

SunAdvantage

Health Spending Account

 Administration guide



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Group Benefits are provided by Sun Life Assurance Company of Canada, a member of the Sun Life Financial group of companies.



Introduction

Your Health Spending Account is a great way to inject flexibility and choice into your benefits plan, and expand the types of expenses your plan covers at a cost that can be defined and managed. Any expense that qualifies as a medical expense under the Canadian Income Tax Act can qualify for coverage under an HSA. Plan members can use their HSAs to pay for deductibles, co-insurance (the percentage the member must pay if the plan covers less than 100 per cent) and amounts above the coverage limits.

HSAs also cover a wider range of dependents than health and dental benefits. In addition to a spouse and children, plan members can also claim expenses for extended family members, as long as they qualify as dependents under the Canadian Income Tax Act. To verify eligibility information or eligible expenses please be sure to visit the Canada Revenue Agency Website for details. Go to www.cra-arc.gc.ca and enter **Medical Expense Tax Credits** in the search window. Go to the most current version of publication #IT519 (Medical Expense and Disability Tax Credits and Attendant Care Expense Deduction).

About this guide

This guide is designed to help you administer your Health Spending Account (HSA). It should be used in conjunction with the following (if applicable to your plan):

- **Administration Guide**, which outlines the general administrative processes for your benefits plan.
- **Plan Sponsor Services User Guide**, if you use our Plan Sponsor Services Website to administer your benefits.

If you have a question this guide can't answer, or if you need help administering your HSA, please call your Sun Life Financial Group Client Services administration contact.



Member recordkeeping

Adding a member

If you are adding a new member who has an HSA, you will need to send us their enrolment and HSA allotment information (the amount to be credited to their account) when you next update your plan member records. We cannot pay claims for the plan member or dependents until we receive that information.

Sending us member data

- If you use our Plan Sponsor Services (PSS) Website for administration
 - Allotments are made annually, and the member joins at the beginning of the benefit year, enter 1/12 of the annual amount on the benefit selection portion of the **Add a member** screen. PSS uses the monthly amount to calculate the full-year allotment. The full-year allotment will be available to the member as of their benefit effective date.



Allotments

According to Canada Revenue Agency (CRA) guidelines, HSA allotments must be decided before the start of the benefit year.

Establishing each year's HSA allotment amounts

At the beginning of each benefit year, you must provide us with allotment amounts for all members for the new year – even if the amounts are the same as what was allotted for the previous year. (See instructions under **Sending us member data** in the **Member recordkeeping** section.)

Please be sure to send us annual updates well enough in advance to allow us time to update our records prior to the new benefit year. A delay in submitting update information may result in claims being declined incorrectly.

Changes to allotments

Canada Revenue Agency (CRA) guidelines allow changes to HSA allotments as the result of a life event (e.g. marriage, becoming a parent, loss of spouse's coverage) or change in employment status (e.g. moving from part-time to full-time status). You can choose whether your plan allows changes at the time of a life event or employment status change, or if the member must wait until the next benefit year to make the change. CRA does **not** allow changes to be retroactive. They can only be effective from the date of the life event or employment status change.

HSA credits cannot be withdrawn from the member's account once they have been deposited.

If your plan allows changes as the result of a life event or employment status change, consult with your benefits consultant and company tax advisor to ensure any changes you make meet CRA requirements.

Pro-rating allotments

If the member's coverage starts after the benefit year begins, the credits are adjusted based on the number of months remaining in that benefit year.



Claiming under an HSA

Members can submit HSA claims online using our convenient Plan Member Services Website, (provided your plan has a Pay-Direct Drug card), or by mail. Your members' HSAs are fully integrated within our claim payment system to allow for seamless, efficient claims handling. That means members can:

- Submit a combined claim under their Extended Health Care plan and HSA (or their Dental Care plan and HSA) using one handy claim form, and receive one combined payment for both claim portions.
- Receive a combined claim statement showing how their Extended Health Care or Dental Care claim plus their HSA claim were calculated, and showing their remaining HSA balance.
- Check their HSA account activity and balance, along with their other claims information, using our Plan Member Services Website.

About submitting HSA claims

If a member is covered for a portion of their expense under their Extended Health Care or Dental Care benefits, they should be sure to submit their expenses to that plan before claiming the balance from their HSA.

Likewise, if a member has coverage under their spouse's plan, it is to their advantage to claim the balance of their expense under that other plan first before claiming under their HSA – although this is not a requirement. If a member's plan and their spouse's plan are both administered by Sun Life Financial Group Benefits, we can automatically coordinate claims for them. They simply complete the required information on our claim form, and we'll do the rest.

Not all HSA claims can be submitted online, even though they may be eligible HSA expenses:

- When online, members will be asked to select their type of expense from a drop-down list. If their expense type is not on the list, they will have to submit a paper claim.
- HSA claims over \$1,000 cannot be submitted online.

When members submit claims online, they must keep their original receipts for 12 months. We randomly audit Web-based claims regularly to ensure they are valid and accurate. If a member's claim is chosen for audit, we will ask them to mail us the original receipt.

When members use their drug card or their dentist submits their claims electronically, the balance of the expense is not automatically processed through their HSA. They will have to submit a separate claim to their HSA, either online or using a paper form, for the unpaid portion of the claim.

**Carry-forward provisions**

Canada Revenue Agency requires that HSA allotments only remain available to plan members for a certain period of time. At the end of that time, the member forfeits any remaining balance. (Members cannot withdraw HSA amounts as cash.) CRA allows a one-year "carry-forward" feature, if plan sponsors choose to include it in their plan design.

Here's how the carry-forward feature works:

Balance carry-forward feature:

Members have a 'proof of claim period' after the end of a benefit year to claim expenses that were incurred during that year. After the proof of claim period, they can no longer submit claims for the previous year's expenses.

If members have unused HSA allotments remaining in their accounts at the end of the benefit year, they can carry them over to use along with their next year's allotment to pay for next year's expenses. (Next year's claims would be paid first from the carried-over allotment, before using the new allotment.)

Each year's allotment can only be carried over for one year. At the end of that second year's proof of claim period, any carried-over allotments still remaining from the first year are lost.

Here's an example of how the balance carry-forward feature works.

Activity	Activity date	Transaction amount	HSA balance
Credit deposit (Year 1)	Jan. 1, 2005	\$300	\$300
Claim #1	Feb. 1, 2005	\$20	\$280
Claim #2	Nov. 1, 2005	\$20	\$260
Year-end balance	Dec. 31, 2005		\$260 (unused amount can be carried forward for use in 2006)
Credit deposit (Year 2)	Jan. 1, 2006	\$300	\$560 (\$260 from 2005, \$300 new credits)
Claim #1	Oct. 1, 2006	\$40	\$520
Year-end balance	Dec. 31, 2006	Unused \$220 from 2005 is lost	\$300 (can be carried-forward to use for 2006 expenses)
Credit deposit (Year 3)	Jan. 1, 2007	\$300	\$600 (\$300 from 2006 plus \$300 new credits)



Your HSA Invoice

- **Monthly in arrears.** Each month, we provide you with your Health Spending Account Invoice showing the HSA claims we have paid for that month, plus our expense charges, interest fees and applicable taxes.
- **Please note:** Your HSA Invoice and Group Benefits bill will remain separate and be sent separately each month.