What is a Flexible Spending Account?

Updated: Mar 28

So, you have probably heard of a Health Spending Account (HSA), a non-taxable way to provide employee benefits to cover eligible medical expenses. The eligible medical expenses are determined by the CRA and cover items like dental care, vision, chiropractic and more. An HSA can be used as a stand-alone plan or as top up coverage to a traditional insurance plan. Employees are given a set amount of funds to spend on the eligible expenses. They use those funds based on their medical needs, and then are reimbursed by the employer to cover those expenses. These funds are a tax-deductible expense for the employer and the funds are tax free when they are reimbursed to the employee.

Next, comes a Wellness Spending Account (WSA), which can also be referred to as a Lifestyle Spending Account (LSA) or another similar name. This is a taxable benefit that can be provided to employees to promote healthy lifestyles and the list of eligible items is determined completely by the employer. A WSA can cover as many or as little items as the employer wants, which can include gym/fitness memberships, pet or child care, professional development courses, cosmetic procedures, rent/mortgage payments - the list is truly endless and can be made to be as unique as the business itself. Much like the HSA, an employee receives a set amount of funds from their employer, they spend those funds on eligible expenses, and are reimbursed by their employer.

An employer can choose to offer a set amount of funds for employees to use in their HSA, a different amount (or the same amount) in a WSA – OR – a set amount of funds that the employee can split between an HSA and WSA as they see fit, which brings us to a Flexible Spending Account, which we call **myFlexplan**.

myFlexplan is our most popular plan, and the one that our network of Insurance Advisors are moving their clients to the most. Some businesses start with an HSA and quickly realize the benefits of moving to **myFlexplan**, as it gives their employees the most flexibility and choice when it comes to their benefits. All plans are perfect for the budget conscious employer, as once the employee spends their funds, they are gone. There is no risk that an employee will be reimbursed for more than the funds that they have been given by the employer. With so many different generations in the workforce, myFlexplan is the most flexible solution to ensure that employees are getting the coverage that they want and is the best for them. Older employees may need more HSA coverage, and younger employees may appreciate having the flexibility of the WSA options. **myFlexplan** provides them with the opportunity to choose how much of their total funds to allocate to either their HSA and/or WSA.

Here is an example:

> Julie is a 32 year old single woman who likes to be active, wears glasses & contact lenses, has no major health issues, and values her free time to try new activities. Her employer offers her a **myFlexplan** with $1,000 in total funds. Julie knows that she will need to have a yearly eye exam and order more contact lenses, and maybe will visit a chiropractor or go for a massage or two during the year. Julie decides to allocate $300 to her non-taxable HSA to cover these medical expenses and allocate the remaining $700 to her taxable WSA. This frees up a large sum of money for Julie to claim her healthy lifestyle activities, like a gym membership, a holistic practitioner, day care for her dog, and other eligible items that are determined by her employer. This flexibility lets Julie decide what works best for her and shows her that her employer cares about her and her individual needs. Nobody is telling Julie “This is how you have to spend the funds we give you, and if your needs don’t suit our rules, too bad so sad.”

With **myFlexplan**, the employer is saying to Julie, “hey, we know you have certain wants and needs, we want you to spend this however works best for you and makes you happy!” Do you think this might help retain Julie as an employee?

On the other hand, let’s say the same company has a different employee.

> Mike is a 45 year old dad of three pre-teens, two of whom need braces, and Mike himself needs to start taking prescription medication for some health problems he is having. Mike can take the same $1,000 that Julie had and use it in a totally different way that suits his family’s needs. Mike can allocate more of the $1,000 to his HSA to help cover the cost of his kid’s orthodontics and his prescription medication, and a small amount to his WSA for a professional development course he has been meaning to take but couldn’t justify it with his family’s budget - but now he can with his myFlexplan. Or Mike can allocate 100% of his funds to his HSA – the **choice** is his.

With **myFlexplan**, both employees have the same amount of funds to use and be reimbursed for from their employer, but they use the funds in COMPLETELY different ways because their needs are completely different. The end result is the same – happy employees who are able to take care of their own individual health and wellness in the way that works best for them. They become more productive and happier at work, contribute to a positive work culture, and are happy to tell their friends and other people they know about how their employer supports them as individuals.

Let us know if a myFlexplan is something you may want for your company.