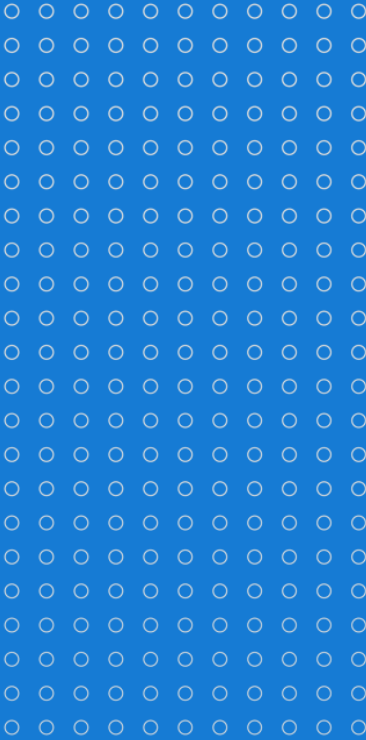


HUB Insights: Budget Commentary 2024



April 2024

Risk & Insurance | Benefits & Retirement | Private Client





Overview

The Federal Government released its [2024 budget](#) on April 16, 2024. It contains some measures that may impact benefit and pension plans, including:

- National Pharmacare Plan.
- Canadian Dental Plan.
- Canada Disability Benefit.
- Working Group for Investment Opportunities.
- Amendments to the Pension Benefits Standards Act.
- Enhancing the Home Buyers' Plan.
- Change to Capital Gains Taxation.

At the provincial level, the following recently announced measures— including ones for Ontario, British Columbia, Nova Scotia, and Quebec – also may impact plans and/or plan members.

- Ontario Auto Insurance Reforms.
- Update on Ontario Target Benefit Plans.
- British Columbia Budget Changes.
- Nova Scotia Improved Coverage for Diabetes.
- RAMQ (Régie de l'assurance maladie du Québec) Changes.
- Québec Pension Plan Reduction.

Any data and information included in this commentary has been compiled from official government documents and publications. Although we believe the sources to be accurate, readers should refer to the actual legislation if using this document for more than informational purposes.



National Pharmacare Plan

Summary

Following the introduction of the Pharmacare Act (Bill C-64) in February 2024, Budget 2024 proposes to provide \$1.5 billion over five years, starting in 2024-2025, to Health Canada to support the launch of a national pharmacare plan.

Bill C-64 sets up the first phase of a national pharmacare plan and describes the federal government's intent to work with provinces and territories to provide universal, single-payer coverage for a number of contraception and diabetes medications. The legislation also provides that the new [Canadian Drug Agency](#) work towards the development of a comprehensive national formulary, develop a national bulk purchasing strategy, and support the publication of a pan-Canadian strategy regarding the appropriate use of prescription medications.

Plan Sponsor Perspective

While the introduction of legislation was a monumental development for universal pharmacare in Canada, many questions remain. The legislation has not yet passed and any actions or changes will come about only following successful negotiations with provinces and territories. The legislation provides a framework though the details of implementation, operating and financing the program will be subject to further consultation and expert committees.

Existing drug coverage varies across Canada and some have already indicated their intention to opt out of the national program. Especially in the current political environment, the federal government reaching equitable agreements with each jurisdiction is a tall order. If national pharmacare is not solidly in place and the next federal election results in a change in government, it is unclear if action towards a pharmacare program would continue or be unwound.

If implemented, a national pharmacare plan would result in savings for private drug plans. For the first phase, savings are expected to be in the range of 3%-5% of prescription drug costs depending on the parameters of the plan. Savings are expected to grow significantly if and when other prescription drugs are included under the program.

At maturity, a national pharmacare plan would be expected to cover drugs for all therapeutic classes and the total annual costs was projected by the Parliamentary Budget Officer to be close to [\\$40 billion](#).

Bill C-64 also references funding for the National Strategy for Drugs for Rare Diseases. This is intended to “improve access to new and emerging drugs, as well as support enhanced access to existing drugs, early diagnosis, and screening for rare diseases”. If this program helps to mitigate the cost pressure and uncertainty associated with very high-cost drugs, it will be welcome news for private plans.

Canadian Dental Plan

Summary

There were no new announcements in the federal budget regarding the Canadian Dental Care Plan (CDCP).

As announced in late 2023, registration is underway for eligible Canadians who qualify for the Canadian Dental Care Plan and is scheduled to conclude in 2025. Eligible services are to begin in May 2024. Reimbursement will be 100% for eligible services for those with family income of less than \$70,000 scaling to 40% reimbursement for those with family income between \$80,000 - \$89,999. HUB's [2024 Government Benefits Update](#) included a full description of the program.

Plan Sponsor Perspective

Any individual who has access to a private dental plan is not eligible for the CDCP. Employers are now required to report on T4 and T4A slips whether they provided employees and retirees access to dental coverage starting with the 2023 tax year. This requirement does not differentiate whether the coverage was used, only whether the individual was eligible to access dental coverage. Recently, exceptions were confirmed for those that have access to dental benefits through pension benefits if they retired and opted out of dental coverage before December 11, 2023, and cannot opt back in under the plan's rules. This was an issue that HUB advocated for on behalf of clients.

Based on reporting in the media, many dental offices have chosen not to sign up to deliver services under the CDCP for various reasons. The federal government has recently announced that beginning in July 2024, oral health providers will be able to direct bill the CDCP plan for services on a case-by-case basis without formally signing up for the CDCP. While the program has been mischaracterized in some cases as "free dental care", it has also been widely reported that the fee guide used for the CDCP is lower than the amounts typically charged by dental offices. Private dental plans (whose fee guides are almost always meaningfully higher than what will be used for the CDCP) are already used to some plan members incurring out of pocket costs depending on the billing practices of dental providers. It seems clear that many patients using the CDCP will incur out of pocket expenses that may be unexpected. Public perception of the CDCP is likely to be highly influenced by the availability of care and how reimbursement levels match expectations.


Canada Disability Benefit

Summary

The Canada Disability Benefit Act was passed in 2023 and the budget announced plans to deliver benefits to low-income persons with disabilities through the new Canada Disability Benefit (CDB). The budget includes funding of \$6.1 billion over six years and then \$1.4 billion per year ongoing. Consultations will take place in refining benefits delivery which is proposed to begin in July 2025. The proposed design is a maximum benefit of \$2,400 per year for those between ages of 18 and 64 and will be available to individuals with a valid Disability Tax Credit certificate. The budget document says that it is expected to benefit over 600,000 Canadians. The budget also proposes funding to cover the cost of required medical forms for individuals to apply for the Disability Tax Credit.

Plan Sponsor Perspective

Full details of this benefit will come with time, but based on the information available now this benefit is not expected to have a significant impact on private disability plans. The CDB seems to be oriented as a poverty reduction measure that will supplement other benefits. The Canadian Life &



Health Insurance Association made a submission to government in 2023 that included recommendations that the benefit design should not offset other income that is received by an individual. The maximum benefit under the Canada Disability Benefit is also far less than wage replacement benefits that are paid under most private disability plans.

Pension & Savings Plan Related Measures

The Federal Budget contains some specific measures that may impact pension plans, including:

Working Group for Canadian Investment Opportunities

It was announced that the federal government will establish a working group led by Stephen Poloz, former Governor of the Bank of Canada, to enhance domestic investment opportunities for pension funds in Canada. The group will work to identify domestic investment opportunities in digital infrastructure and AI investment, physical infrastructure including airports, venture capital, and home construction, including on public lands. Additionally, the government will also bring to a close the 30% rule for domestic investments.

CPP Enhancements

Every three years, the Canada Pension Plan (CPP) is reviewed by the federal government and provincial partners to ensure its alignment with the evolving needs of Canadians. In the 2024 budget, the following amendments to CPP legislation have been proposed:

- Provide a top-up to the death benefit for certain contributors.
- Introduce a partial children's benefit for part-time students.
- Extend eligibility for the disabled contributors children's benefit when a parent reaches age 65.
- End eligibility for a survivor pension to people who are legally separated after a division of pensionable earnings (i.e. a CPP credit split).

Amendments to the Pension Benefits Standards Act

The budget proposes amendments to the Pension Benefits Standards Act, 1985, mandating the Office of the Superintendent of Financial Institutions (OSFI) to publicly disclose information regarding the investment activities of major federally regulated pension plans.

Enhancing the Home Buyers' Plan

The budget proposes amending the Income Tax Act to increase the Home Buyers' Plan withdrawal limit within RRSPs from \$35,000 to \$60,000 after April 16, 2024. The grace period before homeowners are required to repay the withdrawal would also be extended from two years to five years.

Plan Sponsor Perspective

Plan sponsors providing group RRSPs can be a good measure to help employees access home ownership. The federal government also recently introduced the first home savings account (FHSA) which allows annual contributions that are capped at \$8,000 up to a \$40,000 lifetime deductible contribution limit. Insurers and group retirement providers are starting to offer FHSAs on a group basis.



Change to Capital Gains Taxation

Budget 2024 announces the government's intention on June 25, 2024, to increase the inclusion rate on capital gains realized annually above \$250,000 by individuals and on all capital gains realized by corporations and trusts from one-half to two-thirds.

Plan Sponsor Perspective

An increase in the exercise of options is likely to happen in advance of the June 2024 deadline, and going forward a further shift away from options in executive compensation as the tax advantage compared to other long-term incentive vehicles is narrowing.

Other Federal Budget Measures

Summary

The budget featured several other announcements worth noting, including:

- \$3.2 million in funding over three years to upgrade Health Canada's supply management capacity for prescription drugs and medical devices.
- \$500 million in funding over five years for the creation of a new Youth Mental Health Fund to assist community health organizations to provide care for young Canadians or refer youth to other mental health services.
- \$4 million in funding over two years for the Public Health Agency of Canada to continue supporting initiatives through the Mental Health for Black Canadians Fund.
- An initiative for Employment and Social Development Canada to implement legislative amendments to the Canada Labour Code that would require federally regulated employers to establish a "right to disconnect" employee policy limiting work-related communication outside of scheduled working hours.
- An intention to propose legislative amendments to modernize the Employment Equity Act, including by expanding designated equity groups.

Plan Sponsor Perspective

Mental health is a key factor of absenteeism. With the current labor shortage, organizations should consider investing in health and wellness initiatives and inform their employees about provincial and federal resources available to them to manage their mental health.

Recent Provincial Measures

At the provincial level, the following recently announced measures— including ones for Ontario, British Columbia, Nova Scotia, and Quebec – also may impact plans and/or plan members.

Ontario Auto Insurance Reforms

Summary

On March 26, 2024, the government of Ontario released its budget which included the following noteworthy changes:

Auto insurance reforms will move ahead including making some aspects of coverage optional. The government will also propose to have auto insurers be first payer for medical and rehabilitation benefits following an accident, regardless of the injury. The timing of these changes is not clear.

Plan Sponsor Perspective

The details and timing associated with the change to auto insurance is unknown at this time. Depending on how the changes are implemented, it may slightly reduce extended health care claims for private plans, though automobile collisions are not a significant cause of expenses for most plans. British Columbia made some changes to auto insurance benefits several years ago that had a negligible effect on most plans.

Update on Ontario Target Benefit Plans

Summary

The Ontario Provincial Budget, released on March 26, 2024, outlined progress on establishing a permanent framework for target benefit plans, with draft regulations set for technical review in summer 2024. These regulations, developed through prior consultations, aim to refine the current framework in place, with legislative amendments proposed in the Budget coming into effect on January 1, 2025.

Bill 180

Bill 180 amends unproclaimed provisions in the Pension Benefits Act (PBA) relating to target benefit plans and adds new provisions. Key adjustments include:

- New regulations necessitating target benefit plans to formulate policies for funding and benefits, as well as communications, in addition to the existing proposed governance policy requirement.
- Clarifying criteria for a benefit to be classified as a target benefit; benefits should be in reference to the value of pension fund assets. Additionally, it introduces rules for cases where these criteria no longer apply, with specifics to be outlined in the regulations.
- A restriction on asset transfers, mandating that assets related to the provision of target benefits in the original plan must serve the same purpose in the successor plan, adhering to prescribed requirements.
- Provisions concerning the conversion of non-target benefit plans to target benefit plans. This includes imposing a five-year conversion limit for certain multi-jurisdictional pension plans

registered in Ontario, along with removing notice requirements for conversion proposals and consent applications.

- A provision mandating target benefit plan administrators to provide requested information to the CEO of the Financial Services Regulatory Authority of Ontario (FSRA) to ascertain whether the provision for adverse deviations complies with the PBA and regulations.

Plan Sponsor Perspective

Administrators of multi-employer pension plans (MEPPs) that offer target benefits should closely monitor legislative developments regarding the long-awaited establishment of a permanent framework for these plans.

British Columbia Budget Changes

Summary

Released on February 22, 2024, the British Columbia budget announced several noteworthy changes:

- The province will provide coverage for a single cycle of in-vitro fertilization treatment services. This is to be available beginning April 1, 2025, to residents regardless of their relationship status or income.
- Effective January 1, 2024, the employer health tax exemption threshold is increased from \$500,000 to \$1,000,000.
- An additional \$270 million will be invested over three years to support cancer care and prevention and an additional \$215 million over three years for mental health and addictions services.

Plan Sponsor Perspective

None of these measures are expected to have a significant impact on private plans but they are favourable. For the many private plans that reimburse expenses related to fertility, the provincial plan's funding for some services will offset some expected costs, assuming that the provincial plan will be first payor. Some additional employers will now be completely exempt from the Employer Health Tax, which had been put in place several years ago to replace MSP premiums. The additional funding for cancer, mental health and addiction services is expected to have only an indirect impact on private plans.

Nova Scotia Budget Improves Coverage for Diabetes

Summary

Nova Scotia announced in the February 29, 2024, budget that funding would be provided for glucose monitors and the Insulin Pump Program would be expanded.

Provincial coverage for glucose monitors will be available to those with Type 1 diabetes or those with Type 2 diabetes that meet certain criteria. The coverage is income tested such that residents with annual household income under \$60,000 will pay no deductible while residents with annual household income between \$60,000 and \$150,000 will pay a deductible between \$500-\$1,000.

The existing Insulin Pump Program helps with the cost of insulin pumps and supplies and is currently

limited to residents under age 26. The age cap will be removed going forward.

The announcement noted that more information about the changes to both programs is forthcoming.

Plan Sponsor Perspective

The prevalence of diabetes is significant, and the cost of diabetes supplies and prescription drugs is a concern for many private plan sponsors. HUB's understanding is that the provincial plan is second payor after private plan for these expenses, and both programs are subject to means testing and other criteria. As a result, private plans should expect no significant change in costs.

RAMQ (*Régie de l'assurance maladie du Québec*) Changes

Summary

On July 1, 2024, new RAMQ parameters for the Quebec public drug plan will be effective.

Plan Sponsor Perspective

As a reminder, private drug plans in Quebec should always be at least as generous as the public drug plan, therefore, plan sponsors should be aware of the new parameters that should be published in June (ex. deductible, maximum out of pocket, coinsurance).

Québec Pension Plan Changes

Summary

On March 12, 2024, the Quebec government announced in Budget 2024-2025 that the retirement pension reduction currently applicable to seniors who have received disability benefits between 60 and 65 will be eliminated as of January 1, 2025.

Plan Sponsor Perspective

This change will not have any impact for most plan sponsors (unless a plan was offering some kind of compensation for the reduction), however, it will comfort plan sponsors that disabled employees can apply for QPP disability benefits without having to potentially face a reduction for their QPP retirement benefits.

The announcement will be welcomed by seniors with disabilities who have been challenging the government for several years stating that the reduction was discriminatory.



About HUB

HUB International Limited is a leading full-service global insurance broker and financial services firm providing risk management, insurance, employee benefits, retirement and wealth management products and services. With more than 17,000 employees in offices located throughout North America, HUB's vast network of specialists brings clarity to a changing world with tailored solutions and unrelenting advocacy, so clients are ready for tomorrow.

For more information, please visit www.hubinternational.com.

Contacts

If you have any questions about the information in our 2024 Budget Commentary, please contact your HUB Employee Benefits consultant or:

Nicolas Bérubé, Senior Consultant, Employee Benefits
+418-554-9481 nicolas.berube@hubinternational.com

Marc Drouin, Vice President, Employee Benefits
+418-990-7012 marc.drouin@hubinternational.com

Claudio Gardonio, Vice-President, Total rewards
+514-245-8735 claudio.gardonio@hubinternational.com

Sean Liss, Consultant, Group Retirement
+ 416-619-8472 sean.liss@hubinternational.com

Michael Scott, Senior Consultant, Group Retirement
+416-619-8476 michael.scott@hubinternational.com

David White, Associate VP, Employee Benefits
+604-642-5232 david.white@hubinternational.com

Any data and information included in this commentary has been compiled from official government documents and publications. Although we believe the sources to be accurate, readers should refer to the actual legislation if using this document for more than informational purposes.