

## Health Spending Accounts in Canada - A growing industry looks to the Internet

### *Can the Internet Replace your Health Insurance Company?*

#### *The Benefits of Health Spending Accounts AND the Convenience of the Internet*

The Internet has changed the way of doing business for many industries. In the travel industry we no longer rely on agents. For banking our need for tellers is dramatically reduced. As for media, print subscriptions have been in decline for many years. Now the Internet is making inroads in the Group Benefits industry, traditionally a sleepy and unknown area of business to most Canadians. Group Benefits refers to health care benefits provided by one group, an employer or association, for its employees/members. It is how many Canadians pay for the many health related expenditures not covered by provincial health plans. Group Benefits and health care funding options can be confusing to understand and involve many rules and limitations. Nevertheless, they are important to anyone who requires access to health care services – namely, every person in Canada.

What the Internet does is simplify processes, often by eliminating paperwork and bureaucracy. One no longer needs to understand complex medical terms or legalese. It simplifies the process to an extent that fewer advisors or consultants are needed to provide expertise that is often acquired only after years of experience in an industry. This makes it easier for individuals, and organizations, to manage such services with less outside expertise.

Imagine a fully automated system for management of Group Benefits through the Internet using a web browser on your computer. Employers set up an account on-line without any of the traditional paperwork. Acceptance of their plan is immediate rather than weeks later. All deposits to their employee accounts are electronic with full access to management reports. Likewise, employees access their on-line accounts to determine fund availability, file claims and access reports. Reimbursement claims are filed electronically at the convenience of the employee. They can check their account to determine the status of a claim in process and determine when a reimbursement will be deposited into their bank account. As with most automated systems, these reimbursements occur in days rather than weeks. Elimination of paper and administration are significant conveniences that result in cost and labour savings for all involved.



This system is in use today by Canadian organizations concerned about the value they and their employees receive for their health care dollars. It is available to organizations who establish Health Spending Accounts for their employees.

Health Spending Accounts, or HSAs, date back to 1986 when Finance Minister Paul Martin introduced a new way for incorporated companies to offer health benefits to their employees. A few years later, a similar option was made available to non-incorporated companies. While these accounts have been available in various forms, it is only recently that market forces have made HSAs more enticing. Escalating health care costs and reduced corporate budgets have conspired to encourage businesses to be more efficient in their provision of employee health care benefits. One only has to look toward the United States for an example of out of control health care expenditures. As these businesses look closely at their employee benefit expenditures, they find HSAs to be an increasingly attractive option.

### What is a Health Spending Account

A HSA is, quite simply, a special bank account administered by a third party. Employers deposit funds into the account on behalf of their employees. Employees then have access to these funds for reimbursement of health care expenditures. Similar to Health Savings Accounts in the USA and RRSPs here in Canada, Health Spending Accounts offer advantages to both employer and employee.

### Advantages of a Health Spending Account

For the employer providing the Health Spending Account, this is a tax deductible business expense. It is also a controllable expense in that only the employer can decide to change the value of this benefit. There is no requirement that the amount of benefit be increased on an annual basis nor does the value of this benefit impact on the services available to the employee. By providing these funds monthly, rather than annually, the employer is better able to control costs by discontinuing payments for those who leave the company.

For the employee, a Health Spending Account is a non-taxable company benefit. That is, amounts deposited into the account by their employer are not taxable to the employee. Furthermore, the employee has complete discretion as to how the funds are used. Employers



or third parties have no ability set limits on how much money can be spent on specific services. The only limitation is the amount of money available in the account. This is quite different than the traditional insurance based approach to employee benefits where limits may be set on the amount that is covered in a particular category. It is the employee who makes all decisions as to how these funds are utilized. And since there is no third party dictating dollar limits for specific services, all expenditure decisions are based on need rather than allowable limits.

The entire health care industry benefits from individuals taking more direct control of their own health care expenditures. Each employee has a known and fixed amount available for their use. It is in their best interest to seek out the most economical services they can so that more money is available for use elsewhere. Health care providers should respond by ensuring their services are being delivered in the most economical way possible.

Health Spending Accounts, much like other options for providing employee health benefits, tend to be labor intensive. Enrolment applications must be filed by employer and employee, and all claims require document submission. This adds to the cost burden of all who are involved in the process. Fortunately, paper management, record keeping and associated costs no longer need to be part of this equation.

One might assume that such a system would first be developed in the United States by virtue of its larger population and out of control health care costs. One would be wrong. Canada has taken a lead in cost containment of health care expenditures. This is done by utilizing the Internet to help eliminate administrative costs that have become a necessary part of the management of the health plans that Canadians utilize for covering their individual health care needs.

For more information on Health Spending Accounts, visit [www.PreAxia.com](http://www.PreAxia.com).

Perry Shoom is Vice President of Marketing for PreAxia Health Care Payment Systems, Inc. He can be reached via e-mail at [PreAxiaHSA@gmail.com](mailto:PreAxiaHSA@gmail.com)

