AMA Health Benefits Trust Fund

How do I set my Cost-Plus Plan Annual Dollar Liability Limit?

One of the most common questions from members is how to set the Cost-Plus Plan Annual Dollar Liability Limit (ADLL) under the AMA Health Benefits Trust Fund Cost-Plus Plan.

If you are unincorporated, it is quite straight forward. The Canada Revenue Agency allows a business deduction of $1,500/year for each adult in the family and $750/year for each dependent child.

Example:
Adults aged 49, 47, 19 $4,500 (3 x $1,500)
Children aged 17, 15 $1,500 (2 x $750)
Total $6,000

$6,000 is entered as the Cost-Plus Plan ADLL in the Participation Agreement.

If you are incorporated and you are the only employee, the above limits do not apply, but the amount has to be reasonable. There are a couple of guidelines we use that are considered reasonable:

1) The approximate amount paid by many Canadian employers towards maintaining an employee’s health benefits is 20% of that employee’s salary.

2) If you were to hire a physician to work in your practice as your employee, what percentage of that physician’s salary would you provide for health benefits?

Removing the highest 10% and lowest 10% of all participant’s ADLLs, the average ADLL is $19,000. The most commonly chosen ADLL is $20,000, followed by $10,000.

If you are incorporated and you have arm’s length employees, the above guideline “if you are incorporated and you are the only employee” applies. In addition, there should be consistent ADLLs between employees that are non-shareholders and employees that are shareholders with similar positions to the non-shareholder employee.

Further information on the Cost-Plus Plan is available in our AMA Health Benefits Trust Fund brochure. You are also strongly advised to speak with your professional tax advisor about your ADLL prior to enrolling in the plan.