The Bupa Healthcare Trust Scheme

Looking after your employees and your business

A guide to understanding an alternative to private health insurance.
Helping to support your health and wellbeing strategy

For over 65 years we’ve supported businesses across the UK to inspire healthier, more productive and motivated workforces - this includes providing corporate healthcare trusts for over 20 years.

Corporate healthcare trusts are an alternative to private health insurance. They’re an increasingly popular option for businesses to manage the tax and administration costs of healthcare spend.

We offer two different healthcare trust schemes:

- Client Healthcare Trust
- Master Healthcare Trust

You’ll find full details of the differences on page 7.

In this guide we outline the key features of healthcare trusts, whilst highlighting a number of points to consider before making a decision.

We’ll also draw your attention to some areas where you’ll need involvement from specialist legal and tax advisers.
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Why Bupa?

You can be reassured that we’ll support you every step of the way, whether this is your first trust or if you are transferring an existing trust.

In both of our trust arrangements, the employee experience is similar to those with a private health insurance contract.

We support your business through the transition using our dedicated service, marketing, actuarial and policy teams, to ensure a smooth experience.

We’ll provide:

- communications and literature
- claims processing helpline, pre-authorisation and claims settlement
- access to our Anytime HealthLine providing clinical advice to your employees and their families
- specialist managed care teams
- clinical insight and data to support benefit design decisions
- health data to drive awareness of the key health risks to your business

We also have an innovative and highly engaging health and wellbeing proposition including digital tools, and employee offers. This can be tailored to the needs of your business and has been designed to help drive health awareness and behaviour change.
Why Bupa?
Understanding healthcare trust schemes

A healthcare trust is an established alternative to traditional private health insurance that is offered by many employers. In simple terms, it’s a self-funded arrangement with a range of Stop Loss Insurance policies to help you manage your maximum cost liability.

From the employee’s perspective, a healthcare trust scheme looks and feels the same as a private health insurance scheme. The main difference is that it can provide flexibility to you as an employer.

Key features of a healthcare trust include:

**Funding**
Instead of paying a premium the cost is broken down into:

- **Claims fund**
  The cost of total expected healthcare claims (excluding administration and insurance fees). Usually a deposit payment of two months value of the twelve month cost is paid into the trust upfront. Then regular payments are made throughout the year to cover the cost of claims.

- **Administration fee**
  A charge to administer the trust. This can be paid monthly, quarterly or annually.

- **Stop Loss Insurance**
  A range of Stop Loss Insurances provided by Bupa. This can be paid monthly, quarterly or annually.

**Tax**
The claims fund and administration fee are not subject to Insurance Premium Tax (IPT).

Employees are still required to pay tax on the benefit in kind value.

Stop Loss Insurance will attract IPT.

**Claims**
The trust meets any claims for medical treatment in accordance with the scheme rules. These rules set out what eligible expenses are payable so that all beneficiaries are treated fairly. This is an important feature of a healthcare trust scheme - to ensure that the tax treatment of the trust is not undermined.

Employees call to pre-authorise and submit claims in the same way as for a private health insurance scheme.

**Documentation**
Healthcare trust schemes require a set of documentation, these include:

- Trust Deed and rules
- Trust Management Agreement appointing Bupa to administer the Trust
- Stop Loss Agreement (if selected)

Find out more about Stop Loss Insurance options on page 8.
We offer two different healthcare trust schemes which are detailed below.

**Client Healthcare Trust**
If your business selects a Client Healthcare Trust then **you are responsible for:**
- setting up the trust (Trust Deed templates are available if needed)
- independently appointing trustees
- managing governance obligations and responsibilities

**Master Healthcare Trust**
If your business selects a Master Healthcare Trust then **Bupa is responsible for:**
- setting up the trust
- acting as the Trustee - Bupa Trustee Limited
- managing governance obligations and responsibilities
Stop Loss Insurance

Stop Loss Insurance is available when you use our administration services.

Stop Loss Insurance is there to reassure the Trustees that the trust fund will always meet the costs of treatment (over and above an agreed level) in any 12 month period - for example, in the case of several unexpectedly large claims.

Stop Loss Insurance will attract Insurance Premium Tax (IPT).

Stop Loss Insurance is not a requirement of a healthcare trust, but is a sensible way to protect against unforeseen claims.

For more information on our range of Stop Loss Insurance options please speak to your Bupa account manager or intermediary partner.
Specific Stop Loss Insurance

Provides protection for the trust against a high claim for any one individual.

For example:
If specific stop loss is set at £50k and a person claims £70k over the year, the specific stop loss would protect the company for the additional £20k spend over the specific stop loss threshold.

Aggregate Stop Loss Insurance

Designed to give you a fixed liability for the claims cost. This type of coverage is to ensure more certainty of maximum total cost for employers in any one year.

For example:
A company has a claims fund of £1m and aggregate stop loss of 120% and experiences claims of £1.5m over the year. The 120% aggregate stop loss cover sets their maximum liability at £1.2m and would protect the company for the additional £300k spent.
Is a healthcare trust scheme suitable for your business?

Given the governance and funding structure, healthcare trust schemes are usually suitable for larger businesses.

To find out more please speak to your Bupa account manager or intermediary partner.

Features of our two healthcare trust scheme options for you to consider.
<table>
<thead>
<tr>
<th>Design</th>
<th>Client Healthcare Trust</th>
<th>Master Healthcare Trust</th>
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<tbody>
<tr>
<td></td>
<td>Includes flexibility on benefit design and can include non-standard benefits.</td>
<td>Includes standard benefits, no variances. We can provide some flexibility around benefit options within our standard range of benefits.</td>
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| Timing | We recommend you allow a minimum of **three months** to set up this trust arrangement to allow your business sufficient time to put in place necessary trust documentation and governance structures. If you prefer, you can use our standard Bupa Trust Deed. You’ll need specialist independent legal and tax advice. | We recommend you allow a minimum of **two months** to set up this trust arrangement using Bupa’s documentation, (including a Participation Deed, so that you can participate in the Master Healthcare Trust) and governance structures. All documents are in place and provided by Bupa. You’ll need specialist independent legal and tax advice. |

| Funding | For either structure you will be required to pay a deposit of the claims fund into the trust so that Bupa can pay claims on your behalf. You will then pay instalments into the trust across the plan year. Bupa can only pay claims if there is sufficient funding in the trust and so it’s important to agree a funding schedule upfront. |  |
Healthcare trust scheme governance

We understand that good governance is a fundamental pillar of a successful healthcare trust scheme.

Where you select the Master Healthcare Trust, Bupa Trustee Limited acts as Trustee and is responsible for the governance of the trust.

Drawing on our experience of trust arrangements, we have developed robust documents and controls, which are specifically designed to mitigate risks associated with healthcare trust schemes.

Our Master Healthcare Trust governance - what does this mean in practice?

- Tax review and updates to our Master Healthcare Trust documentation.
- A dedicated trust company, Bupa Trustee Limited, which acts as Trustee in relation to our Master Healthcare Trust.
- The directors of Bupa Trustee Limited perform the duties of the Trustees.
- We take a robust and conservative approach to the management of a healthcare trust scheme. We’re therefore very careful to ensure that the healthcare trust scheme is operated so as to fall within HMRC’s guidelines.
- A key requirement is that there is no Discretion in the trust. Where Discretion is required, this should be dealt with outside of the trust - we can help with this.
- We hold all client monies in separate bank accounts. This means that your business can have complete confidence that monies contributed for the benefit of your employees are ring-fenced for that purpose only.
Client Healthcare Trust - roles and responsibilities

If you select the Client Healthcare Trust then many of the duties outlined on this page will be your responsibility.

We’ll support you by providing draft trust documentation, health claims data and ensuring we deliver on our obligations as your administrator.

We recommend you seek specialist independent legal and tax advice to ensure you fully understand your duties.
Glossary of terms

Your guide to understanding the terms relating to a healthcare trust scheme.

**Administrator**
Bupa Insurance Services Limited (BISL) acts as administrator of the scheme. This means that we manage the scheme on your behalf. For example we will pay claims out of the trust fund, and provide a membership guide which explains the benefits under the trust to your employees.

**Beneficiary**
Someone who is entitled to receive benefits under the healthcare trust – the Sponsor/employer specifies who is to be included and what package of benefits applies to which groups of beneficiaries (as per the trust guide).

Beneficiaries can be employees of any company. Family members of employees can also be included if required, but any additional contributions in respect of non-employees, not paid for by the Sponsor/employer, must be structured through salary deduction – individuals must not contribute to the trust directly.

**Discretion**
This is where the Trustees (or Bupa Insurance Services Limited (BISL) acting on their behalf) permit the payment of healthcare benefits, where such benefits would not otherwise be provided under the rules other than medical discretion.

To find out more please speak to your Bupa account manager or intermediary partner.
Insurance Premium Tax (IPT)
IPT is a tax which is charged by the government on premiums paid in relation to insurance. It is not charged in relation to a healthcare trust scheme. Any additional optional Stop Loss Insurance will be subject to IPT.

Insurer
Bupa Insurance Services (BINS) acts as the Insurer in cases where the Sponsor has opted for Stop Loss Insurance.

Sponsor
The Sponsor is the company whose employees are entitled to benefits under the trust.

Stop Loss Insurance
Stop Loss Insurance assists clients by fixing their liability. It is often used by employers to protect their trust fund against any additional costs by passing the risk of claims above a certain level to Bupa.

Generally, Bupa provides stop loss cover for anything which exceeds the estimated claims fund but the level of cover can be set at the level which is right for you.

This is a separate insurance arrangement that is liable for Insurance Premium Tax (IPT) and should be paid for by a separate fee, in part to ensure that IPT is correctly accounted for.

Trust Deed
This is the document needed to set up the trust for either the Client Healthcare Trust, or the Master Healthcare Trust. It sets out rules and governance of how the trust is to be run.

Trustee
Under the Client Healthcare Trust, the Sponsor (or another group company) will usually act as the Trustee. It is possible to have individual Trustees, but this is less attractive due to the need to change your Trustee when individuals leave and there are concerns around personal liability. Under the Bupa Master Healthcare Trust, it is Bupa Trustee Limited (BTL) which has the Trusteeship.

The Trustee has the ultimate responsibility for ensuring that the trust is properly run and benefits are provided in accordance with the Trust Deed and the relevant trust membership guide.

Trust Management Agreement
The Trust Management Agreement appoints Bupa Insurance Services Limited (BISL) to administer the scheme, and sets out its key duties in terms of handling claims, processing payments, operating bank accounts and generally administering the trust.
Bupa health trusts are administered by Bupa Insurance Services Limited. Registered in England and Wales No. 3829851. Registered office: Bupa House, 15-19 Bloomsbury Way, London WC1A 2BA.

We cannot accept any responsibility for any changes to the contents of this document resulting from subsequent amendments to legislation as at February 2016. Bupa is unable to offer client specific legal or tax advice and clients should consult their own legal and tax advisers.

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