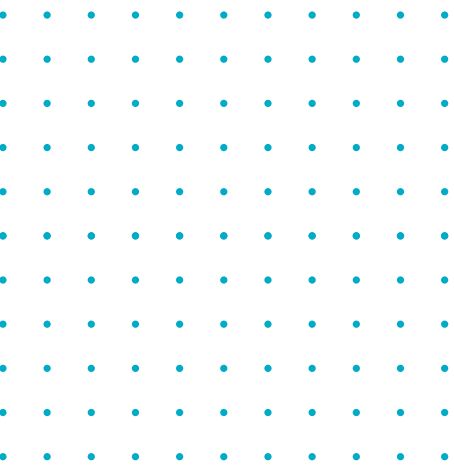




2025 | REPORT

The state of health care spending accounts



Health care spending accounts (HCSA)s have become a staple in discussions around sustainable benefits plans.

HCSAs allow employers to effectively budget for their benefits plan, and employees enjoy greater flexibility in how they use their benefits!

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What is a health care spending account?

A health care spending account (HCSA) is an employee benefit that reimburses employees for a wide range of health and dental care expenses. HCSAs can serve as the only employee benefit to cover these types of costs, or pair with fully insured plans, and/or pooled benefits — to name a few.

Think of a HCSA like a bank account. Each employee receives a HCSA, and they can access that account to get reimbursed on eligible health and dental care expenses. Employers allocate a set amount for each employee for the year, allowing them to accurately predict the overall cost of providing the benefit.

The Canada Revenue Agency (CRA) determines the [eligible expenses under a HCSA](#), as HCSAs follow the rules set out in the Income Tax Act (Canada). As with other employee benefit programs, used HCSA amounts, along with administration fees, are a tax-deductible business expense, and the reimbursements received by the employees are tax-free.



One size no longer fits all in today's benefits world. Many employers, however, are unable to offer flexible programs due to their size and/or cost constraints. HCSAs, whether used as a standalone program or in combination with a traditional benefits program, is the best way an employer can add flexibility while containing costs now and into the future.”

Michael Ramage
[Ramage Benefits](#)

How does a health care spending account work?

Employers allocate a set dollar amount per eligible employee for spending on eligible expenses. They can set up different amounts for Single, Couple, and Family coverage, if desired. Employers can also decide whether to allow employees to access the full annual amount at the beginning of the year or provide it in quarterly or semi-annual instalments. There are also options to rollover unused amounts or unpaid claims, and to pro-rate the allocation for new employees starting partway through the year.

Employees use these allocated dollars to get reimbursed for eligible expenses, allowing them to prioritize coverage. For example, a plan member who needs new glasses and an eye exam can use their HCSA for that service. Their coworker, who has 20/20 vision but a sore back, can instead use their dollars for massage or physiotherapy.

Since employers set the HCSA limit, they can easily calculate their maximum benefits spend, providing valuable cost-containment for employers. It's important to note that a HCSA is a pay-as-you-claim model, so employers will only pay for what plan members actually use.



Sources

1, 4 – [Benefits Canada Health Care Survey \(2024\)](#)

2 – [Benefits Canada Healthcare Survey \(2022\)](#)

3 – The Sanofi Canada Health Care Survey (2020)

Are more employee benefit plans adding a health care spending account?

In 2024, 40% of plan sponsors indicated they provided a HCSA as part of their employee benefits plan¹. This is down from 48% in 2022², but still more than the 31% in 2017³. Companies with 500 or more employees were more likely (53%) to offer a HCSA in 2024, and plan sponsors in Alberta were even more ahead of the game, with 60% providing HCSAs⁴.

Plan sponsors are becoming more familiar with the advantages of having this type of benefit, and those looking for cost-containment and flexibility are at the forefront.





Why are health care spending accounts growing?

Today's [multi-generational workforce](#) is more diverse than ever before, with five different generations working together — all with different wants, needs, and values when it comes to their benefits plan.

HCSAs are [incredibly versatile](#). Employers can set up the allocation to cover all health and dental care expenses or just a few specific ones. For example, a company with high paramedical usage could use their HCSA to cover only paramedical expenses, eliminate paramedical coverage under their fully insured health care plan, and thereby avoid high premium increases.

A plan member with high annual health care expenses might use their HCSA to cover out-of-pocket costs resulting from annual maximums and frequency limits reached under the health care plan. On the other hand, healthy employees who rarely use the health care benefit, but still have payroll deductions for the cost-sharing of premiums, can submit the premiums for reimbursement under the HCSA.

Providing flexibility and choice to plan members and empowering them to prioritize their coverage has never been more important. HCSAs are quickly becoming one of the fastest-growing benefits capable of providing this crucial element of choice.

Rising health spending in Canada

If you're worried that HCSAs are just a fad, consider that in 2024, total health care spending in Canada was around \$372 billion, or \$9,054 per Canadian⁵.

With a 5.7% increase in 2024, Canada's national health expenditure is trending upwards alongside the rising cost of drugs. In fact, the average annual amount claimed per person for prescription drugs has increased by more than 60% since 2015. Back then, it was just \$667.78 per year, while in 2024, that amount was \$1,037.9⁶.

- Canada ranked among the highest health expenditures as a percentage of GDP, at 12.4%⁷.
- Plan members with household incomes of \$150,000 and above spent an average of 74% of their HCSA⁸.
- Women spent an average of 70%, compared to 61% spent by men⁹.
- 94% of plan members agree that the HCSA is an important part of their health benefits plan¹⁰.



Sources

5, 7 – [Canadian Institute for Health Information \(2024\)](#)

6 – [TELUS Drug Trends Report \(2025\)](#)

8, 9 – [Benefits Canada Health Care Survey \(2024\)](#)

10 – [Benefits Canada Healthcare Survey \(2022\)](#)

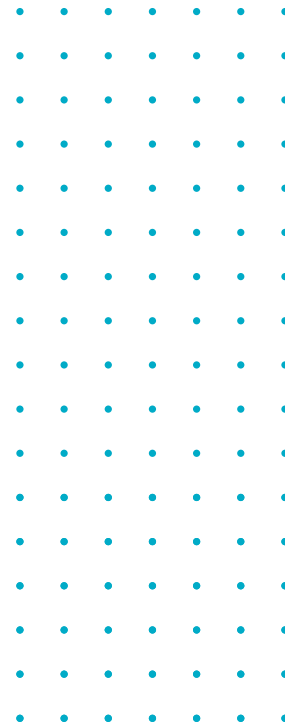


What employers say about health care spending accounts



As an employee-centric company, we value benefits that allow our team members the flexibility to choose the benefits that best suit them and their lifestyle. This is why we chose to provide a health care spending account as our primary benefit package for team members. From vision and dental, to holistic medicines and practitioners, we have been so happy to be able to meet the unique needs of all of our team members! If you are looking to remain competitive with your benefits in the market, we would definitely recommend considering a health care spending account as part of your benefit offering.”

Lindsay Downing - Director of Human Resources
[Nature's Fare Markets](#)



How much are employers allocating to health care spending accounts?

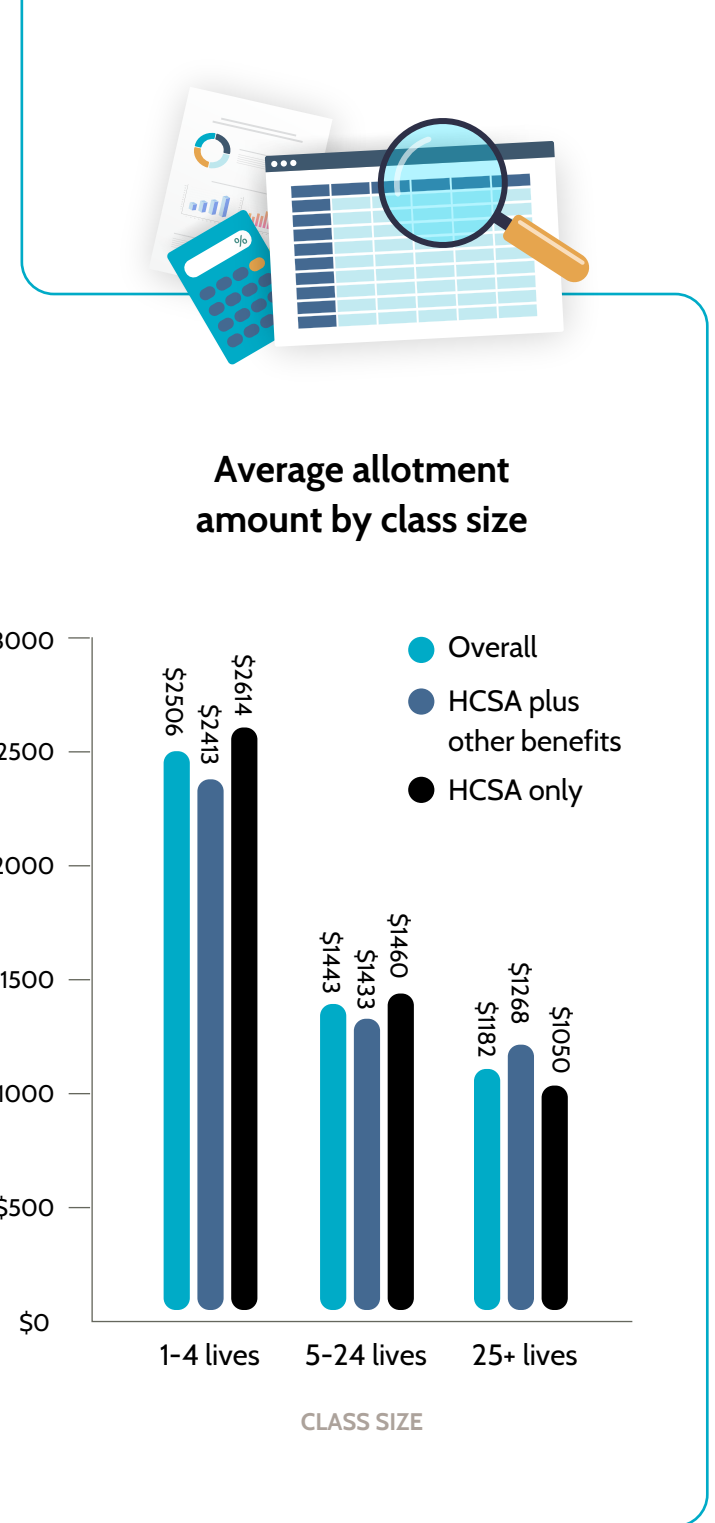
When it comes to HCSAs, employers are the ones who decide how much they want to offer to plan members. BBD offers two HCSA options: one through GreenShield, plus our Standalone® product through myHSA.

First, we looked at all clients with HCSA allotments under \$10,000*, regardless of whether they have other benefits or not. We combined both Standalone and GreenShield clients, and found that employers are providing around \$2500 when the class size is under four lives. When the class size increases to 5-24 lives, the allotment amount goes down significantly, averaging just under \$1500. Groups with larger class sizes (above 25) have even smaller average amounts, at less than \$1200 per employee.

Next, we compared clients who had other benefits (i.e., insured benefits like health and dental care) with those who did not. We expected to find a greater disparity between the two groups, with HCSA-only clients showing significantly higher amounts. However, the chart shows that their results closely aligned. This alignment suggests that organizations no longer use HCSAs solely as a top-up for fully insured plans; instead, they now incorporate HCSAs as a core component of a comprehensive benefits package.

Based on our findings, the average allotment across all class sizes was \$1,598 per plan member, per year, up from \$1,525 in 2023 when we last put out this report.

*Groups with allotments over \$10,000 are considered Cost-Plus plans and are not included.



Are health care spending accounts fully utilized?

As with any benefit, utilization is a key indicator as to whether the product is meeting plan member needs.

A whopping 96% of plan members with a HCSA report using at least some of their benefits dollars in 2023.¹¹ Those who used it reported spending an average of 66% of the funds available, up from 58% in 2017.¹²

Looking at our GreenShield HCSA, utilization was at 55% overall in 2024. Likewise, our Standalone data showed the overall average utilization for groups with an allotment under \$10,000* was 52%.

We wanted to narrow it down even further, so we looked at the weighted averages and found that 19% used none of their allotment, while almost a third (31%) of employees used between 81% and 100% of their allotments.

We believe the main reasons for the low and high utilization amounts are due to employee understanding and benefits communication, with two distinct results:

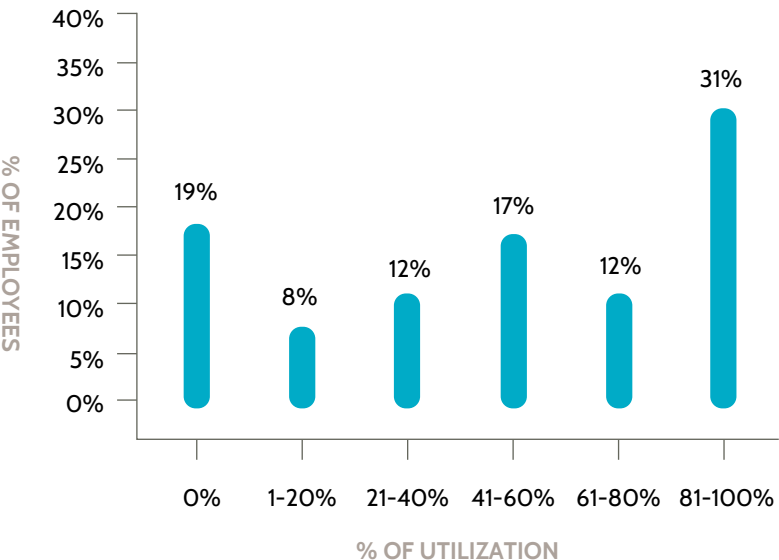
1
Employees knew about and understood their HCSAs, and therefore capitalized as much as they could on the benefit.

2
Employees didn't know, and therefore did not use their HCSA, diminishing employee perceptions of their total compensation and their employer's care for their well-being.

In 2024, the average HCSA utilization was between 52% and 55%



Average HCSA utilization by percentage



Sources

11, 12 – [Benefits Canada Health Care Survey \(2024\)](#)

*Groups with allotments over \$10,000 are considered Cost-Plus plans and are not included.

Why are health care spending accounts not being fully utilized?

According to our own Standalone data, almost 20% of plan members **are not using any** of their allotments, while a moderate 17% are using between 41% to 60%. Additionally, employees within their first year of having a GreenShield HCSA only utilized 20%.

We dove deeper and found that for all Standalone groups with allocation amounts under \$10,000*, 50.2% of the combined allotment amounts were unused. After eliminating those who had not used any amount, the number decreased to 40.9%. This difference once again underscores the importance of benefits communication.

However, even among those using some amount, **employees are leaving quite a bit of tax-free money on the table.**

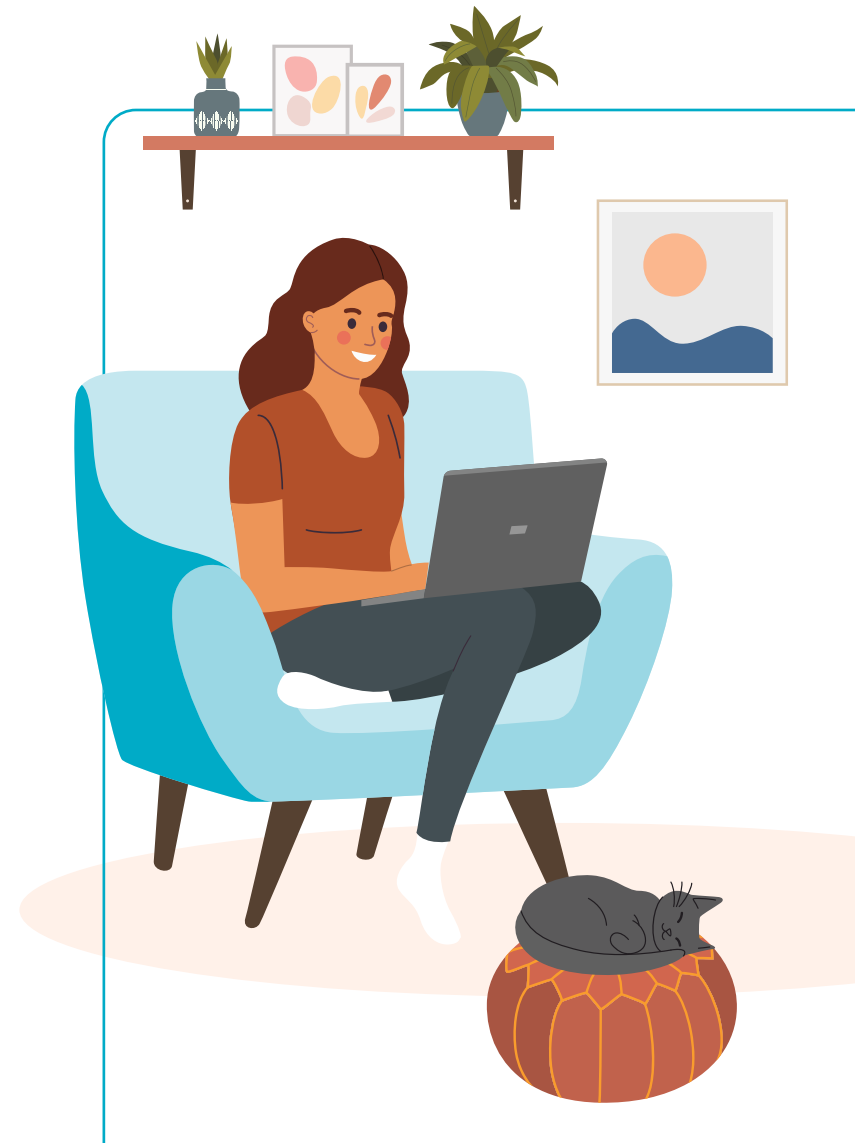
But why are employees not using their full allotments?

Auto coordination

Auto coordination between a health care benefit and a HCSA makes using the HCSA easier by automatically covering eligible expenses not covered by a traditional plan (such as a co-pay).

However, that automatic process takes place behind the scenes, putting additional separation between the plan members and their HCSA. That makes it challenging for plan members to know how much they have left, and easy to forget about their HCSA entirely. Furthermore, it means that HCSAs are more likely to be accessed only when someone uses their health care benefit.

*Groups with allotments over \$10,000 are considered Cost-Plus plans and are not included.



Example:

An employee using only 60% of a \$2,500 allotment loses \$1,000 of tax-free money!

Why are health care spending accounts not being fully utilized? (continued)



Organizations no longer use HCSAs solely as a top-up for fully insured plans; instead, they now incorporate HCSAs as a core component of a comprehensive benefits package.

Knowledge of eligible expenses

Another thing hurting HCSA utilization is a relatively simple one: plan members don't know what's eligible. The list of eligible expenses is extensive, which is good (because it offers lots of coverage), but it can be so overwhelming that employees aren't sure if their expense is covered.

It's worth noting that one of the eligible expenses under a HCSA is out-of-pocket payroll premium deductions, allowing employees to use any extra HCSA dollars at the end of the year.

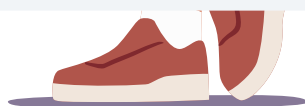
Benefits communication (or a lack thereof)

Benefits communication — what is covered, how to access it, and where to get more information — is another key factor in utilization. When it comes to HCSAs, for all of the reasons listed above, they're sometimes easy to miss when employers talk about their benefits plan.

Focus is often placed on other benefits, such as health care, dental care, or drug coverage, while HCSAs don't exactly make it to the forefront of the benefits communication plan.

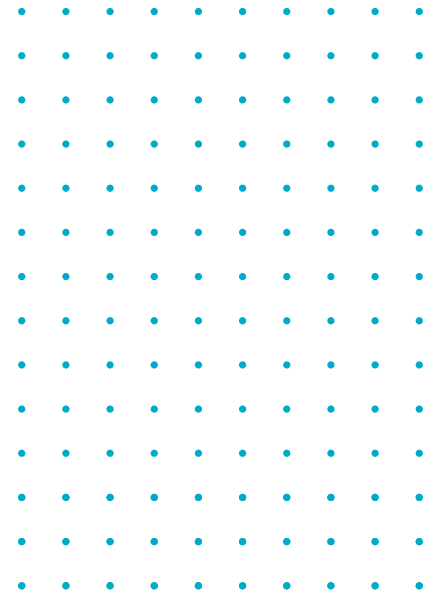
The future of health care spending accounts

Overall health care spending in Canada is steadily rising, and working Canadians will continue to seek out employers that provide flexible coverage for these health costs. Additionally, Canadians are considering an employer's benefits plan when looking for work, so providing this coverage through a HCSA is a viable strategy to attract and retain top talent.



Data analysis

Data for the GreenShield HCSA represents over 5,000 small- to medium-sized employers. Data for the Standalone HCSA represents over 12,000 small- to medium-sized employers. All of these are a portion of People Corporation's group benefits business. These small- to medium-sized employers reflect a cross-section of industries located across Canada, including construction, manufacturing, retail trade, finance, and more.



You have the data – now let us help you put it into action.

Contact your group benefits advisor for more information.

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