



Private Health Services Plan (PHSP)

Did you know that as an incorporated company or sole proprietor in Canada, you can offer you, your dependents, your employees, and their dependents, tax-free reimbursement of their health & dental claims while at the same time being able to deduct these expenses from your business?

A Private Health Services Plan (PHSP) is a Health & Welfare Trust which takes advantage of Section 248(1) of the Income Tax Act. It basically allows business owners to deduct 100% of eligible medical and dental expenses from their gross business income rather than making them a personal expense.

Medical and dental benefits offered by an employer through a PHSP to an employee are tax-free to the employee while at the same time tax-deductible to the employer. A PHSP is an innovative way to completely tax-deduct money spent on healthcare and dental services. It can be used on its own or in combination with existing group insurance coverage. With today's rising healthcare costs and aging population, a PHSP is an ideal way to maximize tax-deductibility, customize flexible benefits and reduce costs.

A PHSP has no deductibles, no monthly premiums and no renewals.

How does it work?

1. Employee working for ABC Company pays for their health and dental expenses as they normally would.
2. ABC Company pays Health Assist (the plan administrator) a payment to cover the cost of the health or dental expense plus an 8% administration fee (both of which are tax deductible).
3. Health Assist pays the employee 100% of their original expense.

Under a PHSP, the employee is reimbursed the cost of their medical/ dental claim tax-free. They do not have to use after-tax dollars to pay for the expense.

A PHSP offers incorporated employees and sole proprietors an inexpensive way to convert medical and dental claims into a tax deductible business expenses.

Who is Health Assist?

Health Assist is a division of Johnson Schock Lowden Inc. They act as the trust company and administrator of the plan on behalf of the plan sponsor and their eligible employees. Health Assist has a state-of-the-art claims processing system, as well as a team of specialists, that can scrutinize healthcare and dental claims for eligibility. They can also issue appropriate accounting records for tax purposes.





What expenses are covered?

The following are a few examples of categories that would qualify. Please note that the expense must qualify as an allowable expense under the Canadian Income Tax Act (IT- 519R2).

- Dental expenses,
- Health care costs (*including non-prescription drugs*),
- Materials and apparatus that don't require a prescription,
- Travel insurance costs,
- User pay portion of health and dental plans (*for example, the deductible and co-insurance portions*)
- Voluntary procedures in and out of the country.
- Laser eye treatment
- Plastic surgery

What does it cost?

The administration cost is very reasonable. Health Assist charges the plan sponsor a one time set-up fee of \$175 plus GST for groups with less than 10 participating members. Groups larger than 10 members are priced on a case by case basis.

Once the plan is set up, the administration fee is 15%, plus PST and GST, for each claim processed.

Please refer to our website for a copy of a PHSP Claim form – www.jslinc.ca.

Advantages for the Business?

- 100% Tax Deductible
- No Premiums
- 100% Company Owned
- Employer Decides the Range of Options
- Fast Claims Processing
- Approved by the Canada Revenue Agency
- Back-up and Support

Advantages for the Owner/ Employee?

- No pre-existing medical conditions clause
- Claims are 100% reimbursed
- Tax-free
- Easy to understand
- Can supplement an existing group insurance policy
- Fast Claims Processing.





Examples

Employee:	John Smith
Annual Income:	\$70,000
Medical Expense:	\$3,000

If claim is handled personally:

Based on the 2005/2006 Personal tax Planning Guide published by the Certified General Accountants (CGA), Mr. Smith would be eligible to reduce his payable taxes by the lesser of 3% of his annual income or \$1,844 for all health expenses incurred in a given tax year. In Mr. Smith's situation, 3% of \$70,000 is \$2,100, which is higher than the \$1,844 maximum.

With an annual income of \$70,000, Mr. Smith's estimated non-refundable personal tax credit would be approximately 25% of \$1,844 or \$461.

If the claim was handled through a PHSP:

Mr. Smith would submit his \$3,000 claim to his employer. Health Assist would send him back a cheque for \$3,000 along with an Explanation of Benefits (EOB).

Mr. Smith's employer would submit the \$3,000 medical claim to Health Assist along with:

- Health Assist claim form; and
- Cheque for \$3,578.40 (includes administration fee and taxes)

Mr. Smith's employer receives a year-end statement from Health Assist that lists all paid expenses for tax purposes.

Johnson Schock Lowden Inc. can help you tailor the right plan for you and your employees. The setup of a PHSP can be constructed in many different ways. Please email or call us for further details.

For more than 30 years, **Johnson Schock Lowden Inc (JSL)** has provided it's clients with quality consulting in creating specific employee health management and retirement programs. We are a full-service provider in all areas of insurance and retirement benefits. JSL's success has been driven by our philosophy to partner with our clients to deliver integrated, custom solutions that are tailored to their needs. We are committed to providing the best possible plan for your organization together with the highest level of customer service.

