

**NOTES ON THE REVISED 2017 BC BUDGET**

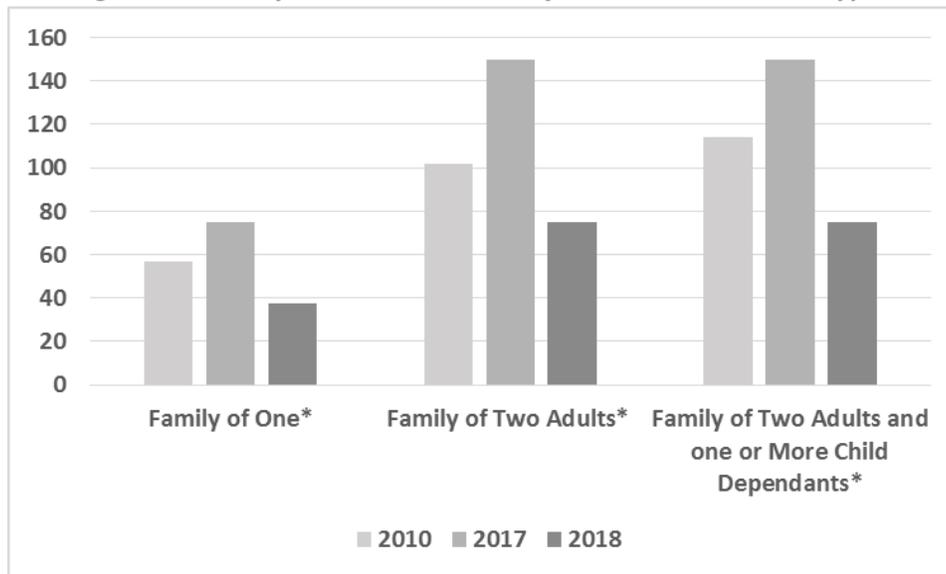
On September 11, 2017, British Columbia’s new Finance Minister Carole James presented a revised budget. *Budget 2017 Update* (the “Budget”) remains a balanced budget while including new programs and additional spending focused on education, social assistance, the opioid crisis, and housing affordability. The revised Budget also includes changes to the previously announced MSP premium reduction and elimination plan. This memo highlights a number of items that may be of interest to plan administrators, employers, and members.

**MEDICAL SERVICES PLAN**

**Premiums**

The Budget announces that MSP premiums will be cut in half beginning January 1, 2018. Unlike in the previous version of the Budget, the reduction will apply to all British Columbians regardless of income and individuals and group plans will not need to apply for the reduction. The reduction is presented as the first step in a plan towards eliminating the MSP premiums entirely.

*Figure 1: Monthly MSP Premium Rates for Various Household Types*



\* With an adjusted net household income of \$42,001 or more

The revised Budget is maintaining the rate structure announced by the previous government in January 2017 where premium rates are based on the number of adults in a family.

## Premium Assistance Threshold

### Income Threshold for Regular Premium Assistance

Regular Premium Assistance is based on a household's annual net income from last year as confirmed by the Canada Revenue Agency, less deductions for:

- Age (and the age of the spouse);
- Family size;
- Disability; and
- Any income from the Universal Child Care Benefit and Registered Disability Savings Plan.

The amount left is called "adjusted net income."

The adjusted net household income at which individuals and families are eligible for Regular Premium Assistance will remain the same in 2018 as in 2017: \$42,000.

### Household Net Income Threshold for MSP Exemption

The revised Budget still proposes to raise the income threshold below which households are exempt from MS premiums by \$2,000.

*Figure 2: Adjusted Net Income Threshold to Qualify for 100% Premium Assistance*

	2010-2016	2017	2018
Adjusted Net Income Threshold for MSP Exemption	\$22,000	\$24,000	\$26,000

According to the February 2017 BC Budget and BC government news releases, **two million British Columbians, children included, do not pay any premiums.**

### Possible Implications for Plan Sponsors

Data on the number of British Columbians enrolled in MSP as part of a group plan (employer or union-sponsored), released through a Freedom of Information request to the Ministry of Health shows that, as of December 2014, about 1.97 million British Columbians (employees and their spouses and dependents) out of about 4.65 million (Statistics Canada data from 2014) were covered through a group plan.

### Collective Agreements

Collective agreements with clauses on MSP Premium payments will require careful review depending on the specific wording and how the benefit is administered.

## Group Benefit Plan Design

Group plan sponsors should review how these changes will impact the finances of their respective plans before deciding on any plan design changes or improvements.

## HEALTH

The government is investing a total of \$603 million in health care over the next three years, beyond that provided in the previous budget.

### Fentanyl Emergency

\$265 million of the total health budget will be dedicated to tackling the opioid crisis. This funding to the Ministry of Health is intended to enhance the capacity of the health care system to respond to the increasing number of opioid-related overdoses.

### Ministry of Mental Health and Addictions

The Province will establish a Ministry of Mental Health and Addictions with an initial budget of \$25 million over three years. The Ministry's role will be to provide leadership in developing a mental health and addictions system with policy development, research, evaluations, and partnerships with other ministries as well as private organizations.

### UBC Therapeutics Initiative – Independent Healthcare Evidence

The Budget adds \$3 million over three years to bring the funding levels to the [Therapeutics Initiative](#) (TI) to \$2 million annually. The TI's mission is to provide information on the effectiveness of prescription drugs based on independent research.

### BC Healthy Kids Program

The Budget provides \$15 million in funding to this program that provides basic dental and optical care to children with low-income families. Thanks to the additional funding, the program will be able to provide new hearing assistance benefits, like coverage for hearing aids, and improved rates for dental care effective September 2017.

## WELFARE

### Social Assistance Rates Increase

The government is investing another \$472 million over three years to provide a \$100 increase that will apply to both [income assistance](#) and [disability assistance](#). The new income assistance rate will be \$710 per month for a single person and the new disability assistance rate will be \$1,133 per month. The increases will take effect in October 1, 2017.

## TAXES

### Individual Tax

The government introduced a new personal income tax bracket. Taxable income over \$150,000 will be subject to a personal income tax of 16.8 percent effective for the 2018 tax year.

### Tobacco Tax

The government proposes to increase tobacco tax rates to 24.7 cents per cigarette/gram of tobacco. At least one month after the proposed legislation receives royal assent, taxes on a carton of 200 cigarettes will be increased to \$49.40 from \$47.80.

### BC Back-to-School Tax Credit

This tax credit only available for the 2016 tax year is available to parents of children aged five to 17. The tax credit amount is \$250 per child.

### Carbon Tax

Starting on April 1, 2018, the tax will increase by \$5 a tonne every year until rates are equal to \$50 per tonne on April 1, 2021.

### General Corporate Income Tax

Effective January 1, 2018, general corporate income tax rates will go up to 12 per cent from 11 per cent.

### Small Business Tax

The small business tax will be reduced to 2% from 2.5%, effective April 1, 2017, as also promised in the previous version of the Budget.

### Tax on Electricity

The Province is proposing to phase out the sales tax on electricity. The tax rate will first be reduced in half, then, effective April 2019, electricity will be fully exempt from provincial sales tax.

## BC Training Tax Credits

These tax credits are extended for one year.

## ABOUT PBI

PBI Actuarial Consultants Ltd. is a dynamic and growing company providing actuarial, administrative, and investment consulting services for pension and benefit plans, as well as various trust funds. PBI serves clients across Canada from offices in Vancouver, Montreal, and Toronto with a focus on multi-employer plans, non-profit, and public sector organizations.

Visit our website at [www.pbiactuarial.ca](http://www.pbiactuarial.ca) to learn about our services or connect with our experts for more information.

*PBI publishes articles, memos and guides periodically. If you wish to subscribe to PBI's newsletters, please email your request at [info@pbiactuarial.ca](mailto:info@pbiactuarial.ca) with your full contact information.*