



May 30, 2023

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister of Canada and Minister of Finance
90 Elgin Street
Ottawa, ON K1A 0G5
Via email: Chrystia.Freeland@fin.gc.ca

The Honourable Jean-Yves Duclos, P.C., M.P.
Minister of Health
Brooke Claxton Building, Tunney's Pasture
Ottawa, ON K1A 0K9
Via email: hcmister.ministresc@hc-sc.gc.ca

Dear Ministers:

Re: Design of Canadian Dental Care Plan (CDCP)

On behalf of the Conference for Advanced Life Underwriting (CALU), we are writing to provide recommendations to help inform the design of the Canadian Dental Care Plan (CDCP) which your government is currently developing, particularly as it relates to the dental plans offered by small businesses.

By way of reminder, CALU is a national professional membership association of leaders in the life insurance and financial advisory industry. Along with our partner organization, Advocis, we speak for more than 17,000 insurance and financial advisors in every part of Canada and, in turn, the interests of millions of Canadians. A number of our members specialize in the area of employee benefits supporting the needs of other small businesses.

We fully agree that the federal government should help those who need dental care and do not have the means to access it. We also fully support the government's stated intention that the CDCP should only be available to "eligible persons" who don't already have private insurance.

However, we are concerned that, without proper design, **the CDCP may incentivize businesses to drop their existing dental plans in favour of the federal plan.** This is a particularly important issue for small businesses – the lifeblood of our membership and the Canadian economy – who are more challenged than larger businesses in providing flexible and competitive group benefits for their employees.

These small businesses, many of which are private corporations, generally face higher after-tax costs of providing employee health benefits (including dental benefits) than larger private and public corporations, and typically offer less generous benefits to their employees. The existence of the CDCP may therefore be a powerful incentive for those businesses to abandon their employee dental plans. Conversely, the CDCP offers little incentive for businesses that do not currently offer dental benefits to their employees to do so.

While difficult to quantify, we believe the risk of de-insurance to be significant based on reports from our members and the small businesses they deal with as well as other experts in the field. Moreover, a recent survey from Abacus Data for the Canadian Dental Association found that approximately 7 percent of employed Canadians received some indication from their employer that they would decrease or eliminate their dental benefits as a result of the federal plan.

The offloading of dental coverage from employers to the CDCP will also increase the cost to the public purse from the stated \$13 billion over the next five years – a figure that is already significantly higher than the initial \$5.3 billion program estimate.



CALU Recommendations

In order to avoid the unintended consequences arising from the reduction in private dental coverage and increased costs to the public purse, CALU recommends that the federal government design the CDCP and take associated measures to support the following objectives:

- Ensuring small business dental plans are maintained and potentially enhanced.
- Encouraging more small businesses to offer dental coverage as an employee benefit.
- Saving costs and/or permitting the federal government to expand benefit coverage to others at the same budgeted cost.

To meet these objectives, we recommend the federal government **provide a 35 percent refundable tax credit in respect of the cost of dental care programs for employees of qualifying small businesses. The credit should be designed to support small businesses with employees earning less than the income coverage limits under the federal plan (the income limit).**

Qualification would be based on the following criteria:

- **Type of business** – private corporations that qualify for the small business deduction, including farming and fishing corporations.
- **Dental plan membership** – at least 50 percent of employees covered by the plan earn less than the income limit with the credit not available for owners or those earning more than the income limit.
- **Plan coverage** – must be at least as generous as the CDCP.
- **Duration** – the credit program would be temporary (e.g., three years) with a review at the end of the period.

Under this proposal, employers would continue to pay about 55 percent of the cost of dental insurance for their employees thus saving the federal government from paying 100 percent of the cost if the employer dropped dental coverage. It would also likely result in those employees receiving better dental coverage than what will be available under the government program.

Precedent for a proposal of this type exists in the United States where the Affordable Care Act – or Obamacare – included incentives and penalties to encourage employers to maintain health insurance coverage for all employees.

A tax credit proposal should have popular appeal with another recent [survey](#) from Abacus Data finding that the large majority are open to or support the idea of government providing a tax credit for smaller and medium businesses that offer benefits for employees to help cover the costs of eye care, dental care, physiotherapy and mental health services.

We hope this input and recommendations are helpful and would be pleased to discuss them in greater detail with your officials. Please contact Francesca Iacurto who is CALU's Vice-President, Communications and Advocacy for any questions you may have. She can be reached via email at fiacurto@calu.com or by phone at 613-505-9632 ext. 102.

Sincerely yours,

Guy Legault

Guy Legault
President & CEO

Robert McCullagh

Robert McCullagh
Chair, Board of Directors