

# Maintaining Tax Exemptions for Private Health and Dental Plans

## Issue

The potential removal of tax exemptions from private health and dental plans could have serious impacts for employers and the national health care system.

## Background

A series of December 2016 – January 2017 media reports indicated the federal government was considering the taxation of private health and dental plans to generate \$3 billion in annual revenues.

A December 2, 2016 National Post article by John Ivison noted that government sources at that time confirmed 150 tax credits and exemptions were being reviewed to make the taxation system fair and efficient. The aforementioned instruments total \$100 billion annually in foregone revenue.

Approximately 24 million Canadians possess private health coverage that provides access to prescription medicines, dentists, optometrists, and other services not covered by provincial health plans. Over 90 percent of this coverage is provided through workplace health benefit plans.

On February 1, 2017, Prime Minister Trudeau announced in the House of Commons that his government would not tax employer plans in the upcoming budget, noting they are alternatively committed to protecting the middle class from increased taxes.

If employers were to cancel their workplace benefit plans, most Canadians would find they are unable to purchase equivalent individual insurance coverage. Both the type of coverage and coverage thresholds available to workplace benefit plans are not available as an individual product. The cost to purchase multiple unbundled products is also likely to be significantly higher, as it costs more to deliver a number of insurance policies to an individual than it does to provide a bundle of coverages to a group of employees.

Individuals who lose insurance coverage when the cost becomes excessive for their employers will either have to pay for their own medical treatment, forego treatment, or seek reimbursement from provincially funded programs. The additional federal revenue through a new tax will be offset by increases in provincial spending and force additional pressures on already strained provincial health care budgets.

The Canadian Chamber of Commerce and a coalition of service providers including the Canadian Dental Association, Canadian Association of Optometrists, Canadian Physiotherapy Association, and Dietitians of Canada organized highly effective campaigns in January of 2017 to inform MPs of the serious challenges to the health care system that would be presented if private plans were taxed. Maintaining opposition to this measure is warranted for future budget consultations.

## Recommendation

That the federal government maintain the current tax exemption on private health and dental plans.