



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

Cost Estimate of Election Campaign Proposal

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Short Title: Employer tax credit for providing additional mental health coverage

Description: Providing a tax credit to employers for the cost of additional mental health coverage. The tax credit will be calculated as 25% of the cost of additional mental health coverage under an employer's benefit plan. The tax credit will be permanent however employers will only be eligible to receive the tax credit for three years. The proposal will be effective January 1, 2022.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		1	4	8	10	6	28

Notes:

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).
- "-" = PBO does not expect a financial cost.

Estimation and projection method: Historical data were used to estimate total private sector premiums related to psychologist services and were projected forward to account for growth in salaries. PBO assumed a 50% take-up rate in the first year. A behavioural response was incorporated for the new tax incentive and was adjusted by the share of businesses expected to claim the credit in each year and the tax credit amount.

Source of Uncertainty: The main sources of uncertainty relate to the estimate of private sector premiums for psychologist services in 2021 and projected salary growth. There is also uncertainty surrounding the magnitude of the behavioural response.

Data Sources:	Variable	Source
	Private practice psychologist costs in Canada, 2010	Canadian Psychological Association
	Share of psychologist costs paid through insurance plans	Canadian Mental Health Association
	Proportion of mental health expenses reimbursed by insurance companies	Sun Life Financial
	Premium gross-up	Canada Life and Health Insurance Association