Smart Health Benefits Association

Submission to the Department of Finance Canada

Pre-Budget Consultations in Advance of Budget 2026

Submitted to: The Honourable François-Philippe Champagne, Minister of Finance

Date: September 8, 2026

Contact: [Carolyne Eagan, President] · [https://smarthealthbenefits.ca/] · [info@shba.cahone] · [289-208-8174]

The Smart Health Benefits Association, representing Canada's private health and retirement benefits plan advisors, is pleased to present the following recommendations in support of Budget 2026.

Recommendations

- Introduce a refundable, time-limited **Small Employer Retirement Plan Tax Credit** to encourage employers with fewer than 100 employees to offer retirement plans to the nine million Canadians without one.

- Proactively engage and **partner with employers, advisors and insurers to protect and enhance Canadians' access to care and health innovation** through their benefit plans.

    - Enable provinces and territories to provide **continued access to employer-paid virtual care**.

    - Work with the provinces and territories to **(re)focus available pharmacare funding on Canadians without drug coverage**, utilizing a "fill the gap" / "no one left behind" approach.

    - Co-design with employer plan sponsors a public-private financing and **risk-pooling model for rare disease and other high-cost medications**.

- **Modernize the Medical Expense Tax Credit and the Private Health Services Plan rules** to align with current healthcare delivery and trends, and update eligible items allowed in health spending accounts for small employers and the self-employed.

- **Implement a harmonized national licensing framework for benefits advisors** to ensure consistency of preferred relationships and services for consumers and to reduce the administrative burden on advisors.

1 Who We Are

The Smart Health Benefits Association (SHBA) is Canada's first national not-for-profit advocacy body dedicated to adding benefit plan advisors on the ground experience of helping employers support Canadian employee's health and wellness. Launched in October 2025, SHBA exists to advance the health and financial wellness of Canadians by championing policies that improve access to sustainable health care and strengthen workplace benefits.

We are the voice of the **benefits advisors and employer plan sponsors** who design, fund and deliver workplace benefits in every province and territory. They administer the private coverage that millions of working Canadians and their families rely on every day — coverage employers choose to fund

Founding Corporate Members

SHBA was formed by five founding corporate members: Benefits Alliance, GroupHealth, HUB, Navacord and People Corporation.

Through our members and the advisor networks they represent, SHBA speaks for employers of every size — from the two-person startup to the national employer — and, through them, for the interests of millions of Canadians who receive their health and retirement benefits at work.

Our starting proposition is a simple one. **Employers are willing to invest in the health and financial security of Canadians.** In 2024, workplace plans paid **$40.5 billion** in health benefits to more than **27 million Canadians**. The question before government is not only how much more the public purse can carry, but how to make better use of the private investment already flowing — and how to avoid displacing it, compromising the health and financial wellness of Canadians.

2 A Small Employer Retirement Plan Tax Credit

Over **9 million Canadian employees** have no workplace retirement plan. The gap is concentrated heavily in small and mid-sized business: fewer than **19 per cent** of Canadian employers with 5 to 499 employees sponsor a plan, in comparison to nearly half of similar-sized firms in the United States. That is not a difference in how much Canadian and American small businesses care about their people. It is a difference in policy.

Why small employers struggle to invest in pension plans

The costs of sponsoring a plan are front-loaded and fixed: plan design, legal and consulting fees, enrolment and employee education, and the governance obligations that come with them. A 400-person employer absorbs those costs across a large payroll. A 25-person employer is challenged by these start-up costs. The result is a coverage cliff that has little to do with the generosity of the employer and everything to do with scale.

The United States addressed the scale problem with start-up and auto-enrolment credits under the SECURE Act and SECURE 2.0. Coverage among small U.S. employers is now roughly double the Canadian rate. We believe the implementation of similar policy and support for small business in Canada would greatly enhance Canadians financial security, thus reducing burden on social supports in retirement.

The business case for government

- **Lower future income-support costs.** Old Age Security costs the federal government approximately $81 billion a year, and the Guaranteed Income Supplement is drawn most heavily by seniors who arrived at retirement without workplace savings. A credit of this kind carries a three-year cost per employer and produces a lifetime of private savings — independent analysis puts the five-year fiscal cost in the range of $1 to $2 billion, a small amount relative to annual costs of OAS/GIS programs.
- **A permanent behavioural change from a temporary expenditure.** Retirement plans, once established, are rarely wound up. The credit surmounts the one-time hurdle, without the need for government to pay for the ongoing benefit; the employer contribution continues long after the credit expires.
- **Domestic capital formation.** New workplace savings flow into Canadian capital markets and Canadian productivity — directly serving the growth objective of Budget 2026.
- **Competitiveness and retention for the firms that create most jobs.** Small employers consistently identify benefits as their weakest lever in competing for talent. A credit enabling them to implement a retirement savings plan will enhance their competitiveness and reduce turnover, leading to productivity improvements.
- **Measurable, bounded, and easy to administer.** Uptake is estimated to bring between 125,000 and 500,000 additional workers into workplace plans, lifting SME sponsorship from roughly 18 per cent toward the mid-20s. The cost is capped by design and delivered through existing tax administration.

An ideal solution is the introduction of a refundable, time-limited **Small Employer Retirement Plan Tax Credit** for employers with fewer than 100 employees that have not sponsored a plan in the previous three years. The credit should combine (a) a plan start-up credit toward design, set-up and employee education costs, and (b) a per-employee credit on employer contributions made for low- and middle-income workers, each available for three years. It should be neutral as to plan type — registered pension plans, group RRSPs, DPSPs, PRPPs and group TFSAs alike — and refundable, so that not-for-profits and early-stage firms are not excluded.

In parallel, the government should amend the Canada Labour Code and work with provinces/territories to permit automatic enrolment, automatic contribution and automatic escalation with employee opt-out. Approximately 40 per cent of plan members do not contribute enough to capture their full employer match, leaving an estimated $3 billion in employer money on the table each year. Activating employer contributions to the fullest extent possible, has the potential for important indirect benefits, such as reducing the future burden on social programs in retirement.

SHBA RECOMMENDATION: Introduce a refundable, time-limited Small Employer Retirement Plan Tax Credit to encourage employers with fewer than 100 employees to offer retirement plans to the nine million Canadians without one.

3 Health Access and Innovation

Canada's health system is under significant strain and health benefit plans funded by employers play a crucial role in alleviating that pressure and providing more than 27 million Canadians with access to necessary healthcare and services. We encourage the federal government to see employers and their advisors as healthcare partners and work collaboratively with us to ensure access to care and to improve the system and outcomes through innovation.

Protecting continued access through virtual care

Over the past decade, virtual care has become one of the most critical and popular innovations in health benefit plans. In 2023, more than 10 million Canadians had access to employer-funded virtual care, generating over half a million virtual visits. For the six million Canadians without a family doctor, it is often the only timely access they have.

We agree with the principle that Canadians should not have to pay out of pocket for medically necessary primary care. We also believe that principle should not be applied in a way that takes away care Canadians already have and do not pay for.

SHBA RECOMMENDATION: the federal government should enable provinces and territories to provide continued access to employer-paid virtual care.

Prescription drugs: fill the gap, do not displace the coverage

SHBA believes all Canadians should have access to drug coverage. More than 27 million Canadians have a drug plan through their workplace benefit plan, and less than 10% of Canadians have no drug plan. In the context of limited public health resources, single payer pharmacare is duplicating and displacing employer investments in drug coverage with a program that offers limited coverage and would be prohibitively expensive to expand to the millions of Canadians living with other ailments who are currently left behind.

A gap-filling approach delivers more access per public dollar. It also leverages the $40.5 billion of private investment that would otherwise have to be replaced.

SHBA RECOMMENDATION: the federal government should work with the provinces and territories to focus available funding on Canadians without drug coverage, utilizing a "fill the gap" / "no one left behind" approach to pharmacare.

High-cost and rare disease drugs

Employer plans already absorb a substantial and growing share of high-cost drug claims, including for rare diseases. No single small employer's plan — and no single family — should carry catastrophic drug cost alone, and the current patchwork of public programs, private pooling arrangements and

manufacturer programs leaves families navigating between them at the worst possible moment. SHBA is ready to work with government on a coordinated public-private financing and risk-pooling model that gives patients a single, predictable pathway. *SHBA believes there is considerable work to make sure provincial health programs are equitable and aligned across the country so Canadians aren't left disadvantaged due to their province of residence.*

> ***SHBA RECOMMENDTION: the federal government should co-design with employer plan sponsors a public-private financing and risk-pooling model for rare disease and other high-cost medications.***

4 Modernizing the Medical Expense Tax Credit

The Medical Expense Tax Credit is the principal way the federal tax system recognizes the cost of care that Canadians bear themselves. Its underlying architecture, however, reflects an older model of health care delivery, which causes a gap in care support and impedes optimal health outcomes.

The eligible expense list has not kept pace with care

Eligible expenses are set out as a closed list in subsection 118.2(2) of the *Income Tax Act*. Care that is now routine — virtual and remote consultation, digital therapeutics, a consistent range of mental health and allied health services, and preventative and screening services — sits awkwardly against a list written for in-person, practitioner-delivered treatment. Innovations in virtual and digital care challenge the regulatory requirement for eligibility focuses on the practitioner being authorized to practice *in the jurisdiction in which the service is rendered;* Canadians can now seek care across the country.

Identical care, different tax treatment, depending on postal code

Given the CRA's list of authorized medical practitioners follows provincial regulation, the same service delivered by the same class of practitioner may be creditable in one province and not in another. A Canadian's ability to claim the cost of their own care should not depend on where they live. Harmonizing tax rules and licensure for regulated healthcare professionals will help to improve equity and access.

Private Health Services Plan rules and health spending accounts

For incorporated owner-operators, the self-employed and the smallest employers, a health spending account structured as a Private Health Services Plan is frequently the only practical way to fund health coverage at all. Yet the governing definition in subsection 248(1) is vague, and the operative rules sit in decades of accumulated CRA administrative positions. The resulting uncertainty and compliance burden fall hardest on exactly the employers least able to absorb professional fees to resolve them. Modernizing these rules can help extend meaningful health coverage into Canada's small business sector.

We would also note, for the government's consideration, that the Medical Expense Tax Credit's structure limits its reach among the Canadians who need it most. The threshold is the lesser of three per cent of net income or $2,890 for 2026, and the credit is non-refundable at the lowest federal rate.

Canadians with the highest medical costs relative to income are therefore among those least able to benefit from it.

> ***SHBA RECOMMENDATION: the federal government should modernize the Medical Expense Tax Credit and the Private Health Services Plan rules by:***
>
> - Updating the eligible expense list in subsection 118.2(2) to reflect current care delivery — including virtual and remote care, digital therapeutics, and a consistent range of mental health, allied health and preventative services;
> - Harmonizing the treatment of authorized medical practitioners so that identical services receive identical tax and licensing treatment in every province and territory; and
> - Modernizing the Private Health Services Plan rules and the associated CRA administrative guidance, so that small employers, incorporated owner-operators and the self-employed can offer health spending accounts with confidence.

5 National Licensure for Benefits Advisors

SHBA applauds the federal government's commitment to dismantling interprovincial trade barriers. Eliminating internal regulatory friction directly supports a more productive Canadian economy and supports consumers. A critical priority for our industry is the implementation of a **mutual recognition framework for life and health insurance advisors**.

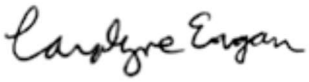
When Canadian businesses expand across provincial borders, their health benefit plan advisors face fragmented licensing frameworks. Under the current regime, advisors and clients experience service disruption when a client relocates to a province/territory where their advisor is not licensed. The result is additional, unnecessary business costs for the advisor to dedicate valuable time into obtaining the required sub-national license. For the consumer, they must wait to receive service from their preferred advisor or find a new one.

Implementing a national mutual recognition system of licensure that enables advisors to provide services across Canada, provided they meet national standards, will improve the customer experience and administrative efficiency, both key goals of reducing interprovincial trade barriers.

> ***SHBA RECOMMENDATION: the Department of Finance should implement a harmonized national licensing framework for benefits advisors, working in collaboration with the Canadian Council of Insurance Regulators (CCIR), the Canadian Insurance Services Regulatory Organizations (CISRO), provincial/territorial authorities, and industry stakeholders.***

5 Conclusion

The Smart Health Benefits Association appreciates the opportunity to provide input for the federal 2026 Budget. Should you have any questions, please contact our President, Carolyne Eagan.



President

Smart Health Benefits Association

Smart Health Benefits Association
3301 Langstaff Rd, Unit 101, Concord, ON, L4K