

Today's Objectives

- To discuss individual health insurance
- To discuss the economic problem of disability
- To discuss government plans for disability

Module 3 – Poor Health – Medical Needs
→ Poor Health Financial Security (Overview)

Recall:

- The **Three**-Legged Stool of Poor Health – Medical Needs



I – Government – Provincial Plans

II – Employer - Group Benefit Plans

III – Individual – Individual Health Insurance

****** Not everyone has access to these

Module 3 – Poor Health – Medical Needs

→ Individual Plans

Individual Health Insurance Plans

- An individual can purchase an individual health insurance policy (also Individual family health insurance)
- These policies cover various things such as **:
 - hospital stays
 - surgeries/operations
 - doctor's visits
 - emergency medical services in other countries
 - drugs
 - visits to other medical and non-medical practitioners,
 - medical supplies and devices

** In Canada, policies don't cover what is covered under prov'l plans

Module 3 – Poor Health – Medical Needs

→ Individual Plans

Individual Health Insurance Plans

- We will not be going into the details of these types of policies (other briefly than reviewing two online examples) but it is important to note that:
 - There are differences in these plans – U.S. versus Canada
 - In Canada, have to qualify for provincial health care coverage to get to qualify for Individual Health Insurance
- Who Buys Individual Health Insurance in Canada?:
 - Self-employed (no employer benefits) or underemployed
 - Employees when company health benefits end (retirement or job change)
 - Those in poorer health

Module 3 – Poor Health – Medical Needs

→ Individual Plans

Individual Health Insurance Plans

- A few Canadian Individual Health Insurance plan examples

https://www.sunlife.ca/ca/Explore+products/Insurance/Health+insurance/Personal+health+insurance?vgnLocale=en_CA

<https://www.manulife.ca/personal/insurance/health-insurance/health-and-dental/flexcare.html>

Module 4 – Poor Health – Disability

→ Poor Health Financial Security (Overview)

Economic Problem of Poor Health – Disability

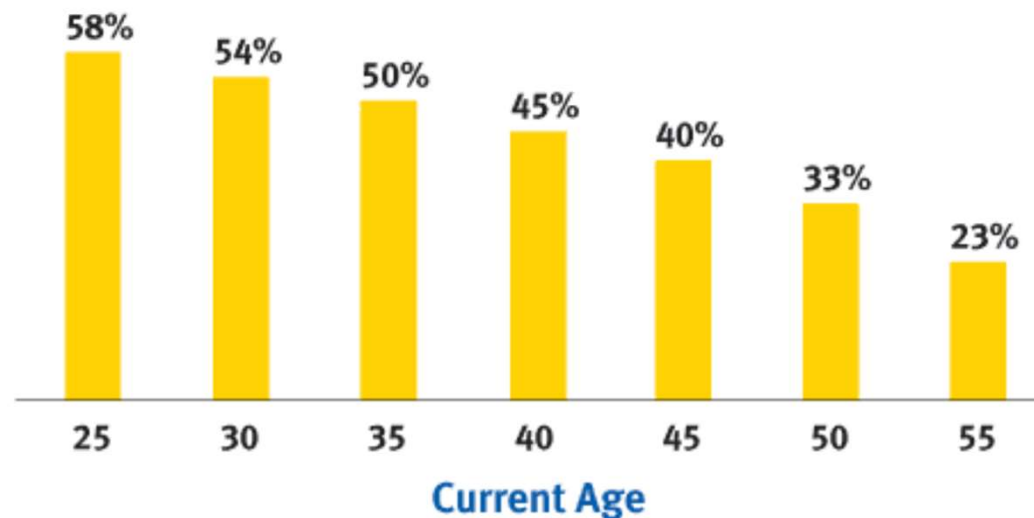
- **Extended period(s) of disability can lead to economic insecurity since:**
 - Person is unable to work (loss of income)
 - Person may continue to incur medical and other expenses
- Unless the person has some form of disability insurance coverage (or substantial savings), economic insecurity can soon result:
 - The top two **causes of bankruptcy in Canada** are overextension of credit (29%), and **2nd is injury or illness leads to disability (15%)**
- Those less than aged 65 are **60% more likely to become disabled than they are to die**

Module 4 – Poor Health – Disability

→ Poor Health Financial Security (Overview)

Economic Problem of Poor Health – Disability

Probability of Incurring a 90-Day or Longer Total Disability



- Most disabilities are short term (less than 1 year)
- When a disability lasts 90 or more days, the length of disability average between 2.1 and 3.2 years for those ≤ 55
 - Source: 1985 commissioners study, currently posted on RBC website
- When a disability last 2 or more years, chances of person returning to work falls sharply

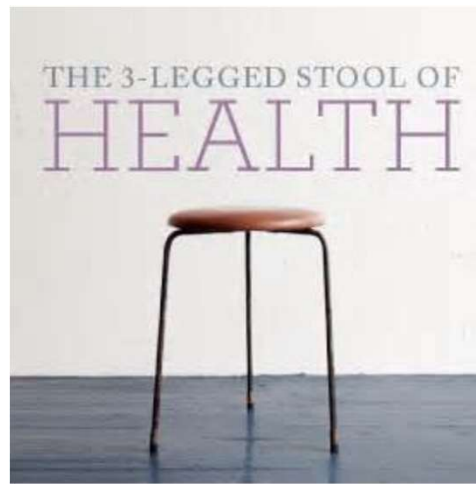
Module 4 – Poor Health – Disability

→ Poor Health Financial Security (Overview)

Attacking the Problem of Poor Health – Disability

- The **Three**-Legged Stool of Poor Health – Disability

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I – Government – Employment Insurance (STD), CPP (LTD), WC

II – Employer - Short Term (STD) & Long Term (LTD) Disability

III – Individual – Individual Disability Insurance

Today's Objectives

- To discuss government plans for disability

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **C/QPP Disability Pension** - previously discussed in Module 2
- **Employment Insurance** - Sickness Benefits
 - Provides payments for up to 15 weeks for individuals who are unable to work because of sickness, injury, or quarantine (but who would otherwise be available for work)
 - There are work related requirements (must have worked 600 hours in last 52 weeks or since last claim)
- **Worker's Compensation Program(s)**

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**
 1. Background/Overview
 2. Eligibility
 3. How WC programs are funded
 4. Employer Accountability (Refunds)
 5. Benefits

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 1. Background/Overview

- WC Canada's oldest government social security program with Ontario being the first province establish a program in 1915
 - **WC programs** are set up at the **provincial level**
 - All provinces and territories have WC plans and each has set up their own provincial legislation and regulatory boards
 - **WC is essentially a form of “no-fault” insurance**
 - An employee is guaranteed benefits for injury, disease or death “arising out of and in the course of employment”, and
 - E'ee forfeits right to sue e'er in exchange for these benefits (right to sue the responsible party goes to respective WCB)

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

1. Background/Overview

- If an employee is injured at work they can choose to
 - Take legal action against the e'er for negligence, OR
 - Claim Worker Compensation (WC) benefits
- *Employers* are required to take appropriate precautions to prevent accidents, provide safety appliances, and provide and maintain first aid services
- *Employees* are entitled to reasonable compensation for any lost earnings that occur due to injury or sickness while on the job and also prompt medical treatment

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

1. Background/Overview

- **Benefits provided by WC** include
 - Health care
 - STD and LTD
 - Rehabilitation
 - Survivor benefits
- **WC Benefits are not taxable** (e'er contribution is a tax deductible expense, but not a taxable benefit to the e'ee)

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→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 2. Eligibility

- WC is mandatory for certain occupations/jobs but not for others
 - **Generally mandatory for all e'ees in industrial occupations**
 - Some provinces exempt following groups from mandatory WC coverage:
 - » domestic (work at home) e'ees
 - » casual or contract e'ees
 - » e'ees in certain service industries
 - » e'ees in the “knowledge” industries such as finance and insurance

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→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 2. Eligibility

- WC is mandatory for certain occupations/jobs but not for others
 - Note however that employers who have employee groups that are exempt from mandatory cover may still, and often do, elect to be covered under WC (have to apply)
 - Business owners and executives are not subject to mandatory coverage but may elect to be covered as e'ees

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→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 3. How WC programs are funded

- **WC system is funded solely by employers:**
 - Employee contributions are not permitted
 - Government doesn't contribute in any way
 - Employers whose e'ees are covered by WC are "assessed" by their respective provincial WC board to determine the premium that they (the e'er) will have to pay
 - Two assessment methods are used:
 - a) Individual Liability
 - b) Collective Liability

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→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 3. How WC programs are funded

- a) Individual Liability

- Individual Liability method is used by

- » Government or public agencies

- » Crown corporations

- » Large public transportation companies (e.g. airlines, railways)

- Under this method **each employer is self-insured**

- » So employers are individually liable for accident & sickness costs (related to the WC claim), and these are usually paid on a “pay as you go” basis

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 3. How WC programs are funded

- a) Individual Liability

- The **claims however are adjudicated and administrated by the respective WC board** (which is called WSIB in Ontario)

- Employer's annual assessment (what they pay WCB) then includes:

- » actual cost of claims (accident & sickness occurrence), plus

- » a charge for WCB admin and adjudication services

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→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 3. How WC programs are funded

- b) Collective Liability

- With this method, employers are divided into industry classes, and each year, each class is assessed a premium rate (or **assessment rate**)

- The **assessment rate charged must** be sufficient to **cover**:

- » current and expected future benefits

- » administrative costs

- » costs of accident prevention programs

- » all or some of funding deficiencies of previous years

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 3. How WC programs are funded

- b) Collective Liability

- **Assessment rate expressed as \$\$ amount/per \$100 payroll**

- » Rate is applied to annual payroll of covered e'ees, up to a maximum called the 'assessable earnings maximum' which is linked to AIW
 - » 2020 WSIB max is \$95,400, 2019 max was \$92,600
 - » 2017 to 2019 rates for some Ontario classes can be accessed here <https://www.wsib.ca/en/2018-premium-rates> and <https://www.wsib.ca/sites/default/files/2019-03/part12019premiumratesmanual.pdf>
 - » In 2019 most rates reduced (with elimination of Unfunded Liability) and in 2020 rating and classification system changed

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Government Disability Benefit Programs

- Worker's Compensation Program(s)**

Class	Rate Group	Description	2019 Premium Rate (\$)	2018 Premium Rate (\$)	2017 Premium Rate (\$)
	30	Logging	10.40	13.35	13.04
	33	Mill Products And Forestry Services	6.15	7.95	8.60
	36	Veneers, Plywood And Wood Preservation	3.99	4.58	4.95
	39	Pulp, Newsprint And Specialty Papers	2.85	3.02	2.93
	41	Corrugated Boxes	2.28	3.00	3.24
A		Forest Products	4.33		
	110	Gold Mines	3.57	6.48	7.01
	113	Nickel Mines	4.59	5.31	5.20
	119	Other Mines	3.32	6.10	6.16
	134	Mining And Related Industries	3.94	5.65	6.00
B		Mining And Related Industries	3.82		
	159	Livestock Farms	4.98	6.89	7.09
	167	Field Crop, Fruit And Vegetable Farms	2.06	2.87	2.84
	174	Tobacco And Mushroom Farms	2.95	4.38	4.74
	181	Fishing And Miscellaneous Farming	2.75	3.72	3.67
	184	Poultry Farms And Agricultural Services	3.24	3.33	3.27
	190	Landscaping And Related Services	3.82	5.00	4.93
C		Other Primary Industries	3.14		
	207	Meat And Fish Products	2.96	4.49	4.45
	210	Poultry Products	2.52	3.38	3.36
	214	Fruit And Vegetable Products	1.37	2.26	2.44
	216	Dairy Products	1.51	2.14	2.13
	220	Other Bakery Products	1.92	3.28	3.54
	222	Confectionery	1.83	1.88	1.80
	223	Biscuits, Snack Foods And Other Food Products	1.74	2.66	2.58
	226	Crushed And Ground Foods	1.73	1.77	1.69
	230	Alcoholic Beverages	1.15	1.62	1.55
	231	Soft Drinks	1.52	2.85	3.08
	238	Other Rubber Products	3.08	4.17	4.13
	258	Foamed And Expanded Plastic Products	2.43	2.94	2.92
	261	Plastic Film And Sheeting	1.82	2.46	2.46
	263	Other Plastic Products	2.26	3.25	3.23
	289	Cloth, Carpets And Textile Products	2.39	3.43	3.50
	...				
	542	Other Manufactured Products	1.57	2.18	2.08
C		Manufacturing	1.79		

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 4. Employer Accountability (Refunds)

- In all provinces and territories, there some form of a “refund” for employers who have low WC claims
 - These refunds are **called ‘experience rating refunds’**
 - Experience rating refunds are an incentive for employers to sponsor initiatives that will help reduce claims such as
 - » accident prevention programs
 - » early return to work initiatives
 - There are **two types of “experience rating refunds”**
 - a) Prospective, and
 - b) Retrospective
 - Some provinces use only one of these methods, several use both

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 4. Employer Accountability (Refunds)

- a) Prospective

- Under this method the average industry assessment rate to the rate for the current year is adjusted down for e'ers in that group with good WC claims experience over the past year(s) and for e'ers with poor claims experience over recent years, a surcharge is charged
 - This **method is used by small business in Ontario**

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 4. Employer Accountability (Refunds)

- b. Retrospective

- Assessments are adjusted retroactively (after year is over)
 - A refund of contributions can be made to e'ers with good claims experience, while a surcharge may be applied to e'ers with poor experience
 - This **method is used by large businesses in Ontario**

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- a) Health Care
 - b) Short Term Disability
 - c) Long Term Disability
 - d) Rehabilitation
 - e) Survivor Benefits

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- a) Health Care

- WC pays all medical expenses incurred as a result of an occupational accident or disease
 - Health care costs covered by WC:
 - » hospital charges, physician and surgical fees (costs normally covered by provincial health care plans)
 - » drugs and ancillary services (costs often covered by private medical plans-individual or employer plans)

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- a) Health Care

- For injuries that do not result in a “lost time claim” health care is usually the only WC benefit
 - Benefits described in (b) – (e) below are additionally provided for “lost time” claims

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- b) Short Term Disability **

- Benefits begin the day following injury and are paid weekly
 - The benefit period may range from 3 months to 2 years
 - The payment ranges from 75-90% of net earnings pre-injury (many provinces/territories at 90%)
 - » Payment will be reduced if disability is partial and e'ee is able to work part time
 - If disability recurs, employee may re-qualify for benefits, even if not working for the same employer

** Some provinces co-ordinate STD/LTD calculations

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- c) Long Term Disability

- (benefits vary from province to province)

- LTD begins after STD period expires and, under the “permanent disability awards system there are/were two benefit categories

- i. Permanent Partial Disability

- » E'ee is permanently unable to perform his/her regular job functions, but could perform some type of employment or participate in a rehab program

- » Disabled e'ees will receive a benefit (monthly in many cases), usually at some % of permanent total disability benefit amount

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- c) Long Term Disability

- ii. Permanent Total Disability

- » E'ee is unlikely to ever work again (at their regular or any other type of job)
 - » Disabled e'ees receive a benefit (monthly in many cases)
 - » Benefit is paid until e'ee reaches age 65 or dies or recovers (whichever comes first)

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- c) Long Term Disability

- Several provinces, including Ontario, now use a dual award system

- In Ontario (WSIB) the disability benefit includes:

- i. Benefit based on earnings loss system (Economic Loss or LOE)

- Benefit = $85\% \times \min(\text{take home pay, earnings ceiling cap})$

- if fully disabled* and is paid till earlier of {age 65, recovery, death}

- In 2020 income is capped at \$95,400

- *partial disability benefits also

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- c) Long Term Disability

- ii. Lump sum (LS) award for non-economic impact of permanent disability (referred to as “Non-Economic Loss” or NEL)

- LS = % of [Base amount +/- \$X per year e'ee is < 45 / > 45]

- (adjustments capped at +/-20 × \$X)

- % = impairment rating (more severe → higher % where

- % is determined at maximum medical recovery)

- » 2019 values: Base amount = \$61,361.27 and \$X is \$1,364.09

- » 2020 values: Base amount = \$62,527.13 and \$X is \$1,390.01

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- c) Long Term Disability

- Notes:

- i. Ontario adjusts benefits annually for cost of living increases (some provinces adjust on an 'ad hoc' basis)
 - ii. In Ontario, disability benefits are paid every 2-weeks
 - iii. In Ontario there is also a "Loss of Retirement Income" benefit

Today's Objectives

- To discuss government plans for disability

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Recall that:

- **Worker's Compensation Program(s)**
 1. Background/Overview
 2. Eligibility
 3. How WC programs are funded
 4. Employer Accountability (Refunds)
 5. Benefits

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Also recall:

- **Worker's Compensation Program(s)**

- 3. How WC programs are funded

- a) Individual Liability

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- **Assessment rate expressed as \$\$ amount/per \$100 payroll**

- » Rate is applied to annual payroll of covered e'ees, up to a maximum called the 'assessable earnings maximum' which is linked to AIW

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Government Disability Benefit Programs

- Worker's Compensation Program(s)**

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Example – WSIB Premiums

- An Ontario employer with 20 employees that produces Textile Products:
 - 15 of these employees earn \$60,000 a year
 - 5 of these employees earn \$95,000 a year
- What is the employer's 2019 WSIB premium?

Solution:

- 2019 premium rate for Cloth, Carpets And Textile Products is \$2.39 per \$100 of payroll

$$\frac{15 \times 60,000 + 5 \times 92,600}{100} \times 2.39 = 13,630 \times 2.39 = 32,575.70$$

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Recall that:

- **Worker's Compensation Program(s)**

- 5. Benefits

- a) Health Care
 - b) Short Term Disability
 - c) Long Term Disability
 - d) Rehabilitation
 - e) Survivor Benefits

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Also recall:

- **Worker's Compensation Program(s)**

- 5. Benefits

- c) Long Term Disability

- Several provinces, including Ontario, now use a dual award system

- In Ontario (WSIB) the disability benefit includes:

- i. Benefit based on earnings loss system (Economic Loss or LOE)

- Benefit = $85\% \times \min(\text{take home pay, earnings ceiling cap})$

- if fully disabled* and is paid till earlier of {age 65, recovery, death}

- In 2020 income is capped at \$95,400

- *partial disability benefits also

Module 4 – Poor Health – Disability

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Also recall:

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- c) Long Term Disability

- ii. Lump sum (LS) award for non-economic impact of permanent disability (referred to as “Non-Economic Loss” or NEL)

- LS = % of [Base amount +/- \$X per year e'ee is < 45 / > 45]

- (adjustments capped at +/-20 × \$X)

- % = impairment rating (more severe → higher % where

- % is determined at maximum medical recovery)

- » 2019 values: Base amount = \$61,361.27 and \$X is \$1,364.09

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Example – LTD Benefits

- Suppose Jim Davis was earning \$55,000 (take home pay) before becoming fully disabled in due to a job-related accident
 - a) Calculate his bi-weekly Loss of Earning(LOE) benefit
 - b) Jim's health/injury was assessed in order to determine his Non-Economic Loss (NEL) Benefit. His impairment rating was 30%. Determine his NEL assuming
 - i. Jim was age 52 at time of his injury
 - ii. Jim was 40 years old at time of injury

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Example – LTD Benefits

a) Jim's earnings are below 2020 WSIB maximum of \$95,400

$$\text{LOE Benefit} = \frac{85\% \times 55,000}{26} = 1,798.08$$

b) 2020 values: Base amount = \$62,527.13 and \$X is \$1,390.01

i. If Jim is age 52 (i.e., 7 years over age 45) at time of his injury

$$\text{LS} = 30\% \times (62,527.13 - 7 \times 1,390.01) = 30\% \times 52,797.06 = 15,839.12$$

ii. If Jim is age 40 (i.e., 5 years under age 45) at time of his injury

$$\text{LS} = 30\% \times (62,527.13 + 5 \times 1,390.01) = 30\% \times 69,477.18 = 20,843.15$$

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- d) Rehabilitation

- An injured e'ee can participate in a medical or vocational rehab program funded by WC board if they are physically able

- » Examples: counseling, job search, legal services, tuition

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- e) Survivor Benefits

- Payable when an e'ee dies as a result of an injury or disease incurred in course of employment
 - Surviving spouse and any dependent children receive:
 - » an income replacement benefit
 - » lump sum (some provinces)
 - » funds to cover funeral costs
 - » benefits usually paid for spouse's lifetime or to age 65 (but stop on remarriage)
 - » child benefit stops at age 18 (unless child disabled or full-time student)

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- e) Survivor Benefits

- In Ontario (WSIB) the survivor benefits includes:

- i. Burial Expenses (there is no maximum, but there is a minimum - currently \$3,200.93)

- ii. Counseling/other support

- iii. Lump Sum Payment** to spouse (or dependent if no spouse)

- iv. Monthly Survivor Benefits** (spouse and dependents)

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Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- e) Survivor Benefits

- iii. **Lump Sum Payment** to spouse (or dependent if no spouse)

- LS = flat amount +/- \$X per year < 40 / > 40

- (adjustments capped at +/-20 × \$X)

- » 2020 flat amount = \$85,358.29 at age 40 (\$83,766.72 in 2019)

- » For each year spouse is less than 40, amount is increased by $X = \$2,133.95$ to maximum of \$128,037.29 for age ≤ 20, i.e., $\text{max} = \text{flat amount} + 20 \times \X (2019 amount is \$2,094.16)

- » For each year spouse is greater than 40, amount decreases by \$2,133.95 to minimum of \$42,679.29 for age 60+, i.e., $\text{min} = \text{flat amount} - 20 \times \X (2019 amount is \$2,094.16)

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

- 5. Benefits

- e) Survivor Benefits

- iv. **Monthly Survivor Benefits** to spouse**

- Benefit = $40\% \times \min(\text{deceased's net income, earnings cap})$,
adjust 40% by +/- 1% that spouse is < 40 / > 40 (also capped)

- » In 2020 income is capped at \$95,400

- » Note that 40% is the percentage for a spouse aged 40

- » For each year spouse is less than age 40, increase % factor by 1%, to a maximum of 60% (for age ≤ 20)

- » For each year spouse is greater than age 40, decrease % factor by 1% to a minimum of 20% (for age 60+)

- **Even more details to consider when there are dependents

Module 4 – Poor Health – Disability

→ Government Plans (Ch 18 of *Social Ins. & Economic Security*)

Government Disability Benefit Programs

- **Worker's Compensation Program(s)**

5. Benefits

- In order to receive benefits from workers' compensation in Ontario, an injured employee must:
 - i. Cooperate in recovery by following any suggested treatment
 - ii. Have regular health exams as required by WSIB (this is done annually)
 - iii. Cooperate in "Early and Safe Return To Work" programs
 - iv. Report any changes to your medical condition or income to WC board
- If an e'ee does not cooperate, STD/LTD benefits may be reduced or discontinued

Module 4 – Poor Health – Disability

→ Poor Health Financial Security (Overview)

Recall:

- The **Three**-Legged Stool of Poor Health – Disability



I – Government – Employment Insurance (STD), CPP (LTD), WC

II – **Employer - Short Term (STD) & Long Term (LTD) Disability**

III – Individual – Individual Disability Insurance