



MDM Insurance Services Inc.

What is Cost Plus?

Cost Plus is a tax-effective way for an employer to pay for an individual's claims that are not covered under the group benefit plan. This program is usually provided for incorporated business owners and other executives.

Unlike the traditional fully insured group benefit plan, Cost Plus is a self-insured program paid with corporate dollars, on a claim-by-claim basis.

What does Cost Plus Cover?

Cost Plus covers medical and dental expenses that qualify under the Income Tax Act, and are not covered under the group plan. These expenses include, but are not limited to:

- deductibles and coinsurance
- amounts in excess of the maximum benefit levels
- services received out-of-province
- vision care
- laser eye surgery
- fertility expenses

Advantages of Cost Plus

- Benefits paid to an individual are non-taxable.
- 100% tax deductible business expense.
- No monthly premium payments required.
- Covers a more extensive range of services and expenses than a group benefit plan.
- Broader definition of an eligible dependent.



Example

ABC Company's group benefit plan does not cover orthodontia expenses. The following example illustrates two different methods the company can use to pay a \$5,000 orthodontia claim for an executive with a 46% marginal tax rate.

	Salary Adjustment	Cost Plus
Amount of Claim	\$5,000	\$5,000
Gross Income Required	\$9,259	N/A
Administration Fee	N/A	\$200
Tax	\$4,259 ¹	\$530 ²
Total Required to Pay Claim	\$9,259	\$5,730
Cost Plus Savings		\$3,529

Note 1: Income Tax

Note 2: Premium Tax, PST, and HST

Administration of Cost Plus

MDM's Cost Plus administration fee is 5% of the claim amount, with a minimum charge of \$40.00 and a maximum charge of \$200.00.

A Cost Plus claim form must be completed and submitted with original receipts, along with a cheque for the amount of the claim, plus the Administration Fee, Premium Tax, and PST.

The Cost Plus claim form should specify who the cheque should be made payable to. Upon approval, MDM will send a cheque for the amount of the claim to this person.

Benefit from our
Ability!

Contact us for further information on our Cost Plus Program.

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