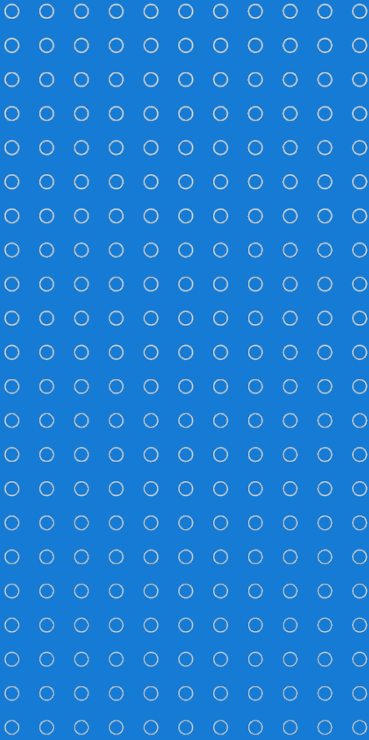


# HUB Insights: Mid-Year Update 2025



June 2025

Risk & Insurance | Benefits & Retirement | Private Client





# Overview

This document provides plan sponsors and other stakeholders with an update on key issues affecting benefit and retirement plans as of June 2025.

At the **federal level**, the following updates may impact plans and/or plan members:

- National Pharmacare & Rare Disease Program
- Federal Dental Program
- Virtual Care
- Guideline for Capital Accumulation Plans
- Guideline for Risk Management for Pension Plan

Note that typically federal budgets are released each Spring and include a number of relevant announcements or updates. The newly re-elected federal government has indicated that it will present a 2025 Fall budget.

At the **provincial level**, the following items may also impact plans and/or plan members.

- Allegations of anti-competitive conduct in the pharmacy sector
- Quebec Law 27: New obligations related to psychological risks in occupational health and safety
- New unpaid leaves in Ontario
- Ontario Budget Retirement Items

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.



# Update on Federal Programs

At the federal level, the following updates may impact plans and/or plan members.

## National Pharmacare & Rare Disease Program

### Summary

In October 2024, Bill C-64, the “Pharmacare Act” received royal assent and came into force. The legislation provides a framework for the development of a national pharmacare program. The first phase describes the federal government’s intent to work with provinces and territories to provide universal, single-payer coverage for select contraceptive and diabetes medications. Notably, the list excludes “GLP-1” diabetes medications such as Ozempic, which have increased drug costs for many private plans in recent years.

At maturity, a national pharmacare program is expected to cover drugs for all therapeutic classes; and the Canadian Drug Agency has been tasked to prepare a list of essential medicines to create a national formulary. Presumably, the national formulary will be similar to existing provincial drug programs and formularies for seniors and low-income Canadians. The details of implementation, operating and financing the program is still subject to further consultation and expert committees.

The federal Minister of Health is seeking to reach bilateral agreements with provinces and territories to provide access to the initial categories of contraception and diabetes medications in the first phase of a national universal pharmacare program. As of this writing, Manitoba and Prince Edward Island implemented programs commencing on April 15 and May 1, 2025 respectively. The Yukon Territory and British Columbia have proposed implementation dates of January 2026 and March 2026, respectively.


The newly re-elected government has yet to release any details related to the future or timeline of the National Pharmacare Program. As directed in the legislation, a committee of experts is currently writing a report due in October 2025 “to make recommendations respecting options for the operation and financing of national, universal, single-payer pharmacare”. The content of and reaction to this report may set the tone for next steps on this initiative.

### Plan Sponsor Perspective

Plan sponsors who offer private group employee drug coverage in Manitoba and Prince Edward Island can expect to see annualized drug cost savings, projected to be approximately 3% to 5%. Similar savings are expected in the Yukon Territory and British Columbia commencing in the first quarter of 2026 with the implementation of the National Pharmacare program. The specific lists of covered drugs so far vary by jurisdiction and since BC has covered many contraceptives provincially since 2023, the agreement includes coverage for hormone replacement therapy in that province. Additional savings can be expected if and when more provinces reach agreements with the federal government and the list of covered drugs are expanded.

There are still many unanswered questions regarding the long term form of national pharmacare and the impact on private plans. It could also be that the goals or prioritization of national pharmacare are different under the re-elected federal government than they had been in the past. In most cases, it remains far too early for private plan sponsors to consider any adjustments to their plans as a reaction to national pharmacare.

The legislation also refers to 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”. As of late 2024, agreements are in place with all 13 provinces and territories. If this program helps to mitigate the cost pressure and uncertainty associated with very high-cost drugs, it will be welcome news for private plan sponsors.

## Federal Dental Program

### Summary

The Canadian Dental Care Plan (CDCP), which began as the Canada Dental Plan (CDP), started providing benefits in 2022 to uninsured children under the age of 12 whose adjusted family net income was less than \$90,000. Since then, the list of Canadian residents eligible for the CDCP has expanded to seniors aged 65 and over, persons with a valid Disability Tax Credit certificate and children under 18. **As of late May 2025, all remaining eligible Canadian residents are now able to apply for coverage.** To be eligible for the CDCP, individuals must meet the eligibility requirements of not having access to dental insurance, be a Canadian resident for tax purposes, have filed Canadian tax returns, and have an adjusted family net income of less than \$90,000.

The following services are covered by the CDCP, and may be subject to changes as part of regular review processes:

- diagnostic and preventive services, including dental exams, scaling (cleaning), x-rays, and fluoride applications.
- restorative services, including fillings.
- endodontic services, including root canal treatments.
- periodontal services, including deep scaling.
- major restorative services, including crowns.
- major removable prosthodontic services (dentures).
- oral surgery.
- anesthesia or sedation services.
- oral surgery services, including extractions.

Health Canada has stated some limited orthodontics will be eligible based on strict criteria in 2025. It appears that most orthodontic treatments will remain ineligible as well as fixed prosthodontics (bridges), periodontal appliances, implants, and some other common dental treatments.

Under the CDCP, eligible residents are reimbursed for eligible dental expenses based on their adjusted family net income as follows:

- Less than \$70,000: 100%;
- \$70,000 to \$79,999: 60%, and
- \$80,000 to \$89,999: 40%.

Expenses are reimbursed according to the fees established by the CDCP which vary by province and territory and may be lower than the annual fee guides published by provincial and territorial Dental Associations.

### Plan Sponsor Perspective

Since those covered by privately sponsored dental plans, whether insured or self-funded, including Health Care Spending Accounts are not eligible for the CDCP, this program is not expected to offer any immediate cost relief for private plan sponsors. While some employers may be considering eliminating

dental coverage for lower-paid workers, there are several challenges with such an approach:

- Access to family net income data – The biggest challenge is that eligibility is based on adjusted family net income, which may include spousal income as well as other sources of income and deductions that are unknown to employers and may disqualify employees from CDCP eligibility. There is simply no way for an employer to be sure if their employees and their families will be eligible for the CDCP in the absence of a private dental plan.
- Out-of-Pocket Costs – Reimbursement levels may be lower and out-of-pocket costs higher than private plans, especially for residents with adjusted family net incomes between \$70,000 and \$90,000. The CDCP fee guide may be lower than the provincial and territorial fee guides and dentists do not need to bill according to the CDCP benefits grid, so the patient may be responsible for the difference. Even at 100% coverage, a CDCP plan member may pay out of pocket for standard dental procedures if the dental provider charges fees above the CDCP benefits grid

As of May 2025, 4 million Canadian residents have been approved for coverage, though only 2 million had received care. Given the enormous footprint of the CDCP, there may yet be additional impacts to private plan sponsors as it continues to develop.

Employers continue to be required to report on T4 and T4A slips if they provided employees and retirees access to dental coverage. This requirement does not differentiate whether the coverage was used, only whether the individual was eligible to access dental coverage. Exceptions were confirmed for those that have access to dental benefits through post-retirement 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.

## Virtual Care

### Summary


Virtual care allows individuals to access medical consultations and treatments remotely. These services have become extremely popular in recent years, accelerated in particular by the COVID-19 pandemic. Virtual care services are available, although may be limited, at no cost to the patient in many jurisdictions; though many employers offer more robust paid virtual health services to their employees as a perk.

In January 2025, the federal government proposed expanding virtual care to improve equitable access nationwide, with funding through the Canada Health Act (CHA). More specifically, if a service is considered medically necessary, it should be covered by a patient's provincial or territorial health-care plan whether the service is provided by a physician or a physician-equivalent. Provinces or territories would not permit user charges or extra-billing for such services—whether through private clinics or employer-sponsored plans – because doing so would risk federal health transfer claw backs. This approach raises the question of whether employer-sponsored virtual care services are medically necessary. This policy is to take effect April 1, 2026.

### Plan Sponsor Perspective

For now, the role of virtual care providers remains unchanged, and virtual care continues to be a valued employee benefit in many cases. It remains unclear whether the newly re-elected federal government will have a different perspective on this issue.

Some industry organizations have taken the position that since charges relating to employer-sponsored virtual care are borne by the employer rather than the employee/patient, the employer-sponsored programs should be able to continue. Given the prevalence and popularity of virtual care services, this



issue is likely to receive significant attention especially as the April 1, 2026, effective date draws closer. Canadians have taken strongly to virtual care, in some cases because of the lack of accessibility of family doctors. However, whether employer-provided virtual care can continue in its current form is unclear.

## Guideline for Capital Accumulation Plans

### Summary

Guidelines for Capital Accumulation Plans have changed for the first time since 2004. Unlike American retirement plans governed by the U.S. Department of Labor's Employee Retirement Income Security Act of 1974 (ERISA), the CAP guidelines in Canada are recommended best practices rather than regulations.

### Recommended Capital Accumulation Plans Guideline Changes

Recommendations for updating the guidelines comprise the following six items:

1. Focus on outcome-oriented decision-making;
2. Support and seek to enhance member engagement;
3. Provide specific guidance on investment line-ups and default fund selections;
4. Adhere to common standards of plan governance and responsibility;
5. Strive to provide value when making administrative and investment decisions; and,
6. Consider the outcomes of DC pension plans along with ways to support plan members in the decumulation phase.

The CAP Guidelines have been updated to reflect these recommendations. Employers can consider them as best practices to support the financial well-being of their employees. The overall objective is to ensure that plan sponsors act in the best interests of plan members.

### Key Updates for Plan Sponsors and Service Providers

The updated CAP Guidelines include an expanded definition of CAPs to cover more plan types (for instance, TFSAs, PRPPs, LIFs), broader inclusion of members (e.g., self-employed individuals, surviving spouses), and a clarified fiduciary duty for sponsors and service providers.

Sponsors now have a greater duty of care, including offering tailored, ongoing education rather than just providing tools. Automatic features like enrollment and contribution escalation are encouraged but must be clearly disclosed. Additionally, investment fund selection must consider member outcomes and fees.

Service providers must disclose conflicts and any compensation beyond stated fees. Greater emphasis is placed on documenting responsibilities, member communication, and recordkeeping security. The guidelines also add financial planning under permitted advice and expand oversight duties to include terminated members.

Additionally, sponsors are expected to review governance frameworks, service providers, investment options, and education strategies regularly, ideally annually. Communication requirements around plan changes and member statements are enhanced to support engagement and informed decision-making.

### Governance Documentation Considerations

As part of the CAPSA update, there is a new requirement for a CAP sponsor to establish and document a governance framework for the administration of the CAP. As mentioned above, sponsors are expected to review their governance framework regularly. The document should include:

- Roles, responsibilities, and accountabilities of stakeholders or parties involved in plan governance
- Communication process including process for member complaints
- Code of conduct, including one to manage conflicts of interest
- Risk management framework
- Framework for regular review of service providers and investment managers
- Process for review of the governance process

### Plan Sponsor Perspective

When valuing a capital accumulation plan as an employee benefit, employers should endeavor to improve its effectiveness. Much of what leading edge employers are already doing in pushing best practices is embedded within the new CAP Guidelines.

To fully take advantage of the guidelines, plan sponsors should ask themselves the following questions:

- *Is the plan's investment lineup straightforward while offering sufficiently diverse options?*
- *Are default fund selections appropriate for a long-term investment horizon?*
- *What can be done to measure and support member engagement?*
- *Is the plan receiving value for the money spent on it?*
- *Are members' interests being well-served?*

### Support and Guidance are Key

Of particular importance is the increased emphasis on support and guidance on decumulation options and providing clear, effective communication to plan members to help them make informed decisions. For instance, plan members will need guidance on sequencing risk and longevity risk.

Sometimes overlooked (particularly by smaller organizations) is formalizing plan procedures in a document that clarifies responsibilities and accountability. The risk of taking an informal, undocumented approach, which often relies heavily on a single person, is having nothing when unwritten institutional knowledge leaves the organization.

### Governance Documentation

If the regulator engages directly with an organization on a CAP plan, a governance framework is one thing they will want to review. Therefore, it is important to invest the proper time and effort alongside an advisor to ensure a strong framework in place.


## Guideline for Risk Management for Pension Plan Administrators

### Summary

In September 2024, CAPSA released Guideline #10, Risk Management for Plan Administrators, outlining expectations for plan administrators of pension plans to create a formal risk management framework. A key takeaway from this guideline is that the framework should identify, evaluate, manage, and monitor material risks affecting their plans.

The guideline also outlines considerations for several priority risk areas:

- **Third-Party Risk:** Oversight of service providers and their potential operational failures.
- **Cyber Security:** Protection of member data and systems from digital threats.

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- Investment Risk Governance: Robust processes for investment oversight and performance monitoring.
  - ESG Issues: Integration of environmental, social, and governance risks into decision-making.
  - Use of Leverage: Awareness and control of financial leverage within investment vehicles.

The intent is to improve risk transparency, accountability, and member outcomes through proactive oversight.

### **Plan Sponsor Perspective**

This guideline introduces a more structured approach to managing risks, which may require new processes, formalized documentation, and enhanced governance practices. While plan administrators may already informally assess these risks, the guideline formalizes expectations and may require policy updates, vendor assessments, and cybersecurity reviews.

Establishing a risk register can be an effective tool to support adherence with the guideline. Pension regulators may review a plan administrator's risk management framework as part of their supervisory activities to assess whether the administrator is meeting its fiduciary obligations and standard of care.

The guidance on ESG considerations may also be a welcome development, helping to clarify expectations in an area where there is sometimes uncertainty. Plan administrators should assess whether and how they consider ESG information and risks in investment decisions aligns with the guidance, and review the corresponding language in their Statement of Investment Policies and Procedures.



## Recent Provincial Matters

The following provincial items may also impact plans and/or plan members.

### Allegations of anti-competitive conduct in the pharmacy sector

#### Summary

The insurer Beneva recently filed a complaint with Competition Bureau Canada alleging anti-competitive practices by certain specialty pharmacies in Quebec. Beneva claims that these pharmacies have preferential agreements with Patient Support Programs (PSPs). PSPs are funded by the pharmaceutical industry and are designed to assist patients throughout their specialty medication therapies. Beneva claims that these agreements steer patients towards specific pharmacies, thereby "preventing or significantly reducing competition and artificially inflating drug prices."

In June 2024, the Quebec Association of Pharmacists Owners also condemned these practices by filing a request for a class action lawsuit against these pharmacies.

At the same time, the Canadian Life and Health Insurance Association (CLHIA) has been lobbying the government to better regulate pharmacists' fees in Quebec. The CLHIA criticizes the fact that private sector fees are twice as high as those in the public sector (fees can sometimes be even higher for specialty drugs).

In another matter, the Competition Bureau Canada also obtained a court order to advance an investigation into Express Script Canada, a company that provides prescription drug claim processing services and other services for insurance providers and pharmacists. The Bureau is looking into alleged anti-competitive conduct that can prevent or limit competition in the pharmacy retail market by steering patients towards Express Script Canada owned or associated pharmacies.

Last year, an announcement by Manulife that its specialty drug care program would be "primarily" delivered through Loblaw owned pharmacies became major news and resulted in the initiative being rolled back. The Ontario government is also currently in consultations regarding potentially regulating exclusivity deals between insurers and pharmacies.

#### Plan Sponsor Perspective

There is clearly increased scrutiny on prescription drug arrangements and providers amid steadily increasing costs. There are complex issues involved and the details of agreements in place are not often transparent or even publicly available.

A lack of competition among pharmacies can certainly lead to elevated drug prices. However, some arrangements available from insurers can lead to demonstrated savings to plan sponsors. The range of options available to plan sponsors to manage their prescription drug coverage has never been greater and adjustments should be proactively considered while some of the larger matters in the industry play out.



## Quebec Law 27: New obligations related to psychological risks in occupational health and safety

### Summary

Quebec's law 27, *An Act to Modernize the Occupational Health and Safety Regime*, passed in 2021, is primarily aimed at modernizing the province's occupational health and safety (OHS) regime. It introduced significant changes to improve the prevention of occupational accidents and diseases, strengthen workers' rights and protections, and ensure a healthy and safe working environment, both physically and psychologically.

Under this law, **by October 6, 2025\***, employers with a workforce in Quebec are required to maintain a prevention program under the OHSA will have to include in their program psychosocial risks (PSRs) that may have an impact on the health of their personnel. Failure to comply with these requirements could result in penalties imposed by the the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST).

### Plan Sponsor Perspective

To comply with this law, employers will have to take a number of measures, such as:

1. Identify, analyze and prioritize PSRs in the workplace, including harassment, stress, violence and workload.
2. Integrate PSRs into OHS prevention programs and adopt measures to prevent and correct identified PSRs, in particular by eliminating them at source, modifying work methods, raising awareness and training employees and managers.
3. Ensure that policies are in place to promote accountability for harassment prevention and prompt action.

By addressing PSRs, employers not only meet compliance requirements, but also promote employee well-being and mitigate the challenges and costs associated with mental health.

\*Bill 101, *An Act to improve certain labour laws*, introduced on April 24, 2025, aims to amend several labour law regimes, including law 27. If bill 101 is adopted, the implementation of PSR obligations could be delayed by one year, to October 6, 2026.

## New unpaid leaves in Ontario

### Summary

The Ontario provincial government has passed a number of employment-related bills that amend various employment-related legislation in Ontario. There are two changes particularly related to benefits:

- A new "long-term illness leave" will be implemented as of June 19, 2025. This leave will entitle an employee who has at least 13 weeks of service to an unpaid leave of up to 27 weeks in a 52 week period. The employee must be unable to perform the duties of their position because of a serious medical condition. The condition and the absence period must be supported by a medical certificate issue by a "qualified health practitioner".

Employers are not required to pay wages during long-term illness leave (unless otherwise

required to). Employees may be eligible for wage replacement benefits from Employment Insurance or other programs.

- A new “placement of a child leave” will be implemented, though the effective date has not yet been announced. This new leave will entitle an employee who has at least 13 weeks of service to an unpaid leave of up to 16 weeks because of the placement or arrival of a child into the employee’s custody, care and control through either adoption or surrogacy. The leave may begin up to 6 weeks before the expected date of placement.

The new leave seems intended to complement the upcoming federal Employment Insurance adoption/surrogacy benefit – the effective date of which has also not yet been announced. This new leave would be in addition to parental leave that is already available to new parents in adoption and surrogacy situations.

### **Plan Sponsor Perspective**

If employers are not already familiar with some of the new requirements, they should review the implications of these changes.

Most employers with existing disability wage replacement benefits in place likely will not need to make any specific adjustments in light of the long-term illness leave. That said, policies and practices regarding leaves, sick time, disability and other related matters can be complex and must align with each other. Reviewing these arrangements for compliance and best practices is prudent.

Employers that have existing programs in place for employees taking pregnancy or parental leave should consider the impact of the placement of a child leave.

## **Ontario Budget Retirement Items**

### **Summary**


The 2025 Ontario Budget finalized the framework for Target Benefit Pension Plans (TBP) and advanced efforts to introduce Variable Life Benefits (VLB).

TBPs provide a lifetime pension benefit for employees that can be adjusted by plan sponsors based on the funding level of the plan. These plans shift some investment and longevity risk to plan members but retain the benefit of pooled longevity and professionally managed assets. Members of these plans can move from employer to employer while continuing to participate in the same pension plan. Ontario’s rules allow non-jointly sponsored multi-employer pension plans to register as TBPs going forward or convert from DB to a TBP with a 5-year transition window. TBPs are not yet permitted for single-employer plans in Ontario.

VLBs are a proposed decumulation option in Ontario for members of Defined Contribution pension plans and Pooled Registered Pension Plans. VLBs offer lifetime monthly income in retirement, similar to annuities, however retirees’ assets are pooled within the pension plan, and payments adjust based on investment performance and mortality experience. This structure provides predictable income while avoiding the high costs and inflexibility of annuities. In late 2024, Ontario held consultations on introducing VLBs. The government is currently reviewing feedback and has not finalized regulations. If implemented, offering VLBs would be optional for plan sponsors.

### **Plan Sponsor Perspective**

TBPs are attractive to multi-employer plan sponsors seeking a middle ground between DB and DC



structures, as they provide predictable, pooled benefits with fixed contributions. However, they come with added governance complexity, including required funding, governance, and communication policies, which may demand stronger oversight and education for trustees.

VLBs offer DC sponsors a way to address decumulation by providing lifetime income without relying on annuities, which may be a more expensive option. VLBs introduce new responsibilities related to investment management, mortality tracking, and member communication.

For both innovations, sponsors will need to consider their administrative capacity, fiduciary obligations, and the evolving regulatory landscape before adopting these features into their plan design.



## About HUB

Headquartered in Chicago, Illinois, 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 19,000 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](http://www.hubinternational.com).

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