Manion Magazine

VOLUME 4 ISSUE 1

JANUARY 2017

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MANION

We Care,
You Benefit.

Taxation of Private Group Health and Dental Plans in Canada

There have been recent rumors that the Canadian government is considering the taxation of Health and Dental benefits to be announced in the upcoming budget in February 2017. An outline of what we understand to date is provided below. If instituted, this matter will have adverse financial implications for plan members and plan sponsors. We ask that you contact your Local MP today using the "**donttaxmyhealthbenefits.ca**" website to voice your opposition.

Employer-sponsored health and dental programs play an essential role in the health and wellbeing of Canadians, as they fill the gaps in coverage that exist in the public system. Industry reports state that 24 million Canadians are covered by private health and dental insurance plans. Currently health and dental premiums are not treated as taxable employee benefits anywhere in Canada except provincially in Quebec.

Several articles in the National Post indicate that an ongoing review of federal tax credits could result in changes to the tax treatment of employer-paid premiums for privately sponsored group benefit plans. Chief among them is the federal government's plan to tax private health and dental insurance plans across Canada, which is expected to result in as much as the $2.9 billion in additional tax revenue to the federal government.

However, if the federal government were to tax private health and dental insurance plans across Canada, fewer employers would offer these plans, and less services would be included in the plans that employers do offer. This would force more Canadians to pay out-of-pocket for essential health services, placing a disproportionate burden on lower and middle income families. In other words taxing benefits would mean employers would limit their offerings, which is what happened when Quebec introduced a benefit tax in the early 2000s. Quebec experienced a 20% drop in employer-provided supplementary insurance programs when these plans were taxed in the province, with an even greater drop for small businesses. Only a limited number of affected employees sought individual insurance coverage after losing their group benefits, although there was no broad-based tax credit offered at the time to encourage it.

Sara Tatelman's January 6, 2017 article in *Benefits Canada* states that "The possibility of taxing these benefits was raised late last year, when the government's report on federal tax expenditures calculated that doing so would add $2.9 billion to the federal coffers in 2017." In addition, many health-care associations argue that taxing these benefits would actually shift millions of dollars worth of treatments into public budgets. Ms. Tatalman's article includes a quote from Stephen Frank, of the Canadian Life and Health Insurance Association (CLHIA), in which he states that "We've got some pretty grave concerns with any move to tax employee benefits".

The positions of many health organizations are also available online. These associations, including CLHIA, are lobbying and ensuring that there is a lot of discussion with the Canadian government to ensure that they understand the risks in implementing this tax change. In fact, Benefits Canada reported that nine associations representing health-care providers are urging the federal government to leave private health and dental insurance as non-taxable benefits. In addition, many of these associations have sponsored a link that allows opposed Canadians to register a letter with their MP and the Minister of Finance : "**donttaxmyhealthbenefits.ca**".

Manion is closely monitoring this issue and will provide further updates as more information is received.

Proposal To Make Ontario's Trillium Drug Plan First Payer Could Have Major Impact on Private Plans

Ontario's Trillium drug plan announced it is modernizing its systems and will refocus efforts in the fall of 2017, to make Trillium a first payer on all drugs that are on the Ontario drug benefit formulary when there is co-ordination of benefits with private drug plans. According to the provincial government, this has always been the intent for Ontarians who do not have 100 percent employer paid drug coverage.

This has the potential of having an enormous impact on employer sponsored drug plans in Ontario because Trillium has publically stated its desire to be first payer on all drugs once employees have reached their annual out of pocket deductible. The annual Trillium deductible is between three and four percent of net household income for most Ontarians. Publications indicate that the end result for plan sponsors in Ontario is that this could lead to significantly more co-ordination of benefits for high cost drugs, which will reduce employers' cost of benefits. The premise is that this will prevent plan sponsors from instituting drug cost controls such as hard caps and exclusions for high cost drugs, and that with a greater volume of high cost claims moving through the provincial government, the Ministry of Health and Long Term Care can attempt to negotiate better pricing.

As more information becomes available, **Manion** Communiques will be distributed to our clients.

Manion Claims Corner

Need To Submit A Claim? *Reminder*

Claims can be **submitted via mail, fax** (416-234-2071) or **scanned** (claims@manionwilkins.com). If you fax or scan your claim, there is NO need to send original receipts via mail - be sure to include a fully completed, signed claim form.

You can also **drop off your claim** at either of our offices:

21 Four Seasons Place
Suite 500
Toronto, ON M9B 0A5
Mon-Fri 8:30 a.m. to 5:00 p.m.

OR

222 Rowntree Dairy Road
3rd Floor
Woodbridge, ON L4L 9T2
Mon-Fri 8:30 a.m. to 4:30 p.m.

To speak with us by telephone about your claim, our **Customer Contact Centre** hours are:

Monday-Thursday 7:30 a.m. to 7:30 p.m.
Friday 7:30 a.m. to 5:00 p.m.

We can be reached at 416-234-3511 or 1-866-532-8999.

2016 Amendments to Act Respecting Prescription Drug Insurance in Quebec

Approximately 50 employers in Quebec, representing over 400,000 Quebec workers, sent a letter to the Health Minister calling for measures to contain prescription drug costs and reduce the disparity between the cost of drugs paid by the private component of the province's general prescription drug insurance plan and the cost paid by the public component.

One of the measures called for by these employers and their employees was a more transparent pharmacy receipt. Amendments to the Act respecting prescription drug insurance have been adopted and will take effect on September 15, 2017.

Three amounts will now be visible on the receipt:

1. The price covered by the general plan for the drug
2. The pharmacist's professional fees
3. The wholesaler's margin

Manufacturers and wholesalers will now be prohibited from paying or refunding all or part of the price of a prescription, except on compassionate grounds. This new provision aims to put an end to loyalty cards.

Shingles Vaccine – Ontario

The province of Ontario is reminding seniors who are turning 65 in 2017 that starting on January 1st they will be eligible to get the shingles vaccine free of charge. This results in savings of approximately $170 on out of pocket health care expenses. The vaccine can be obtained from a physician or nurse practitioner. The vaccine greatly reduces the risk of developing shingles which affects more than 42,000 people every year in Ontario.

Additional Vaccines - Ontario

Starting December 15, 2016 Ontario pharmacists are able to administer additional vaccines to protect against 13 preventable diseases. There would be a cost for these vaccines. This includes common travel vaccines for diseases such as Hepatitis A and B, Typhoid, and Rabies. In addition, the flu vaccine will continue to be administered by pharmacists, free of charge.

Pension & Benefits Statistics – 2017 vs 2016

	2016	2017
Employment Insurance		
Maximum Insurable earnings (MIE)	$50,800.00	$51,300.00
Premium Rate (EE)	$1.88 per $100	$1.63 per $100
Premium Rate (ER)	$2.632 per $100	$2.282 per $100
Maximum Annual EI Premium (EE)	$ 955.04	$ 836.19
Maximum Annual EI Premium (ER)	$ 1,337.06	$ 1,170.67
Canada Pension Plan		
Yearly Maximum Pension Earnings (YMPE)	$54,900.00	$55,300.00
Yearly Basic Exemption	$ 3,500.00	$ 3,500.00
Contributory Earnings	$51,400.00	$51,800.00
Contribution Rate	4.95%	4.95%
Maximum Annual Contribution each EE & ER	$ 2,544.30	$ 2,564.10
Maximum Pension for New Retiree:		
- Retiring at age 65	$ 1,092.50	$ 1,114.17
- Retiring at age 60	$ 699.20	$ 713.07
- Retiring at age 70	$ 1,551.35	$ 1,582.12
Maximum Monthly Benefit Amounts:		
- Disability	$ 1,290.81	$ 1,313.66
- Survivor's Pension Under Age 65	$ 593.62	$ 604.32
- Survivor's Pension Age 65+	$ 655.50	$ 668.50
- Disabled/Deceased Child	$ 237.69	$ 241.02
- Death	$ 2,500.00	$ 2,500.00
Quebec Pension Plan		
Yearly Maximum Pension Earnings (YMPE)	$54,900.00	$55,300.00
Yearly Basic Exemption	$ 3,500.00	$ 3,500.00
Contributory Earnings	$51,400.00	$51,800.00
Contribution Rate	5.325%	5.4%
Maximum Annual Contribution each EE & ER	$ 2,737.05	$ 2,797.20
Maximum Pension for New Retiree:		
- Retiring at age 65	$ 1,092.50	$ 1,114.17
- Retiring at age 60	$ 699.20	$ 713.07
- Retiring at age 70	$ 1,551.35	$ 1,582.12
Old Age Security		
Maximum Monthly OAS Pension	$ 570.52	$ 578.53
Guaranteed Income Supplement		
Maximum Monthly GIS Pension – SINGLE	$ 773.60	$ 864.09
Maximum Monthly GIS Pension – MARRIED		
- Partner not receiving OAS	$ 773.60	$ 864.09
- Partner receiving OAS	$ 512.96	$ 520.17