

Cost Plus (Health and Welfare Trust)

Cost Plus is an arrangement to provide a facility for payment of legitimate expenses not covered by the insured benefit program. Cost Plus claims are those expenses over the present policy limits which a client wishes to have covered. In order to be eligible, they must qualify as an eligible medical and dental expense under the income tax act.

A Cost Plus arrangement can be set up with an insurer on a fee per claim basis. Insurers generally charge an administrative fee ranging from 10% to 15% of the amount claimed (which often includes the Premium Tax). The fee is usually subject to a minimum of \$25 per claim and a maximum ranging from \$150 to \$500 (depending on the insurer). Provincial Sales Tax is also required on the claim and administrative fee.

As an example, assume a plan member had a \$4,000 orthodontic claim and the dental plan did not provide orthodontic coverage. If the plan sponsor decided it wished to reimburse the plan member through Cost Plus, the transaction would be as follows:

Plan member pays claim of:	\$4,000
Plan sponsor pays insurer:	\$4,000 for claim
	\$250 Administrative Fee ¹
	<u>\$340 Provincial Sales Tax²</u>
	\$4,590

Reimbursement to plan member from insurer: \$4,000

¹assuming a fee of 10% (including premium tax and GST) of the claim to a maximum of \$250, the fee is the lesser of \$400 (10% of \$4,000) and \$250

²assuming a 8% PST on the total of the claim and administrative fee (8% x (\$4,000 + \$250))

At first glance, one might look at the above calculations and ask why wouldn't the plan sponsor pay the plan member \$4,000 directly and avoid \$590 in fees and taxes. The reason, of course, is that a payment directly to the plan member would be treated as income and therefore fully taxable. By using cost plus, the reimbursement to the plan member becomes non-taxable in the same manner as eligible expenses covered by the benefit plan.

Eligible medical and dental expenses that may be covered through a benefit plan or a Cost Plus arrangement include the following:

Practitioners (fees for services)

Acupuncturist	Optometrist
Chiropodist (podiatrist)	Osteopath
Chiropractor	Physiotherapist
Christian Science practitioner	Practical nurse
Naturopath	Psychoanalyst
Nurse	Psychologist
Occupational therapist	Speech therapist

Dental

All dental expenses including preventive, diagnostic, restorative, orthodontic, and therapeutic care.

Facilities

Meals and lodging in an alcoholism or drug addiction treatment centre

Home care

Care in a special school, institution, or other place for a mentally or physically handicapped individual

Institutional care

Full-time attendants or care in a nursing home (for confinement to bed or wheelchair)

Payments to a licensed private hospital

Semi-private, preferred, or private accommodation expenses in hospital

Devices and Supplies

Artificial eye(s) or limb(s)

Crutches

Equipment, including a replacement part, designed exclusively for use by an individual who is suffering from a chronic respiratory ailment, to assist breathing, but not including an air conditioner, humidifier, dehumidifier, or air cleaner

Device or equipment designed to pace or monitor the heart of an individual who suffers from heart disease

Device designed to assist a disabled individual in walking

Close captioning devise

Device designed to attach to infants diagnosed as prone to Sudden Infant Death Syndrome (SIDS) in order to sound an alarm if the infant stops breathing

Device designed to enable diabetics to measure blood sugar levels

Drugs, medications, or other preparations or substances prescribed by a medical practitioner or dentist

Electronic speech synthesizer that enables a mute individual to communicate by use of a portable keyboard

External breast prosthesis for use following a mastectomy

Hearing aids

Hospital bed, including attachments included in a prescription

Ileostomy or colostomy pads

Insulin

Iron lung

Kidney machine

Laryngeal speaking aids

Limb braces

Mechanical device or equipment designed to help an individual enter or leave a bathtub/shower, or to get on/off a toilet

Needles or syringes

Optical scanner or similar device designed for use by blind individuals to help them read print

Orthopaedic shoes or boots, or a shoe/boot insert made in accordance with a prescription to overcome a physical disability

Oxygen tent or equipment

Power-operated lift for use exclusively by disabled individuals to allow them access to different levels of a building, to help them enter a vehicle or to place wheelchairs in/on a vehicle

Spinal braces

Teletypewriter or similar device, indicator that enables a deaf or mute individual to receive telephone calls

Walkers and wheelchairs

Wig made to order for an individual who has suffered abnormal hair loss as a result of disease, medical treatment, or an accident

Other Expenses

Ambulance fees for transportation

Cosmetic surgery

Cost of arranging and having a bone marrow or organ transplant

Cost of medical services and supplies outside of the province of residence

Electrolysis or hair removal performed by a licensed technician

Hearing expenses including hearing aids and hearing-ear dogs

Laboratory, radiological, or other diagnostic procedures or services

Modifications to a home for persons confined to a wheelchair

Preventive diagnostic, laboratory, and radiological procedures

Heart transplant

Vision expenses including eyeglasses, contact lenses, and seeing-eye dogs

Transportation expenses to receive medical care

Weight-loss or stop-smoking program prescribed by a doctor for a specific ailment

References [Interpretation Bulletin IT-339R2](#) [Interpretation Bulletin IT-85R2](#) [Interpretation Bulletin IT-519R2](#) [Income Tax Ruling ATR-8](#)