

April 22, 2021

G&B Benefits Update

2021 Federal Budget: Observations from a Group Benefits Perspective

Background

On April 19, 2021, the federal government delivered its 2021 federal budget (“Budget 2021”), titled “A Recovery Plan for Jobs, Growth and Resilience”. Because Canada currently is governed by a minority government, Budget 2021 will require the support of at least one more political party to be passed.

Within Budget 2021, there are a number of items that will have a variety of impacts on Canadians, unions and employers. We have focused on items potentially impacting group benefit plans in this update.

As additional information on these topics become available, we will continue to share our insights with our clients.

Key Budget Items for Consideration

Employment Insurance Sick Leave Extension:

The federal government has announced its intention to extend Employment Insurance (EI) Sick Leave from 15 weeks to 26 weeks. This is expected to be implemented in the Summer of 2022.

Most group benefits plan sponsors do not rely on EI Sick Leave as a source of disability coverage for their members. That being said, many employers do take part in the EI Premium Reduction Program, where they pay reduced EI premiums (employer and employee portions) in exchange for offering a short term disability (STD) or sick leave program that is at least as comprehensive as EI Sick Leave.

Based on this, in order to continue as part of the EI Premium Reduction Program, plans with STD benefit periods less than 26 weeks would need to extend their benefit period to be at least 26 weeks. Given that a number of plans in the market currently offer benefit periods less than 26 weeks in duration, this could have an impact on those programs.

With this in mind, we have identified a few considerations for clients:

1. We anticipate that additional time will be given to incorporate this change.

As an example of this, effective January 1, 2017, the EI elimination period was reduced from 2 weeks to 1 week and in this situation, employers were given a four-year grace period (i.e., until January 1, 2021) to implement the change to their STD programs.

Similarly, we anticipate that employers will be provided with a grace period to effectively incorporate the change, while still being eligible for the EI Premium Reduction Program. However, this will need to be confirmed.

2. Changing your STD benefit period could result in shifts in cost-sharing.

For employers that offer a long term disability (LTD) benefit, the two benefits are generally intertwined, as extending the STD benefit period would correspondingly increase the LTD elimination period. This could impact the allocation of costs and rates between these benefits, which could have the unintended consequence of misaligning your overall cost-sharing if employers pay for one of the benefits (e.g., STD) while employees pay for the other benefit (e.g., LTD).

In the instance of notable changes to EI Sick Leave such as this, it should be considered whether the value of the premium reductions are worthwhile given the required plan design changes, and identifying the optimal arrangement for your program. That being said, we do still view the EI Premium Reduction Program as a positive incentive for employers and plan members to consider.

Further analysis would likely be required with the outcomes differing depending on the structure of your plan (e.g., standard STD program, EI Sick Leave carveout, accumulated sick bank, etc.) and the specific financial and underwriting arrangements that are in place.

3. This may be an ideal time to revisit disability management strategies.

A number of programs in the market offer Salary Continuance Programs or Accumulating Sick Leave Plans managed in-house without external specialist support in adjudicating claims. While internal or external disability management approaches are valid and reasonable, we have seen an increase in complexity of claims over the past several years (namely mental health claims), which has only been further amplified during the pandemic. Many Salary Continuance Programs and Accumulating Sick Leave Plans were first established and structured decades ago, prior to these complexities becoming a greater issue and may need additional supports and/or resources to effectively adjudicate and manage claims with a focus on early intervention to ensure optimal outcomes for plan members. This was already a matter to be considered prior to the federal government's proposed change, and only becomes more relevant if these programs are expected to support claims for an even longer period of time.

4. There will be consultations with stakeholders regarding the EI Premium Reduction Program.

The federal budget notes "The government also intends to launch consultations with employers, labor organizations and private insurers regarding improvements that may be

required to the EI Premium Reduction Program.”

This may be an opportunity to voice any concerns or suggested areas for improvement for the EI Premium Reduction Program. We will continue to follow this topic and will keep our clients apprised of next steps.

National Standard for Mental Health Services

Budget 2021 also notes increased support for mental health and “proposes to provide \$45 million over two years, starting in 2021-22, to Health Canada, the Public Health Agency of Canada, and the Canadian Institutes of Health Research to help develop national mental health service standards, in collaboration with provinces and territories, health organizations, and key stakeholders.”

While this is not of direct impact to employee benefit plans, it is worth noting the increasing focus on mental health and considering the various resources that may be available as you design your mental health strategy and or supports for plan members.

HWT Conversions to ELHTs

Budget 2021 states the government’s intention to proceed with its legislative proposal provided on November 27, 2020 for facilitating conversions from existing Health and Welfare Trusts (HWTs) to Employee Life and Health Trusts (ELHTs).

For plans that currently operate under a HWT structure, please refer to our prior write-up on this topic, as found using the following link:

<https://georgeandbell.com/2020/12/revised-draft-legislative-proposals-for-elhts/>

We were not expecting any deviation from the information provided in November and the statement made in Budget 2021 confirms this.

National Pharmacare Strategy

The federal government has previously expressed its interest in implementing a national pharmacare strategy. Over the past few years, analysis into this topic by the government had included research reports, stakeholder discussion forums and a variety of other exploratory tools.

As a next step along this path, as part of Budget 2021 the federal government has committed to:

- “build on the foundational elements that are already in progress, like the national strategy on high-cost drugs for rare diseases, toward the goal of a universal national program.”
- “Proceed with its announced plan to provide ongoing funding of \$500 million for the program for high-cost drugs for rare diseases.”
- “directly engage with willing partners on national universal pharmacare, alongside other important health priorities, that can be advanced at the provincial and territorial level”

While a national pharmacare strategy has not been prominently included in Budget 2021, it still appears to be a priority for the federal government and, as such, still could be brought forward in future budgets for implementation.

Given this topic would have a tremendous impact on group benefit plans, we will continue to monitor this topic and let our clients know of any updates that arise.

Closing Comments

Overall, Budget 2021 does not result in any major implications for group benefit plans that require immediate attention. The change to EI benefit period does have an impact, but we feel there will be sufficient time to thoughtfully assess the situation to determine appropriate next steps.

Budget 2021 does provide some insight directionally into the federal government's priorities and how these could impact group benefit plans in the market.

As most of the items noted in this document are only explained by Budget 2021 at a very high level thus far, we will continue to monitor for any updates and share them with clients as they arise.

We would be happy to discuss any of the items listed in this document further with you if it would be of assistance. Our contact information is provided on the following page.

Disclaimer: Please note that this document is not a legal opinion. The insights shared are based on our understanding of the insurance market from a benefit plan perspective. Plan sponsors may wish to seek advice from their legal resources before making any significant changes to their benefits programs.