



December 21, 2016

The Honourable William Morneau
Minister of Finance
Finance Canada, Minister's Office
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Dear Minister:

I am writing on behalf of the Canadian Psychological Association (CPA) about recent reports that the government is contemplating the taxation of premiums paid for Canadians to receive employer-funded, private health and dental insurance plans. The CPA joins the many health professional associations who have already reached out to you to strongly advise against the contemplation of this new tax, which would fall on millions of Canadians.

The CPA represents Canada's psychologists who, as regulated health providers, make up a significant portion of Canada's mental health human resource. There are approximately 18,000 psychologists in Canada, outnumbering psychiatrists 4:1. Psychologists chiefly deliver the non-pharmacological treatment for mental illness that Canadians receive, namely psychological treatments or psychotherapies.

Because of public sector constraints, psychologists increasingly work in the private sector where their services are not covered by our provincial and territorial health insurance plans. Those services are either paid for out of pocket by Canadians or through private supplemental health insurance plans. Twenty-four million Canadians are covered by private health and dental insurance plans, 90 per cent of which are group plans provided by employers, unions, or professional associations.¹ Data the CPA was able to gather from a single "large private insurer, which provides supplementary health insurance for approximately nine million persons across Canada, showed that payments for licensed psychologists' services in 2011 were \$28.5 million"² for this one insurer alone. Together these data underscore that considerable sums are spent on mental health care via private insurance and the clear majority of Canadians depend on this insurance.

When it comes to mental health, the coverage provided by the private health insurance industry is helping to fill the service gaps perpetuated by our public health systems. As is well known to the Ministry of Health and the Public Health Agency of Canada, the CPA has been working very hard to address these gaps. In 2013, we commissioned a report from a group of health economists that developed and costed alternate models of delivering needed and effective psychological services. We have been promoting the report and its recommendations to government; recommendations that support the federal mandate to make quality mental health services available to all Canadians.

We applaud the federal government's commitment to mental health and offer our every support to you in what we hope will be ongoing talks with your provincial and territorial counterparts to make meaningful change to how Canada addresses mental health needs within our public systems. Without any change to public sector coverage of psychological services however, our grave concern is that taxing premiums on supplemental health insurance plans will make mental health services less rather than more available.

In 1993, Quebec began taxing employee health and dental premiums paid by employers. Consequently, almost 20 per cent of employers stopped offering this benefit to employees; among small employers, 50 per cent stopped offering coverage.³ Less coverage will have a significant impact on the health and wellbeing of Canadians who rely on it when they develop a mental health problem for which the public system offers them insufficient service. Less coverage may mean that more people will bring their mental health problems to the funded doors, which are physicians' offices and our costly hospital emergency rooms; doors that already have long queues for service. Finally, less coverage may mean that people will seek help later in the course of their illness when problems and their consequences (e.g., absenteeism and presenteeism at work, short or long term disability) are worse and more difficult to treat.

To address the pocket book concerns of employees who may not want to pay taxes on the premiums for benefits some do not use, there is also a risk that employers will develop shallower plans; plans that cost less but provide less coverage. This is already keenly felt in mental health where even private coverage falls far short of what services cost. For example, Canadians whose plans only cover \$300 or \$500 worth of psychological service (and this level of coverage is not atypical) will not be covered for the 10 to 20 sessions of service that research shows are necessary for a successful course of treatment for common mental health problems. Further, a tax on premiums jeopardizes the progressive policies of employers like Starbucks, who recently increased coverage for psychological service to an amount that well provides enough coverage for mental health care.⁴ This coverage reaches those among the lowest income levels because it covers employees working as few as 20 hours per week, often at minimum wage.

There is also the risk that younger workforces and/or younger employees will disproportionately opt out of a plan on which their premiums will be taxed. Being younger, they arguably have less need of the benefits and would prefer to direct their dollars elsewhere. The pool of insured persons then becomes sicker and older, and as result premiums inevitably rise.

If the kinds of plans offered are eroded to save costs, or if fewer employers offer coverage, then Canadians who want or need coverage – and these may be the older and sicker among us – must seek individual coverage for which they may not qualify because of pre-existing conditions or that will be cost prohibitive because they are not purchased by a large group where risk is pooled.

In 2013, the previous government made changes to the application of HST as concerns health services. The guidance to practitioners based on those changes continues to be in draft and leaves many issues related to the application of that tax unresolved.⁵ Your department bases the decision on whether to charge HST on a healthcare service on its status under provincial/territorial health plans. However, psychological services delivered outside of publicly-funded institutions are not covered by any provincial/territorial health plan, and taxing them increases the cost and decreases access for millions of Canadians who need these services. A tax on the premiums paid for employees to access a supplemental health and dental benefit creates further barriers for Canadians in accessing needed mental health care.

While we understand that other tax credits may be augmented were private health insurance premiums to be taxed, those credits may fall far short of creating the equity intended. Seventy-five per cent of Canadians will pay considerably more for coverage. For small employers, such as our not-for-profit association, family extended health and dental coverage (inclusive of life and disability) costs the employer approximately \$4,560 per employee. At a tax rate of 15 to 21 per cent, this benefit will now cost the employee \$684 to \$957 assuming their employers maintain the benefit, in addition to whatever co-payments are required of the employee when they access the health service. This taxed amount is exclusive of any CPP and EI contributions that both employee and employer may need to make for the new taxable benefit – a

contribution that will have a greater impact on employees with lower incomes because they are less likely to already have reached the maximum contribution limit. For a young and healthy employee, even \$684 may far exceed the health services he or she may use in a year. As mentioned, if the young and well opt not to participate in the supplemental plans, the pool of insured workers becomes older and sicker and premiums will rise. Finally, whereas private insurance coverage often pays health expenses directly or immediately upon submission of a receipt, a tax credit requires all expenses to be paid up front for which only a portion will be credited back to the taxpayer at the end of a fiscal year.

It is the CPA's view that:

- **Privately provided supplemental health insurance programs are critical to mental health service delivery in Canada.** In the absence of parity in public health insurance coverage when it comes to mental health care, these programs help to fill the very significant gaps in coverage that exist in the public system. The federal government has declared a mandate to make quality mental health care more available to Canadians. A piece of legislation that results in funded care becoming less available clearly opposes this mandate.
- **Mental illness costs the Canadian economy over 50 billion dollars annually.⁶ It is in the best interests of Canada that employers be given incentives to enact policies and programs that support their employees' mental health.** A healthy workforce benefits individuals, families, the workplace, schools, and the economy.
- **Taxing health premiums will lead to a loss of access to needed health care.** Employers will be under pressure to offer less and/or shallower coverage, which will in turn have a negative impact on the health and wellbeing of Canadians. A change to how private health insurance is provided must be carefully considered so that the full range of consequences can be appreciated before legislation is changed.

Enacting legislation that will erode the supplemental mental health coverage currently available to 75 per cent of Canadians is not fair or equitable. The way to achieve fairness and equity is to support sectors in meeting the mental health needs of Canadians. Taxing private health and dental insurance premiums offered through employment is not the way to do it.

The CPA would be glad to meet with you, Minister, to further discuss this issue at any time.

Yours sincerely,



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Chief Executive Officer

c.c. The Honourable Jane Philpott, Minister of Health
Celina Caesar-Chavannes, Parliamentary Secretary to the Prime Minister
Kim Elmslie, Assistant Deputy Minister, Health Promotion and Chronic Disease Prevention Branch,
Public Health Agency of Canada
Bill Casey, Chair HESA Standing Committee on Health
Don Davies, Vice-Chair HESA Standing Committee on Health
Len Webber, Vice-Chair HESA Standing Committee on Health

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