



# Using A Third Party Administrator

November, 2019

There are many advantages to using a third party administrator to administer a Private Health Services Plan (PHSP). While some employers may wish to retain a portion of the administration, there is good reason to ensure that a full service and reputable administrator manages these accounts and employee claims from start to finish. Risks should be weighed.

## 1. Provision of proper and sufficient plan documentation.

During any audit or review the Canada Revenue Agency (CRA) asks for supporting documentation that describes various details of the plan such as:

- a. How it is to operate
- b. Structure of the plan
- c. Employee entitlement

All of these details indicate whether the plan is misaligned with legislation including the Income Tax Act (ITA) of Canada. Business owners without plan documentation can be found non-compliant resulting in business deductions being disallowed and the claims paid to employees deemed as a taxable benefit.

## 2. Application of appropriate benefit limits.

Benefit limits are set by the employer but they must also be established by employee class. There are guidelines surrounding benefit limits and plan changes that must be applied to remain within CRA recommendations. A third party administrator is able to establish appropriate eligibility and ongoing plan administration for compliance.

## 3. Reduction of employer administrative and accounting efforts.

Using a third party administrator effectively offloads time consuming and costly claims reviews and payments, benefit monitoring and follow from an employer to an external independent party.



## 4. Appropriate claim adjudication and documentation.

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A third party administrator can ensure important factors in adjudicating a claim are considered and applied including:

- a. Claims are allowable expenses under the Income Tax Act
- b. Claims have been paid by a first payee before any other supplemental plan
- c. Claimants are employees or dependents of an employee
- d. Benefit limits have not been exceeded
- e. Claims have not been duplicated
- f. Receipts seem reasonable and do not appear fraudulent
- g. Receipts and documents are stored for appropriate lengths of time
- h. Supporting material and back up documentation is available in the event of an audit



## 5. Privacy protection for both employee and employer.

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This is extremely important. The potential liability to an employer can be significant even if an employee signs a privacy waiver permitting their private health details to be viewed by an employer on receipts and records. For example, if a terminated employee believes that they were “let go” because of their health condition which the employer knew about through the administration of their claims, the legal and settlement costs could be significant if the employee pursues action through a violation of the Human Rights Code. Third party administrators operate within the guidelines of privacy laws and provide only the allowable information regarding benefit claims to an employer.

## 6. Provision of compliant and current plans.

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Ongoing compliance is an essential part of ensuring that claims are appropriate and not reversed by a regulatory body causing adverse financial effect to either an employee or employer. A third party administrator is aware of changes to allowable expenses and will adjust adjudication accordingly.

### Contact Information

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Call me today for more information.

