

Employer Health Tax Effect on the Continuing Care Sector

Issue:

The new Employer Health Tax (EHT) announced by the BC Provincial Government will have significant financial implications for the continuing care sector. Non-government providers in the continuing care sector had an accessible payroll of over \$1.9 billion dollars as of 2015, suggesting that the new employer health tax will net approximately \$38 million in taxes annually. While the net effect of the tax will vary from operator to operator, many continuing care providers will have their costs increase significantly and abruptly. Care Providers will also face additional costs due to tax duplication in the 2019 transition year.

How the Employer Health Tax will work:

The EHT will be a tax imposed on employers based on the size of their payroll. Small businesses with an annual BC payroll of \$500,000 or less will be exempt from this levy. The tax rate will start at 0.98 percent for annual payrolls in excess of \$500,000 and will gradually increase to 1.95 percent for B.C. payrolls in excess of \$1,500,000 per year. The chart below shows the proposed tax rates for defined payroll ranges.

Annual BC Payroll	Annual Tax	Tax as a percent of Payroll
\$500,000 or less	\$0	0.00%
\$750,000	\$7,313	0.98%
\$1,000,000	\$14,625	1.46%
\$1,250,000	\$21,938	1.76%
\$1,500,000	\$29,950	1.95%
\$1,500,000 +	\$29,250 plus 1.95% of payroll over \$1.5 million	1.95%

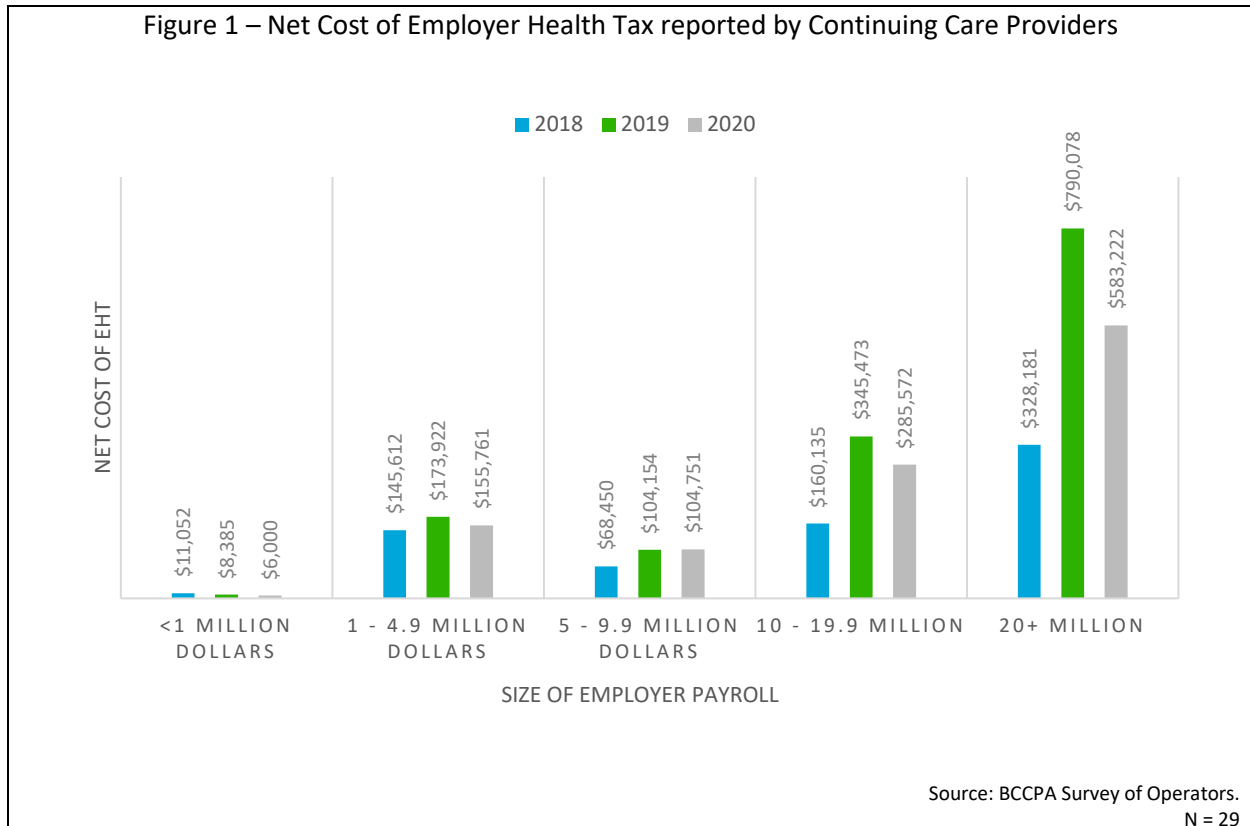
The Employer Health Tax will become effective January 1, 2019; however, MSP will not be phased out until January 1, 2020. This means that for one year, employers will be taxed twice for their workers health coverage.

Effect on Continuing Care Providers in B.C.

Many operators in the continuing care sector will be negatively affected by the new Employer Health Tax. Staffing expenses in the continuing care sector typically account for between 75-80% of operating revenue; thus, even a 2% tax on annual payroll has significant implications for the organization's financial viability.

Operators that have higher salaried employees, as well as those with a significant number of casual workers will face the most significant increases in costs. Furthermore, operators will also face tax duplications during the 2019 transition year (see Figure 1 below).

As a result of these changes, many operators report that they will be forced to change their operations in order to cover these additional costs. Operators cite changes such as reducing staffing, raising prices for residents/clients, and renegotiating benefit packages with unions.



Appendix A – BCCPA’s Employer Health Tax Survey

Methods:

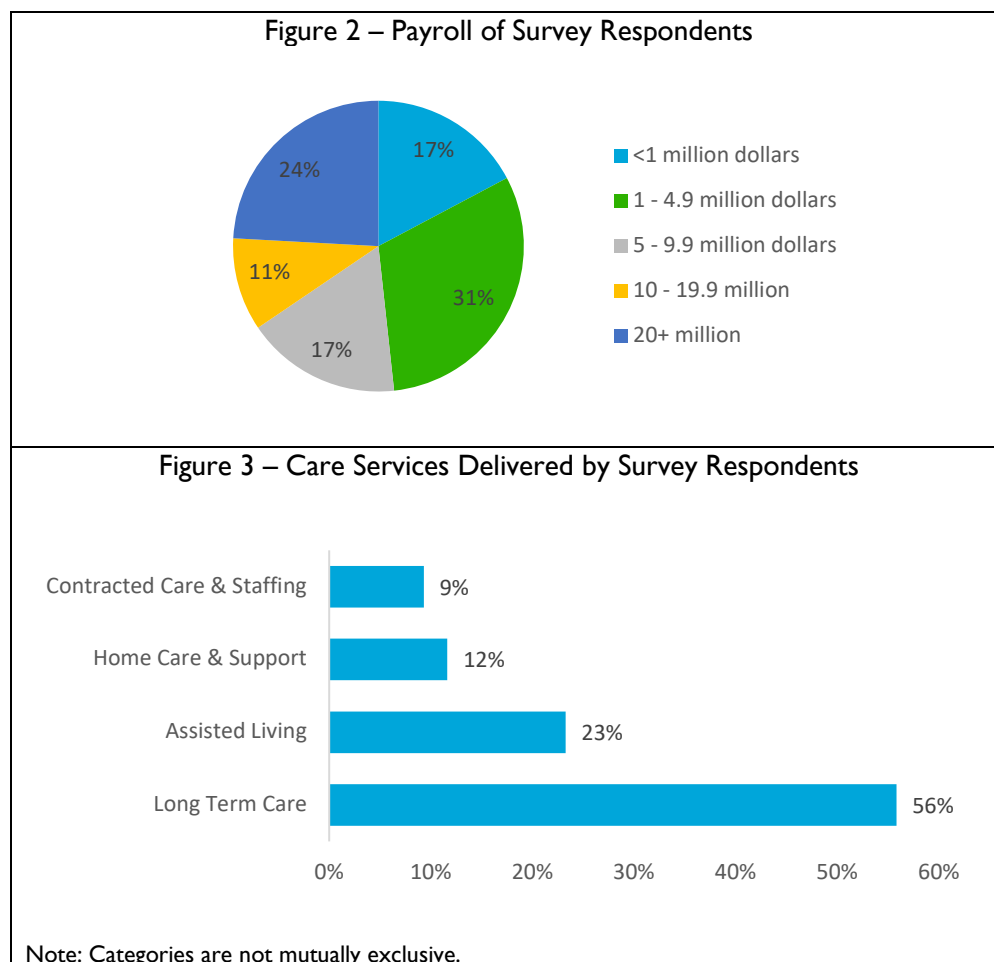
The BCCPA’s Employer Health Tax Survey was programmed into an electronic survey platform (Survey Monkey) and disseminated to continuing care employers through the BCCPA’s Membership Management Software (Member365). The survey was distributed to long term care, assisted living, home care and support employers, as well as contracted care and staffing providers.

Response Rate & Demographics:

The survey was live for 48 hours and received 29 unique responses. The survey had a 97% completion rate, with one incomplete response and 28 complete responses.

Survey respondents represented organizations of all sizes: those with payroll at less than a million dollars (17%); between one and 5 million (31%); between 5 and 10 million (17%); between 10 and 20 million (11%); and more than 20 million (24%). See Figure 2.

The majority of respondents were long term care providers (56%) and assisted living providers (23%). Other survey respondents were home care and support providers (12%), and contracted care and staffing providers (9%). Note that these categories are not mutually exclusive. See Figure 3.



Questionnaire:

1. What care services does your organization provide?
 - Home Care & Support
 - Assisted Living
 - Long Term Care
 - Contracted Care & Staffing Services

2. What is your organization's annual payroll?
 - Less than 1 million dollars
 - 1 – 4.9 million dollars
 - 5 – 9.9 million dollars
 - 10 – 19.9 million dollars
 - 20+ million dollars

The Employer Health Tax (EHT) will be based on your organization's payroll size and will become effective January 1, 2019. MSP will be phased out effective January 1, 2020.

Annual BC Payroll	Annual Tax	Tax as a percent of Payroll
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3. Based on the information above, please estimate the next cost of the Employer Health Tax for your organization.

Please ensure that you factor in the elimination of MSP effective January 1, 2010.

- a. 2018 Estimated Net Cost: _____
 - b. 2019 Estimated Net Cost: _____
 - c. 2020 Estimated Net Cost: _____
4. Is there anything else that the BCCPA should know about how the new Employer Health Tax will affect your organization? Please provide your comments here.
