

Behind the Counter

Health Plans for Corporations and Sole Proprietorships

Traditional Health plans have usually been administered by the large life insurance companies and have been geared towards larger corporations. Most traditional plans require subscribing for a mandatory level of life insurance and/or long term disability insurance. In addition to that you can add critical illness insurance as well as extended health, travel insurance and dental coverage. Most traditional plans also require that you qualify for an increased level of life or disability insurance and may require you to fill out a health questionnaire, and/or be interviewed by a health nurse. Once you subscribe to a plan you would be required to make monthly premium payments and have your plan reviewed on a yearly basis to provide for premium increases based on increased usage or increased administration or statutory changes.

In the last ten years these large companies have determined that there is an entire market of small businesses out there that, with a few changes to the existing traditional plans, would be an entire new business income stream for them.

The changes were required to make the plans cost effective, creating pools of 'like' businesses which in fact would emulate a larger corporation. The monthly premiums would then be split amongst the smaller plan holders. Different levels of coverage became available and restrictions were added to plans. So today, you might have a plan that would require that each employee have a basic level of life insurance and accidental death and dismemberment. Your extended health coverage may provide 80% general coverage and 50% coverage for new age therapies to a maximum of \$1,000 per year. Your dental plan may be 80% coverage for Basic items such as regular preventative cleaning and may or may not cover major items and may or may not require that a deductible be paid and probably has a limit of about \$2,000 per year.

One source that offers such a plan is the local Chamber of Commerce and many small businesses have joined the chamber specifically to have access to that basic kind of plan. Any items that are not covered by the plans can usually be deducted from your income tax return as long as you have incurred more medical expense than 3% of your net income (line 236) on your tax return. The medical and dental portions of the traditional plans have historically contributed to the major portion of the premiums payable in the plan.

Now there is another option called Private Health Services Plans defined in the income tax act in subsection 248(1). These plans do not require you to pay a monthly premium, and do not require that

you purchase life or disability insurance. These plans strictly cover extended medical and dental expenses. They provide 100% coverage of all expenses that would be deductible on your income tax return allowed by the Canada Revenue Agency. These expenses can be claimed at 100% tax deductible expenses for your small business by running the expenses through a third party trust. In effect, they reduce health and dental expenses by only requiring payment when the plan is actually used and making that payment tax deductible for your business. This type of plan is available for incorporated and unincorporated businesses and may allow you to offer benefits to your employees without having to worry about taxable versus nontaxable benefits as these benefits would be considered nontaxable as there is no life insurance component. You could offer to pay 100% coverage for your employees or set up your plan so that the employee pays a portion of the coverage.

Some of the traditional plans have also begun to offer what they call 'Cost Plus' options to their traditional coverage, but these types of plans are not widely advertised and there is still the requirement of participation in some other coverage and continue to pay a monthly premium.

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