

# Medical Reimbursement Plan

*Enhancing your group  
health, dental and  
vision coverage*



**Great-West Life**

*your Benefits Solutions People*



*Your group plan lets you provide your plan members with comprehensive, cost-effective benefits coverage.*

*The Medical Reimbursement Plan (MRP) takes that coverage one step further by allowing you to strengthen your coverage with valuable tax savings.*

Before establishing a medical reimbursement plan, you should consult with your independent tax advisor to review your needs and to determine whether a medical reimbursement plan is appropriate for your particular circumstances.

### ***MRP coverage:***

- may be a tax-effective way to supplement health, dental and vision coverage that may be limited or not covered under your existing group plan
- allows you to provide enhanced benefits to your key plan members in a way that is more tax-efficient than salary increases
- is available to Great-West plan sponsors.

### ***Who can be covered by an MRP?***

An MRP provides coverage for a specific group of plan members, such as managers and executives. All plan members in this specific group must be eligible for coverage.

MRP coverage also extends to any dependant for whom the plan member is entitled to claim a medical expense credit under the *Income Tax Act* (Canada). For example, MRP coverage would also be available for the dependent parent of a plan member, if the plan member is entitled to a medical expense credit for the dependent parent.

## ***Which expenses are covered?***

MRP coverage supplements medical, hospital, dental and vision expenses that are limited or not covered under the terms of your existing group contract. Coverage is provided for those expenses that qualify as a medical expense under Subsection 118.2(2) of the *Income Tax Act* (Canada), which may be amended from time to time.

## ***How does an MRP work?***

In three easy steps:

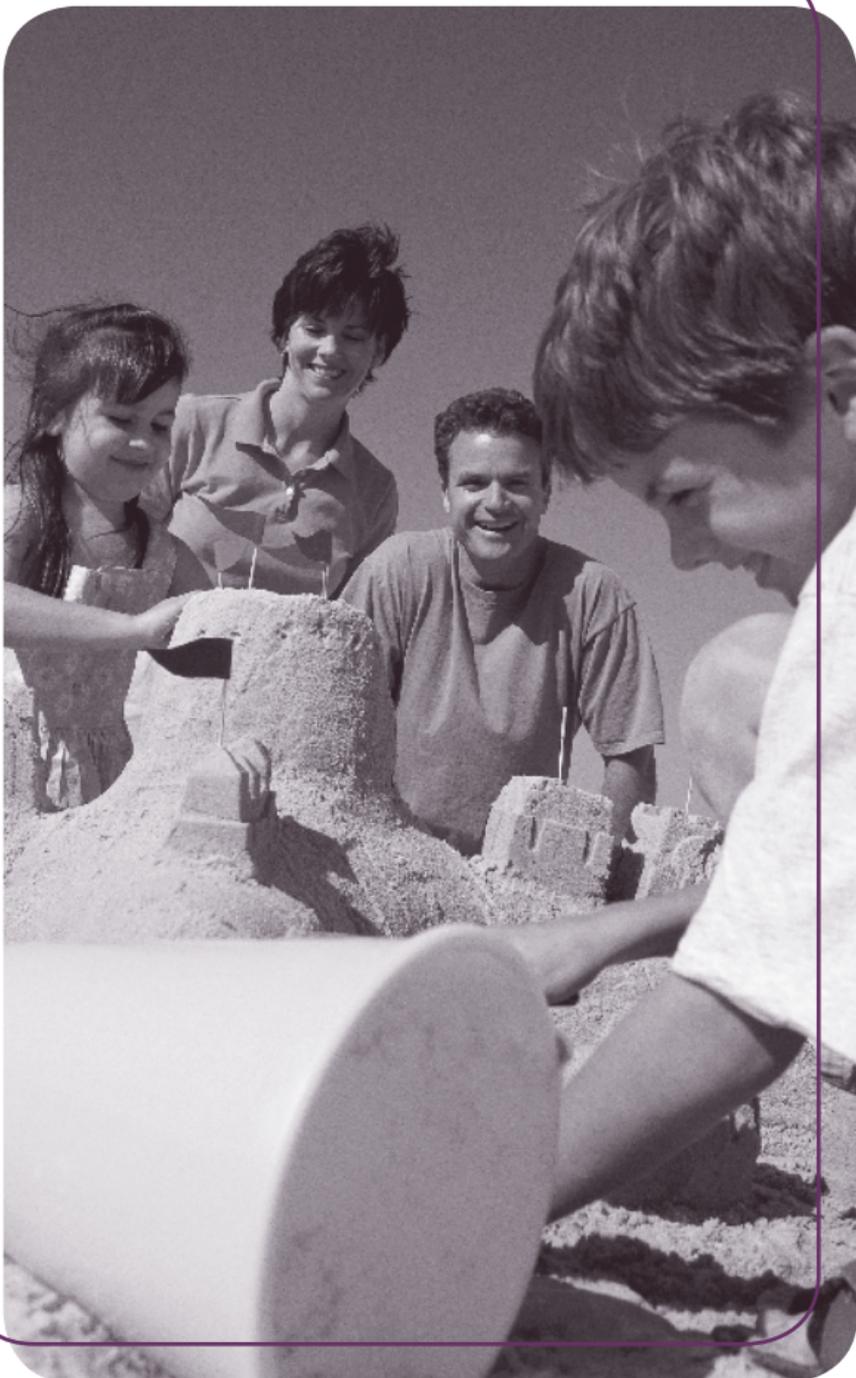
- 1.** Claims for eligible expenses are submitted directly to Great-West. You're billed for the claim, plus an eight per cent administration fee and applicable taxes. The administration fee has a minimum of \$5.00 and a maximum charge of \$100.
- 2.** Great-West issues a claim cheque to the plan member for the amount of the expense.
- 3.** You write off the total claim and the administration fee as a business expense to the extent allowed by the *Income Tax Act* (Canada). The benefits received by the plan member are not taxable (unless the plan member resides in Quebec).

## ***Plan maximums***

Available maximums are \$2,000 or \$12,000 per calendar year. The maximum is combined for health, dental and vision expenses, and is applied per person, per calendar year.

## Advantages

- An MRP gives you the opportunity to provide additional benefits to your key employees.
- MRP coverage is paid for with pre-tax business funds, not personal disposable income.
- The full benefit amount, including the administration fee and associated taxes, is tax deductible as a business expense to the extent allowed by the *Income Tax Act* (Canada). The benefit is not taxable to the plan member (unless the plan member resides in Quebec).
- There are no monthly premiums.



## **Example**

The child of an executive plan member in your organization requires a \$3,000 orthodontic treatment. Your organization's group benefits plan covers basic dental treatment only.

### **Assume**

- The executive's personal taxation rate is 40 per cent.
- The MRP requires \$3,000 plus an eight per cent administration fee (\$100 maximum), for a total of \$3,100.
- The corporate tax rate for this business is 22 per cent.

### **Without an MRP**

- The executive must earn \$5,000 to have \$3,000 available to pay the expense.

### **With an MRP**

- The organization pays the expense through the MRP with \$3,100 in corporate funds.
- The \$3,100 is tax deductible for the organization.
- The plan member receives \$3,000 in non-taxable benefits.
- With a tax rate of 22 per cent, the net cost to the organization after tax is only \$2,418.

### **The MRP advantage**

Instead of spending \$3,000 in after-tax dollars, the plan member's cost is reduced to \$2,418 and is covered by the organization. The plan member receives a \$3,000 tax-free benefit enhancement, and the expense is covered by the organization in the most tax-effective manner.

*Note: Sales tax and premium tax will be added where required. Benefits for Quebec plan members are considered income for Quebec income tax purposes.*

*Great-West is a leading provider of group benefits. Our clients deserve high performance and value, which we consistently provide through innovative product and technology-based solutions. We are **your Benefits Solutions People.***



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