

# BC Medical Services Plan premiums to be reduced by 50% on January 1, 2018

15 September 2017

British Columbia's Budget 2017, September Update ("Budget Update"), was read on September 11, 2017, and confirmed that Medical Services Plan (MSP) premiums will be reduced by 50% as of January 1, 2018 and eliminated altogether within four years. The reduction will apply to all British Columbians regardless of income. The previous government had announced a similar plan, but the reduction would only have applied to those with a household income of \$120,000 or less.

## What will change?

- Effective January 1, 2018, MSP premiums will be reduced by 50%.
- Budget 2017 Update signals the government's intention to eliminate MSP premiums within four years. The timing and structure of the change will be influenced by the report from a task force to be established in the fall of 2017, which will provide advice and recommendations on how best to replace MSP premium revenue.
- In addition, the income threshold at which households are fully exempt from MSP premiums is increased by \$2,000 (for singles the new threshold will be \$26,000; for couples, \$27,000).
- With these changes, single individuals and single parents will save up to \$450 per year and couples will save up to \$900 per year.

## How will the reduction be applied?

The previous government had indicated it would limit the 50% reduction to individuals and families with household incomes up to \$120,000. However, this would have significantly increased compliance costs as it required that individuals and many employers apply for the reduction through a process similar to the premium assistance program. For example, employers that administer group plans would have had to determine the family income of each employee, in order

to properly administer the program. For this reason, the current government instead decided to apply the 50% reduction for all British Columbians, ensuring that no new application process is necessary.

## Employer considerations

The elimination of an income threshold related to the 50% reduction will be welcomed by employers who administer group MSP plans on behalf of their employees. In addition to reduced administrative burden, the revised strategy leads to employer and employee savings where the employer pays some, or all, of the premium. The contributing employer's overall financial obligation will be reduced, and the employee will see a reduction in the taxable benefit amount that must be declared as income.

These changes to the MSP premium structure will also reduce obligations in respect of post-retirement benefit plans that pay all or a portion the premium for retiree populations. Organizations should review the implications of this premium reduction and eventual elimination with their actuary.

Despite these welcomed changes, it may be wise for BC employers to turn their attention to the future, particularly to the four year window between now and full premium elimination. The government is just beginning to study replacement strategies to make up for the revenue that will no longer be brought in by MSP premiums. Though there is no indication of what method might be used to replace that revenue stream, payroll or other taxes are likely to be discussed. Aon will continue to provide updates as the BC government moves toward the full elimination of MSP premiums.

# Key Contacts

Should you wish additional information on this topic, please contact your local Aon Hewitt Consultant, or send an email to [canada.hbknowledge@aonhewitt.com](mailto:canada.hbknowledge@aonhewitt.com).

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