



# PRIVATE HEALTH SERVICES PLAN

## WHAT IS A PRIVATE HEALTH SERVICES PLAN (PHSP)?

Simply put, PHSPs provide companies a means to enhance employee medical expense benefits while reducing the level of tax incurred by employees.

PHSPs are intended as a supplement to traditional benefit plans or as an alternative to administratively complex flex benefit programs. PHSPs are not insurance, but rather a tax effective (for employees) way for employers to reduce employee out-of-pocket medical expenses on a wide variety of services, many of which would not be eligible under traditional plans.

Benefits received through a PHSP are one of the few tax breaks remaining for ordinary Canadians. In general, the rules governing the tax treatment of payments by an employer to or on behalf of an employee require that anything of value received by an employee be treated as a taxable benefit. PHSPs are an exception to this rule. The benefits received by an employee through a PHSP to pay for dental treatment or fertility treatment, for example, are income tax free.

Under the Income Tax Act, employer contributions to a PHSP are deductible from business income. Generally, incorporated businesses can deduct all reasonable contributions.

## ADVANTAGES OF PHSP

- Allows all medical expenses to be paid with pretax corporate dollars vs. after tax employee dollars.
- Eligible expenses are defined by the Income Tax Act, are more comprehensive than those defined under traditional insurance plans.
- Allows benefits to be offered to individuals that are not eligible for traditional insurance plans (i.e. contract workers, part-time employees, etc.).
- Provides employers with further flexibility in the approach they take to compensate their employees.

## SUMMARY OF EXPENSES RELATED TO PHSPs

With PHSPs, there are no hidden charges. Unlike traditional plans, where administrative expenses are included in the overall premium rate, a PHSP is a service contract with charges specific to the services provided.

### **Start Up Fee**

A one-time fee of \$200.00 is charged by a third-party administrator for setting up a PHSP. This fee would be paid by the employer and is a deductible business expense.

### **Transaction Fee**

A Transaction Fee representing the costs of adjudicating and processing claims under the plan is payable on all claims paid by the PHSP. The Basic Transaction Fee is 10% of paid claims. It is also a fully deductible business expense for the employer.

### **Applicable Taxes**

The following taxes are applicable:

- Goods & Services Tax (GST): Applied to the Start Up and Transaction Fees
- Premium Tax of 2% in Ontario (varies by province): Applied to Transaction Fees and paid claims.
- Provincial Sales Tax (where applicable): Applied to Transaction Fees and paid claims.

Provinces may have different tax rules. We can explain these rules to you upon request.

### **How do I pay for the PHSP?**

- Adhoc (pay-as-you-go) contributions equal to the total claim cost. In this instance, the employer establishes an annual maximum contribution per employee and keeps his or her own records.

OR

- Fixed monthly or annual contributions with a third-party administrator maintaining the records.

## Refund of Unused Contributions

Each time a claim is paid, an amount equal to the total claim cost (as defined below) is deducted from the employee's PHSP.

←	<b>Total Claim Paid</b> (Based on Receipts submitted)	\$767.00
↑	<b>Transaction Fee (10% of ←)</b> (Minimum \$20; Maximum \$200)	\$76.70
→	<b>Taxes</b> a. GST (7% of ↑) b. Premium Tax (2% of ← & ↑) c. Retail Sales Tax (8% of ← & ↑)	\$5.37 \$16.87 <u>\$67.50</u>
↓	<b>Total Claim Cost</b> (Deducted from Employee PHSP)	\$933.44

With a traditional insurance plan, premiums are paid regardless of whether employees maximize their usage of the plan or not. At the end of the plan year, there is no refund of excess premiums paid. With PHSPs, employers pay only the claims issued plus applicable fees and taxes. At the end of the PHSP plan year, any unused contributions are available for distribution:

- As a refund (which is taxable when received by the employee),
- As a credit to be rolled over to the next plan year. Credits may only be carried forward one plan year.

## COVERED SERVICES

SOME of the services eligible for coverage under a PHSP include:

Acupuncture	Dental Whitening	Insulin Treatments	Registered Massage Therapy
Alcoholism Treatment	Dental X-rays	Lab Tests	Skin Care (Medical)
Ambulance	Dentures	Laser Eye Surgery	Special school costs for the handicapped
Artificial Limbs	Diagnostic Fees	Laser Hair Removal	Speech Therapy
Birth Control Pills	Diapers for Incontinence	Lodging (away from home for outpatient care)	Spinal Fluid Test
Blood Tests	Drug addiction therapy	Metabolism Tests	Splints
Botox	Drugs (prescription)	Nursing Home (including board & meals)	Sterilization
Braces	Erectile Dysfunction Treatments	Obstetrician	Telephone or TV equipment to assist the hearing impaired
Cardiographs	Eyeglasses	Operating Room Costs	Therapy Equipment
Chinese Medicine	Fees paid to health institute prescribed by a doctor	Oral Surgery	Transportation Expenses (relative to health care)
Circumcisions	Fluoridation Unit	Organ Transplant (including owner's expense)	Ultraviolet Ray Treatments
Contact lenses	Fertility Treatments	Orthopedic Shoes	Vaccines
Contraceptive Devices	Guide Dog	Oxygen and Oxygen Equipment	Vasectomy
Crowns (dental)	Hair Replacement	Post-natal Treatments	Vein Removal
Crutches	Hearing Aids and Batteries	Pre-natal care	Vitamins (if prescribed)
Dental Treatment	Homeopathy	Prescription Medicine	Wart Removal
Dental Implants	Hospital Bills	Psychotherapy	Wheelchair
	Hydrotherapy	Radium Therapy	X rays



HUNTER KEILTY MUNTZ & BEATTY  
 Group No.  
 AccertaFlex Remittance Form

**Employee Information:**

Employee's Name: VC Executive

Address: 100 Toronto Street

City: Markham Province: ON Postal Code: L3R 4J8

**Amount Payable:**

1) Total of Expenses being Submitted (Attach copies of receipts and claim forms)	\$767.00
2) Processing Fee 10% of (1) (Minimum of \$20 : Maximum 200)	\$76.70
3) Taxes	
a) GST (# 882482615) - 7% of (2)	\$5.37
b) Premium Tax - 2% of (1+2)	\$16.87
c) Retail Sales Tax - 8% of (1+2)	\$67.50
4) Total Amount Payable	\$933.44

Plan Sponsor/Administrator \_\_\_\_\_ Date:  
 Signature

**Mail To:**

Mail this completed form, together with appropriate receipts and claims forms, and cheque, to:  
**AccertaClaim Servicorp Inc.**  
**Toronto "P", P.O. Box 310**  
**Toronto, Ontario**  
**M5R 2S8**  
**1 (800) 467-505-7430**

**Note:**

- **Please attach Extend Health Care Expense Form**
- Payment of claims will be directly to the employee noted above.
- Each receipt and claim form must show the service provider's unique ID number.

