



Research Advisory

Hewitt

Canadian Research Group

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Highlights

The April 22, 2008 Alberta Budget eliminated health care premiums effective January 1, 2009

Hewitt

The Hewitt Research Advisory is a regular Hewitt newsletter designed to provide a detailed overview of specific legislative and regulatory developments in Canada relating to human resources.

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Alberta Eliminates Health Care Premiums Effective January 1, 2009

The April 22, 2008 Alberta Budget eliminated health care premiums effective January 1, 2009. Alberta will join seven other provinces and territories as jurisdictions that do not collect specific health premiums or taxes; but, rather, fund health care out of general tax revenue. Currently, annual health premium rates in Alberta are \$528 per individual and \$1,056 per family.

In general, Canadian jurisdictions fund their health care programs through one of several mechanisms.

Individual health premium	Employer health tax	No specific health tax or premium
British Columbia, Alberta, and Ontario.	Manitoba, Ontario, Quebec, Newfoundland and Labrador.	Saskatchewan, New Brunswick, Nova Scotia, Prince Edward Island, Yukon, Northwest Territories, and Nunavut.

The elimination of premiums in Alberta is beneficial to employers or plan sponsors with employees in Alberta that pay all or part of provincial health care premiums. Of note is the fact that, according to Hewitt SpecBook 2007/2008™, the majority of employers in Alberta and British Columbia pay more than half the cost of family provincial health premiums. Specifically, of 235 employers who provided information on their Alberta and British Columbia premiums, 74 per cent pay the full cost of family premiums.

An Opportunity To Reinvest

Hewitt Comment: *The elimination of health care premiums in Alberta presents a financial windfall to companies with Alberta employees. This change creates both an opportunity and a decision for employers who pay all or part of health care premiums in that province.*

Consider that a company with 100 Alberta employees, currently paying provincial premiums, could realize up to \$100,000 of savings annually. Employers should think carefully about whether to retain or reinvest these savings.

Consider also that Hewitt Associates' 2006 survey "Attracting and Retaining the New Workforce" found that almost 65 per cent of Alberta participants felt that both attraction and retention were challenges for their organization. Given this scenario, employers should consider their options regarding whether to "reinvest" these savings to maximize their ability to attract and retain employees. Specifically, companies should consider:

- Introducing new or enhanced performance- based pay programs;
- Strengthening learning and development vehicles and practices;
- Investing in leadership development;
- Enhancing or expanding benefits programs;
- Promoting employee health and wellness; and/or
- Enhancing other elements of the total rewards program.

Based on recent regulatory changes and the increased desire for flexibility, the greatest opportunities will be for employers who allow their employees to choose how to reinvest these savings in the manner that best meets their needs.

National employers should consider how this windfall could be allocated among employees based on their province of residence. It is not clear whether such employers would consider re-allocation across the entire country, or only amongst Alberta employees for whom they were previously paying these premiums.

Impact on Post Retirement Benefits

***Hewitt Comment:** Those plans providing retiree health care benefits should review whether the change to health care premiums has an impact on their program. Although health care premiums have already been eliminated for Albertans aged 65 and older, some plan sponsors continue payment of provincial health care premiums for retirees under age 65. These plan sponsors could also experience cost savings, and a significant reduction in their post-employment accounting costs. Depending on the post-retirement commitments made, funds previously used to pay provincial plan premiums may have to be redirected in some manner for the benefit of retirees.*

Impact on Administration

***Hewitt Comment:** The Alberta Health Insurance Premiums Act makes employers legally responsible for a number of administrative functions related to employee enrollment, communications and premium remittance. It is expected that the elimination of health care premiums will relieve employers of all or most of this administrative burden.*

Timing

***Hewitt Comment:** The lead time for this change is relatively short and employers will need to review plan cost sharing formulas, flex credit formulas, and compensation philosophies over the next six months. Hewitt Associates will be conducting a Rapid Response Survey shortly to gauge employer reactions to this change.*

About Hewitt Associates

For more than 65 years, Hewitt Associates (NYSE: HEW) has provided clients with best-in-class human resources consulting and outsourcing services. Hewitt consults with more than 3,000 large and mid-size companies around the globe to develop and implement HR business strategies covering retirement, financial and health management; compensation and total rewards; and performance, talent and change management. As a market leader in benefits administration, Hewitt delivers health care and retirement programs to millions of participants and retirees, on behalf of more than 300 organizations worldwide. In addition, more than 30 clients rely on Hewitt to provide a broader range of human resources business process outsourcing services to nearly a million client employees. Located in 33 countries, including Canadian offices in Toronto, Montreal, Vancouver, Calgary and Regina, Hewitt employs approximately 23,000 associates. For more information, please visit www.hewitt.com.