Good Morning Mayor and Councillors,

I am writing in response to a request for information regarding the financial implications of provincial government's planned changes to Medical Services Plan (MSP) premiums and the introduction of the new employer health tax, as announced in its latest budget.

As background, several of the City's collective agreements currently include provisions for payment of all or some of the MSP premium costs for regular employees and their families.   For 2018, we project that the City's share of MSP premiums will total approximately $2.5M.

Subject to legislative approval, the new employer health tax will take effect on January 1, 2019. For large employers, including the City of Vancouver, the tax payable will equate to 1.95% of payroll costs. We estimate the financial impact of the new tax will be approximately $15M in 2019.

As MSP premiums will remain payable in 2019, the $15M impact of the new tax will be incremental to the current MSP premium costs of $2.5M. However, as of January 1, 2020, the discontinuation of MSP premiums will provide a partial offset against the cost associated with the health tax.

Including an adjustment for projected inflation, we estimate the cost of the health tax for 2020 at $13.1M, net of MSP premium savings. This will be a significant financial strain on the organization and could result in a 1 - 2% tax increase.

If you have any questions regarding this matter, please do not hesitate to contact Patrice Impey or Paul Mochrie.

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