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HR BITES - QUICK UPDATE ON BENEFITS

Trillium Drug Program, Health Spending Accounts and the Income Tax Act

December is such a great time for discussing legislation. We thought you'd love to read some more timely updates because, let's face it, who doesn't love immersing themselves in legislation! We recently received several inquiries regarding Health Spending Accounts and the Trillium Drug Program deductible. We'd like to share this a brief overview of how the two are intended to work, as per legislation, just in case you were wondering.



Taxation of Health Spending Accounts

The list of eligible medical expenses is updated regularly as per the Minister of Finance. Health Spending Accounts (HSA) are non-taxable according to the Income Tax Act provided that they meet certain requirements. The Trillium Drug Program deductible is not an eligible medical expense.

The definition and list of eligible medical expenses are available in the Income Tax Act. Your benefit provider would be up-to-date on the Income Tax Act (i.e. you most likely know that medical marijuana is now considered a medical expense and can be covered by a HSA).

If an employer provided an income/performance bonus/pay increase to an employee and moved the monies into the HSA (as an attempt to avoid paying taxes on the pay-increase/bonus or help the employee avoid paying the TDP deductible), then this would become a taxable benefit for the employee and must be reported to CRA.

Reimbursement of Drug Costs

Trillium Drug Program (TDP) will not reimburse for drug costs that have already been

reimbursed by employers or through private drug plans.

Trillium Drug Program (TDP) Deductible

The TDP deductible is paid directly, by the individual/employee, at the pharmacy when the drug/prescription is purchased. Employers, private benefits plan or organization health spending accounts are not to pay the TDP deductible directly of behalf of the employee, in advance or, as a reimbursement to the employee.

Providing Bonuses or Pay Increases to Employees on the TDP

At times, one may think about the option of increasing pay for those who are enrolled in the TDP (to help offset the cost of the TDP deductible). A pay increase or bonus still needs to be reported on a T4 (taxable income). This could inadvertently impact the employee's eligibility for TDP and could further increase their deductible as their household income would increase. This option could potentially create challenges with your internal pay equity compensation practices.

Potential/Future Changes to the Coordination of Drug Costs with Trillium and Private Plans

The Province is considering ways to improve the coordination of the Trillium Drug Program (TDP) benefits with private drug/benefit plans. Changes could take place mid 2018, if approved. The details/amounts of the TDP would not change, only the process for coordinating the drug costs would change (who becomes the first payer).

Looking for an HR partner to help out with HR challenges, strategies, or just to answer a question? We can help. The OAN provides member agencies with access to a shared HR resource so that you never have to feel alone.

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