyone can be a challenge—now more than ever. Today, employees generally expect more choice and flexibility. And, for the first time, we have four generations working together in Canadian businesses, each with its own different values and expectations.

Rising costs make the challenge more acute. As the Canadian workforce ages and as new, more expensive drugs hit the market, business owners may find it increasingly difficult to provide a comprehensive traditional benefits plan.

A Health Care Spending Account can help. By its nature, a Health Care Spending Account brings cost containment. At the beginning of the year, customers decide how much to allocate to employees and can rest assured that they will not exceed that amount. That's unlike insured benefits, where the premiums may rise every year in line with rising costs and utilization rates.

A Health Care Spending Account can be a great supplement to a traditional benefits plan—or even an alternative. With an overall maximum but no limits on individual benefits, employees can spend their credits according to their needs. It provides a valuable, flexible benefit that helps them protect their health—their way.

HEALTH CARE SPENDING ACCOUNT (HCSA) COVERAGE AT A GLANCE

Two designs to choose from: balance carry-forward plan or no carry-forward

	Balance carry-forward	No carry-forward
Credit allocation	\$100-\$10000 Credits can be allocated annually, semi-annually, or quarterly Single and family amounts available	\$100-\$10000 Credits allocated annually Single and family amounts available
HCSA year	Calendar or benefit	Calendar or benefit
ASO funding options	Monthly reconciliation	Monthly reconciliation
Prorating new employees	Standard (option to remove)	Standard (option to remove)
Grace period	90 or 180 days	90 or 180 days
Co-ordination with EHB and Dental	Standard (option to remove)	Standard (option to remove)
Eligible dependants	Medical Expense Tax Credit under the <i>Income Tax Act</i> (Canada)	Medical Expense Tax Credit under the <i>Income Tax Act</i> (Canada)

About balance carry-forward plans

At the end of the HCSA year, employees may not have used all of their credits. Unused amounts will be carried forward for 12 months. Unclaimed medical expenses cannot be carried forward.

Example: Balance carry forward plan with annual allocation of \$500

- Employee claims \$200 in the first year, so \$300 is carried forward
- The second year she gets another \$500
- She then has laser eye surgery costing \$1000 and submits a claim
- She is reimbursed \$800

About no carry-forward plans

Allocated amounts must be used in the HCSA year; unused credits expire at the end of each year. Medical expenses that are not reimbursed cannot be claimed in the subsequent year.

Example: no carry-forward plan with annual allocation of \$500

- Employee claims \$200 the first year, so the remaining \$300 allocation expires. Nothing is carried forward.
- The second year he gets another \$500
- He then has laser eye surgery for \$1000 and submits a claim
- He is reimbursed \$500



Important Notes

- HCSA can be set up for one class of employees and not another. All employees in a class must participate
- Claims for medical services in one plan year cannot be carried forward into the next plan year
- Employers must choose a 90 or 180 day grace period within which all claims must be submitted after the end of the HCSA plan year
- Upon retirement or termination of employment, employees have 90 days to submit claims for services received prior to the retirement or termination date. After the 90-day period any unused credits remaining in the HCSA will be forfeited

ENHANCE A PLAN OR CONTROL COSTS: ONE TOOL, MANY DIFFERENT APPLICATIONS

The table below sets out examples of the different ways to use a HCSA

Priority	Solution	Advantages
Attract talented employees	Add a HCSA	According to the sanofi aventis 2011 Healthcare Survey: <ul style="list-style-type: none"> • 32% of plans nationally provide a HCSA • Utilization is relatively high at 53% • Availability is highest in Alberta (41%) • Younger employees value HCSA more than older employees
Retain younger employees to build bench strength	Choose a balance carry-forward plan	Excellent tool for younger workforce: Employees 18 to 34 value HCSA highly (73%); those aged 55 and older not so much (57%) <i>Source: sanofi aventis 2011 Healthcare Survey</i>
Address employee engagement	Add a HCSA	Unlike traditional extended health benefits, which place caps on the amount you can be reimbursed for specific services, a HCSA only has an overall annual maximum. This gives employees the freedom to choose how they spend their credits.
Address work life issues	Add a HCSA	The expanded list of benefits is more inclusive than traditional benefit plans and give employees added flexibility
Reward specific employee classes	Add HCSA to specific classes	Flexibility to add a HCSA to one class and not another
Stabilize plan costs	Strong: Replace paramedical with HCSA Stronger: Replace paramedical and vision with HCSA Strongest: Replace paramedical, vision and dental with HCSA	N.B.: While replacing some benefits with a HCSA is an excellent way to achieve cost containment, replacing key benefits with HCSA may risk exposing employees to potentially catastrophic costs
Add basic benefits to a small company with no benefits	Add no carry-forward HCSA	An ideal way to determine employees' health care priorities and grow your benefits plan in synch with employees' needs

HEALTH CARE SPENDING ACCOUNT COVERAGE DETAILS

For employees

Reimburses a wide variety of eligible medical expenses

Employees can submit claims for any expenses that qualify for the Medical Expense Tax Credit under the *Income Tax Act* (Canada). The list of eligible medical expenses is extensive and changes from time to time. It covers a wider variety of products and services than what is covered by most standard employee benefits plans, recognizing that people have different health related needs at different ages and life stages, and supports a variety of choices and needs.

Two years ago, Alice and Tom realized their son Scott would need braces. But since neither of their company benefit plans covered orthodontics, they decided to hold off until they could save enough money. This year, Alice's employer added a HCSA. Scott got braces and Alice and Tom feel a lot less financial pressure.

Covers expenses for the extended family

Employees can use their allocation to cover expenses that qualify for the Medical Expense Tax Credit (METC) under the *Income Tax Act* (Canada). This can include expenses for a child, grandchild, parent, grandparent, brother, sister, uncle, aunt, niece or nephew of the employee or the employee's spouse, as long as the person claimed for is dependent on the employee for financial support at some time in the year. When making a claim, the employee must certify that the person claimed for was a dependant per the *Income Tax Act* (Canada). It's important to consult the *Income Tax Act* (Canada) or a tax advisor when in doubt.

Lydia's mother Gloria has come to live with her this year. Gloria has diabetes and needs to monitor her blood sugar levels and take insulin every day. She is a retiree with limited private health coverage. Both Gloria and Lydia are thankful that Lydia can claim the cost of the diabetes medications and supplies under her HCSA.

Contains no limits on individual services—just an overall annual maximum

Unlike traditional extended health benefits, which place caps on the amount you can be reimbursed for specific services, a HCSA only has an overall annual maximum. This gives employees the freedom to choose how they spend their credits. Some employees might use them to pay for prescription eye glasses or laser eye surgery. Others might use their allocation to help pay for orthodontic work.

Robert works for a company that provides a balance carry-forward Health Care Spending Account. Each year his allocation is \$500. Young and healthy, he rarely uses his employee benefits. Last year, he made no claims against his HCSA, which means this year he has \$1000. He's thrilled since that perfectly covers the cost of laser eye surgery, which he has finally decided to undergo.



Reimburses deductibles and coinsurance

Each time employees fill a prescription or go to the dentist, they pay a part of the expense through a deductible or coinsurance. It all adds up—especially if they have children or someone in the family who is seriously ill. With a HCSA, employees can claim these out-of-pocket expenses.

Paula's doctor prescribed a three-month supply of medicine for her stomach complaint. The medicine was expensive—and her share of the cost was \$40. After three months and then six months, she needed a repeat—another \$40 each time. Fortunately, her HCSA covers these co-payments, and she was reimbursed the full \$120.

Delivers a tax free benefit (except in Quebec)

Similar to extended health and dental benefits, a HCSA is not taxable to the employee, except in Quebec.

HEALTH CARE SPENDING ACCOUNT COVERAGE DETAILS

For employers

Features	Advantages
Tax deductible	Makes a HCSA a tax-effective part of a benefit solution since owners can claim costs as a business expense, in the same way that they can claim extended health and dental benefits
Self-insured	Keeps costs down and makes a HCSA a cost-effective solution in that owners pay for only the claims costs incurred plus applicable expenses and taxes
Customizable plan design with choice of: <ul style="list-style-type: none"> • Plan type (balance carry-forward or no carry-forward) • Allocation amount and design: <ul style="list-style-type: none"> • Single or family • One class and not another • Annual, semi-annual, quarterly allocation schedule on balance carry-forward plans 	Enables highly flexible plan design that precisely meets owners' unique needs, objectives, benefits philosophy, and lets them control the amount they want to spend
HCSA year can be calendar year or the benefit year	Flexibility to align with the other extended health benefits
Prorate allocations for new employees	Promotes fairness and saves money
Offer the HCSA as part of the base plan or as the sole delivery tool for health and dental benefits	Affords business owners a lot of flexibility to achieve their priorities
Monthly statement	The HCSA has its own line on the monthly statement and comes with a separate report of all claims



COMMUNICATING TO BUSINESS OWNERS AND THEIR EMPLOYEES

We have developed the following documents to help you promote the benefits of a HCSA to customers. All materials are posted to the Advisor site at www.empire.ca:

To customers

- PowerPoint presentation
- Features, Advantages, and Benefits sheet
- Flyer
- Bulletin

To customers' employees

- FAQ
- Booklet language
- Poster/one pager



Filling out the claim form

1. Title

Employees don't have to worry about choosing the right form. This combined EHB and HCSA form will be displayed on the plan member website to all employees who have a HCSA.

2. Group policy, Division, and Certificate no.

Employees can find this information either on their wallet card, on the plan member website if they have registered, and on the Explanation of Benefits (attached to the cheque employees receive when they are reimbursed for a claim).

3. I certify, I authorize

This is standard text—the same as on other forms.

4. I acknowledge

We rely on the employee to understand what constitutes an eligible expense and who is an eligible dependant. Empire Life will not adjudicate this.

5. Direct Deposit

[Register me](#) – Employee checks this box if they have not yet registered for EFT.

[Change my details](#) – Employee checks this box if they wish us to change the banking information we already have on file for EFT.

[Use my info on file](#) – Employee checks this box if they have already registered for EFT.

SAMPLE CLAIM FORM

1.

EXTENDED HEALTH CARE BENEFITS (EHB) AND HEALTH CARE SPENDING ACCOUNT (HCSA) CLAIM FORM

2.

1. Personal information (Please be sure to complete all fields in this section)			
Group policy, Division and Certificate no.	Name of employer	Email address	
Insured employee's name	Date of birth (dd/mm/yy)	Telephone	
Address	City	Prov	Postal Code
Is claim being made for Worker's Compensation Benefits? <input type="radio"/> yes <input type="radio"/> no	If treatment was required because of an accident, how did it happen?	Date of accident (dd/mm/yy)	
Do you, your spouse or dependant(s) have other insurance under which expenses being claimed are eligible? <input type="radio"/> yes <input type="radio"/> no (If yes, please complete the next two lines)			
Name of policyholder	Date of birth (dd/mm/yy)		
Name of other insurance company	Group policy and Certificate no.		

2. The claim process (In order to process a claim, original receipt(s) must be attached)
Retain copies of original receipts and this completed claim form for your records and for any future submission under your HCSA. If Empire Life is the second payer, include a photocopied receipt and original Explanation of Benefits from the first payer with your claim form. Drug claims must include an original "Official Prescription Receipt" from the pharmacist. For HCSA: Dental claims must include an original "Standard Dental Claim Form" from the dentist. Expenses may be for you, your spouse or your dependants, as defined by the <i>Income Tax Act</i> (Canada) - www.cra-arc.gc.ca . Eligible expenses are defined by the <i>Income Tax Act</i> (Canada) and by Revenue Canada Interpretation Bulletins.
Your payment instructions: <input type="radio"/> Process this claim under my Extended Health Benefit first. I will coordinate with the other insurer and then re-submit any unpaid balance to my HCSA. <input type="radio"/> Process this claim under my Extended Health Benefit first, then assess any unpaid balance under my HCSA (If coordination of benefits does not apply). <input type="radio"/> Process this claim under my HCSA only. <input type="radio"/> Do not use my HCSA for this claim. Also: if my claim is only partially paid due to insufficient HCSA credits, please use any future allocation(s) to reimburse me automatically. <input type="radio"/> Yes

3.

3. Information about your claim																				
List the names of all persons for whom you are claiming expenses. Add up all the receipts and insert the total of charges. Ensure each receipt clearly indicates the type of expense being claimed.																				
<table border="1"> <thead> <tr> <th>Name of person for whom you are making the claim</th> <th>Date of birth</th> <th>Relationship to insured employee</th> <th>Total of charges</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td>\$</td> </tr> </tbody> </table>	Name of person for whom you are making the claim	Date of birth	Relationship to insured employee	Total of charges				\$				\$				\$				\$
Name of person for whom you are making the claim	Date of birth	Relationship to insured employee	Total of charges																	
			\$																	
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4.

4. Certification and authorization	
<p>I certify that the statements above are complete and true and that none of the attached receipts duplicate previously submitted charges.</p> <p>I authorize the relevant physicians, hospitals and other service providers to release full information and records with respect to this claim to The Empire Life Insurance Company (Empire Life) and I authorize Empire Life, its agents, representatives, consultants, other insurance companies and reinsurers to collect and review this information (as deemed necessary) for the purpose of reviewing, assessing and managing this claim. I understand information pertaining to this claim may be reviewed in the event the plan is audited.</p> <p>I agree a photocopy of this authorization shall be as valid as the original.</p> <p>I understand that Empire Life may exchange information about these claims with me or any other person for whom I am making this claim or any person acting on my behalf or on behalf of the person for whom I am making the claim (as deemed necessary) for the purpose of confirming eligibility and assessing and managing the claim. If I have provided information about another person, I confirm that I am authorized to provide such information.</p> <p>I acknowledge:</p> <ul style="list-style-type: none"> I am responsible for ensuring that all expenses submitted for payment from my HCSA qualify for the Medical Expense Tax Credit (METC) under the <i>Income Tax Act</i> (Canada). That any dependant I claim for qualifies as an eligible dependant under the group policy or as a dependant under the <i>Income Tax Act</i> (Canada) and confirm that I am authorized to act on their behalf. 	
Signature of insured employee X	Date (dd/mm/yy)

5.

5. Direct Deposit (For first request or if making a change, please include a voided personal cheque)	
<input type="radio"/> Register me <input type="radio"/> Change my details <input type="radio"/> Use my info on file	Group Policy, Division and Certificate no.

The Empire Life Insurance Company (Empire Life) is a proud Canadian company that has been in business since 1923. We offer individual and group life and health insurance, investment and retirement products, including mutual funds through our wholly-owned subsidiary Empire Life Investments Inc.

Empire Life is among the top 10 life insurance companies in Canada¹ and is rated A (Excellent) by A.M. Best Company². Our mission is to make it simple, fast and easy for Canadians to get the investment, insurance and group benefits coverage they need to build wealth, generate income, and achieve financial security.

Follow Empire Life on Twitter @EmpireLife or visit our website, www.empire.ca for more information.

¹ Based on general fund and segregated fund assets in Canada as at December 31, 2015 as reported in regulatory filings

² As at May 27, 2016

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