

October 1, 2005



Menuflex Medical & Dental Spending Account (MDSA) Program™

Introduction:

Many employers today are seeking an alternative to the traditional group insurance program with its inherent annual costs increases due to the insurers' utilization of arbitrary "inflation and trend factors" in their renewal calculations regardless of the actual claims experience of the group.

Large employers have been able to change the underwriting basis of their program to what is known as "Administrative Services Only (ASO)", but this approach leaves them liable for the full cost of claims, unless some degree of "stop loss" protection is included. Even then, the employer can be responsible for an unexpected increase in the average level of claims that is just below where the stop loss coverage would be implemented.

Recognizing the need for a cost controlled, but flexible benefits program, Maclagan & Associates Inc., developed and launched the initial **Menuflex Benefits Program™** in May of 1998. In January 2003, a new version of the Program was introduced incorporating a **Medical & Dental Spending Account (MDSA)** plus optional Supplementary Health, or Health and Dental Benefits, as well as Optional Accident Insurance, Disability Insurance and Critical Illness Insurance. This is known as a "Defined Contribution" Program under which an employer may essentially "freeze" the health and dental costs and provide internal equity to all staff, as well as greater flexibility in terms of what the available employer dollars can be spent on by employees and their dependents.

The following questions and answers will hopefully assist in your understanding of the concept.

1. What is a Medical & Dental Spending Account?

It is a "**Health Spending Account**", a vehicle permitted under the Income Tax Act as a "**private health services plan**" (IT339R2) that enables employers (including the self-employed) to cover participants' eligible medical and dental expenses as defined under Section 118.2 (2) of the Act. The net funds contributed after the administration fee may be used to pay for any eligible medical or dental expense. The MDSA operates on a "Plan Year", i.e. for 12 months from the effective date.

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2. What is the cost?

You determine how much to contribute based on your needs and those of the eligible employees. The minimum monthly contribution for the **Menuflex™ MDSA** is \$55.56 per month and this provides a net annual MDSA account of \$500 to be spent on the participant's eligible expenses. The following illustrates the monthly cost of varying annual MDSA accounts:

\$500/annum = \$55.56 per month
\$750/annum = \$83.33 per month
\$1,000/annum = \$111.11 per month
\$1,500/annum = \$166.67 per month
\$2,000/annum = \$222.22 per month
\$5000/annum = \$555.56 per month

The monthly contributions include the administration and claims payment fees and related taxes.

3. What if the MDSA Contributions are not enough?

Participants may purchase **Supplementary Extended Health Care** Benefit protection of up to \$25,000 per person per policy year (subject to limits on specific benefits) to “top-up” the MDSA. It provides 100% reimbursement of eligible expenses after a \$250 deductible per person, or for all family members combined, up to the specific limits by benefit. It includes \$1M Out-of-Province/Country Emergency Medical/Hospital for trips of up to 30 days duration as many times per year as desired. Alternatively, you may purchase the EHC Benefit plus a Basic Dental Benefits Plan providing 80% reimbursement up to \$1,500 per person per annum. The Policy Year starts from the effective date of coverage following approval by the insurer Echelon General.

4. Is A Medical Required?

No, the MDSA does not require any health evidence. For the Supplementary Health coverage a Personal Health Declaration is completed by the applicant for himself and all eligible dependents for approval by the insurer. Based on the medical information including the medications currently being utilized the insurer will decide on whether coverage can be granted on a standard basis, or if a “surcharge” is required in order to provide full coverage for pre-existing conditions. The insurer of course reserves the right to decline coverage based on their evaluation of the risk, however every attempt is made to extend coverage at the appropriate rate.

5. What happens to my unused MDSA contributions?

Unused contributions from the first plan year are not lost – they carry forward to the second plan year, and if not used by the end of that plan year are forfeited back to the contributing employer.

6. How safe are my contributions?

Monthly contributions are collected by Alternative Benefit Solutions Inc. (ABS) and are held in a Trust Account until required to make MDSA claim payments.

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7. Who pays the MDSA and Supplementary coverage claims?

ABS pays both the MDSA and Supplementary coverage claims. The Drug claims can be handled via the ESI pay-direct card. Other claims require a paper claim form be submitted to ABS.

8. How do the MDSA and Supplementary EHC work together?

Your initial claims for items like prescription drugs, physiotherapy, and chiropractic services are claimed against your MDSA and are reimbursed at 100%. Claims paid out for these items are automatically recorded by ABS against the \$250 Supplementary EHC deductible and once it has been satisfied, they then commence paying benefits in accordance with the Supplementary EHC benefit plan up to the maximums of that policy. The deductible does not apply to the Out-of-Province or Country benefit which is reimbursed at 100% up to \$1M of eligible expenses. This coverage is provided by Royal & Sun Alliance Insurance Company through E.F.T.S.

The following chart illustrates how the MDSA and deductible under the EHC work together.

Initial Annual MDSA	Eligible Medical Expenses	Amount Credited to Deductible	Remaining Deductible	Remaining in MDSA
\$500	Drugs - \$50	\$50	\$200	\$450
	Physio. - \$100	\$100	\$100	\$350
	Chiro. - \$100	\$100	\$0	\$250
		EHC Deductible satisfied	Supp. EHC plan now activated	\$250 in MDSA can be used for Dental, prescription sun glasses, etc.
	Drugs - \$100 paid by EHC plan @ 100%	EHC Deductible Satisfied	EHC Deductible Satisfied	\$250
	Eye Glasses - \$300 (\$150 paid by EHC, balance goes back against MDSA)	EHC Deductible Satisfied	EHC Deductible Satisfied	\$100 (after \$150 claimed for balance of glasses)

9. Will I be able to claim the full annual amount of my MDSA even though contributions are being made monthly?

Yes, the annualized amount of the MDSA will be available from your effective date. Should you terminate coverage prior to the 12 monthly payments to the MDSA fund having been made your employer, your employer will have the right to collect any overpayments from your severance pay. If you are a self-employed participant you will be required to make up any shortfall on early termination as outlined in the MDSA Agreement.

10. What is covered by the Supplementary EHC plan?

100% Reimbursement

Drugs	Up to \$5,000 per policy year (Generic, unless doctor specifies "no substitutions")
Accidental Dental	Up to \$2,500/policy year
Ambulance	Up to \$250/trip (for services not covered by Provincial plan)
Durable medical Equipment & Prosthetics	Up to \$1.70/policy year
Medical Supplies	Up to \$1,500/policy year
Orthopedic Footwear	Up to \$150/policy year for shoes
Private Duty Nursing Out of Hospital	Up to \$2,000/policy year
Paramedical Services	Up to \$300 per practitioner per policy year, includes: Chiropractor; Chiropodist; Nutritionist; Osteopath; Podiatrist; Registered massage Therapist; Physiotherapist; Speech Therapist subject to a maximum of \$50 per visit
Psychologist	Up to \$360 per 2 policy years
Hearing Aids	\$300/5 policy years
Hospital	Semi-private room up to \$170/day for 30 days/policy year
Vision	Up to \$150 every 2 years (6 month waiting period) \$100 eye examinations/24 months
Policy Year Maximum	\$25,000 per person per policy year
Out-of-Country Travel Insurance	100% up to \$1M for trips of up to 30 days duration
Emergency Travel Assistance	Provides worldwide assistance in the event of a medical emergency

11. What expenses may be claimed against the MDSA?

Partial List of Eligible Medical & Dental Expenses that may be claimed from the Health Spending Account (MDSA)

Acupuncture	Dental Implants	Naturopathic Products**
Artificial Limbs.	Dental Treatment	Nursing Homes
Athletic Therapy*	Dental Whitening	Optometrist
Attendant Care	Dentures	Orthopedic Shoes
Birth Control Pills**	Orthodontics	Oxygen & Equipment
Botox Treatments*	Dermatologist Fees	Optician
Chiropractor	Fertility Treatments	Registered Masseur
Chiropodist	Hair Replacement	Skin Care
Chinese Medicine*	Hydrotherapy**	Psychologist
Contact Lenses**	Laser Eye Surgery	Physiotherapist
Contraceptive Devices**	Laser Hair Removal*	Podiatrist
Cosmetic Surgery	Vitamins**	Prescription Drugs
Crowns & Bridgework	Therapy Equipment	Psychotherapy*
X-rays	Wheelchairs	Psychiatrist
Vein Removal	Viagara, Celiast, Levitra	& more per Section 118.2 (2) of Income Tax Act

* Must be performed by a licensed medical practitioner

** Must be prescribed by a licensed medical practitioner and dispensed by a licensed pharmacist or licensed medical practitioner as part of their medical services.

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