



Private Health Services Plan

Private Health Services Plan

- ❖ For Unincorporated and Incorporated Individuals and Entrepreneurs and their dependants.

General Information

- ❖ Normally an individual must absorb 3% of net income up to \$1,678 of all his/her medical, dental expenses before being eligible for a tax credit.
- ❖ By taking advantage of this new law, you can claim up to \$1,500 as your business expenses. That is a tax deduction at your marginal rate

General Information

- ❖ Your dependants are also eligible. For your spouse's medical and dental expenses, you can claim up to \$1,500 and for each child, up to \$750 per year.
- ❖ A self-employed business owner with one spouse and two children can contribute up to \$4,500 each year for a savings of about \$2,000 at the highest marginal rate

Who Qualifies

- ❖ You must be actively engaged in business alone or as a partner
- ❖ More than 50% of your total income must be derived from your business.
- ❖ Income from other sources (other than business) cannot exceed \$10,000 per year

What is Covered?

- ❖ 100% of virtually all dental and medical expenses, including crowns, dental implants periodontics, orthodontics, laser eye surgery, fertility treatments, nursing home care, prescription drugs, vitamins and supplements if prescribed, naturopathic and alternative treatments, Viagra, MRI and more.

What if my Spouse has a Group Plan

- ❖ Even if you are covered by a group plan, most plans come with deductibles, co-pay exclusions.

What is the Cost?

- ❖ One-time setup fee of \$200, Tax deductible
- ❖ No other premiums other than 10% administration fee (plus GST and PST on the 10% administration fee.)
- ❖ Unincorporated business must also buy the Stop Loss/Travel Medical Insurance to be eligible for CCRA rules.

For Incorporated Business Your Plan Now

- ❖ Ever increasing premiums on medical and dental benefits.
- ❖ Employer and employee share costs.
- ❖ Partial coverage, limited number of procedures.
- ❖ Insurance company usually makes 30% - 50% margin.

Self – Directed?

- ❖ For their retirement pension plans, many companies switched from “defined benefit” to “defined contribution” method, because it limits cost, the liability and gives freedom of choice to the employee.
- ❖ Now they are doing the same for their medical and dental coverage.

Self-Directed?

How would you like to:

- ❖ Stop the annual agony of facing large increases in medical- dental premiums?
- ❖ Allow employees to decide how they want to allocate their medical expenses for whatever health service they need.

Self-Directed?

How would you like to:

- ❖ Be able to decide on a premium ceiling for once and for all!
- ❖ Be able to set up different levels of coverage for various levels of employees (executive, senior staff, junior staff) any way that is suitable and agreeable for the company and employee.

Self -Directed

How would you like to:

- ❖ Allow employees to accumulate the unused portion and carry forward to next year.
- ❖ Have a choice of allowing employees, to take with them accumulated benefits after their retirement and/or when they leave the company.

How it Works

Company tells its employees:

- ❖ " We give you X dollars into a Health and Welfare Trust each year for your medical expenses while you are working"
- ❖ Company has the choice of setting guidelines i.e., what medical expenses this money can be used for or allow employees to use his/her discretion to use it on any medical expenses.

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- ❖ Company can choose to keep the money in the trust or make it available for the employee in any of these situations:
 - Quits
 - Leaves
 - Laid off
 - Retired

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- ❖ Company can choose to put a time limit on the portability, "Only after one year of continuous service, the money accumulates for the benefit of the employee and he/she can continue using the accumulated money for medical/dental expenses after leaving the company."

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- ❖ Company can even choose to release the accumulated money to the employee after termination (it is then taxable income).

The Process

- ❖ Decide how many categories you want, such as owner, executive, senior staff, junior staff.
- ❖ Decide if you want to link the health benefits to inflation, such as 3% per year.
- ❖ Decide how much benefit you want to provide for each category.

Example

	Owner	Executive	Senior Staff	Junior Staff
Single	\$3,000	\$1,500	\$1,000	\$900
Couple	\$6,000	\$3,000	\$2,000	\$1,800
Family	\$10,000	\$5,000	\$3,000	\$2,500

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- ❖ Once you decide on the amount of medical benefit you want to provide for employees, set up the plan.
- ❖ The one-time set up fee is \$200
- ❖ The administrative costs are 10% of the premium (plus applicable federal and provincial taxes in your province).

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- ❖ Employee pays the expense and hands in the receipts for reimbursement

OR

- ❖ Ask the health professional to send the bill to the third party administrator (Pacific First).
- ❖ Drug card is available.

Practical Application

- ❖ Tax deductibility of medical/dental expenses for small business owners.
- ❖ Supplement or replacement of Group Insurance (2-500 employees).
- ❖ Stand alone dental insurance.

Why Self-Fund Your Health Plan

- ❖ Control and cost containment
- ❖ Customized benefits vs. "one size fits all."
- ❖ Flexibility in use
- ❖ Carry-forward of unused funds