

CMA Brief

Responding to the COVID-19 pandemic:

Federal measures to recognize the significant
contributions of Canada's front-line health care workers



INTRODUCTION

The Canadian Medical Association (CMA) is the national voice of Canada's doctors. Since its creation in 1867, the CMA has championed improving the health of Canadians and strengthening the health care system.

The CMA is the voluntary professional organization representing physicians across all regions in Canada and comprising 11 provincial and territorial medical associations and more than 60 national medical organizations.

During these unprecedented times, Canada's physicians, along with all front-line health care workers (FLHCWs), have not only put themselves at risk but have made enormous personal sacrifices while fulfilling a critical role in life-threatening circumstances.

The CMA recognizes and strongly supports the measures the federal government has taken to date to mitigate the health and economic impacts of COVID-19 on Canadians. However, given the unique circumstances that Canada's FLHCWs face, additional measures are required to acknowledge their role, the risks to themselves and their families, and the financial burden they have taken on through it all.

To gain a better understanding of this issue, the CMA commissioned MNP LLP (MNP) to conduct a thorough economic impact study. They assessed the effects of the COVID-19 pandemic on physician practices in Canada and identified policy options to mitigate these effects.

This brief summarizes the findings, provides an overview of the impact of the COVID-19 pandemic on physician practices across the country and highlights targeted federal measures that can significantly mitigate the evident challenges physicians are experiencing. It is important to note that the recommended measures were developed through the lens of recognizing the important contribution of Canada's FLHCWs.

UNDERSTANDING HOW THE PANDEMIC IS IMPACTING PHYSICIAN PRACTICES

Canada’s physicians are highly skilled professionals, providing an important public service and making a significant contribution to the health of Canadians, our nation’s health infrastructure and our knowledge economy. In light of the design of Canada’s health care system, the vast majority of physicians are self-employed professionals operating medical practices as small business owners. Like most small businesses in Canada, physician practices have been negatively impacted by the necessary measures governments have established to contain this pandemic.

Under the circumstances of the pandemic, the provinces postponed non-emergent procedures and surgeries, indefinitely. According to data from the 2019 Physician Workforce Survey conducted by the CMA, approximately 75% of physicians reported practising in settings that would be expected to experience a reduction in patient volumes as a result of COVID-19 measures.¹ This suggests “the vast majority of physicians in Canada anticipate declines in earnings as a result of COVID-19 restrictions.”²

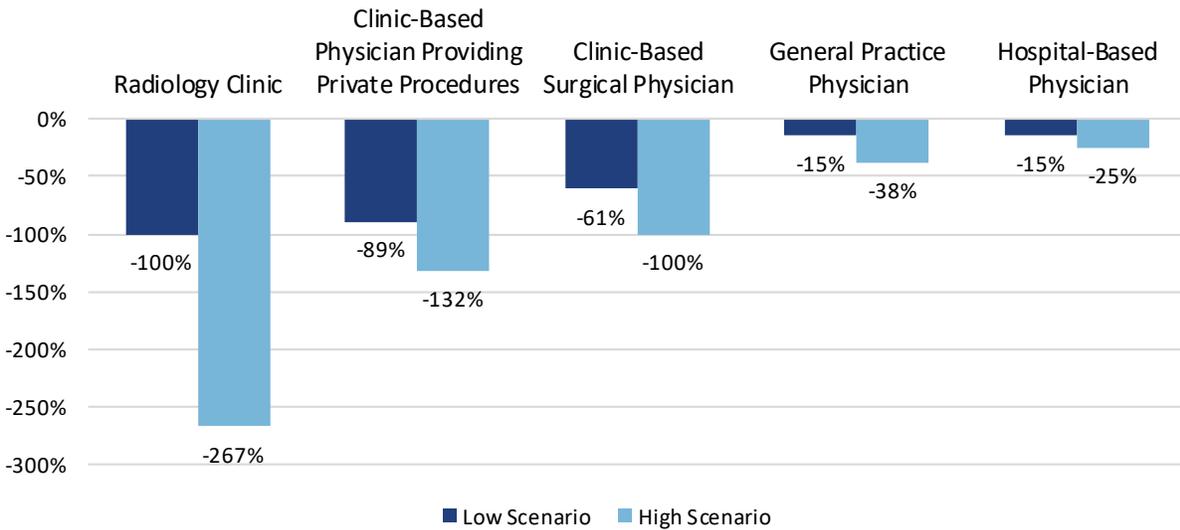
Physician practices include a variety of structures, which relate to the practice setting or type. In their economic impact study, MNP estimates that across the range of practice settings, **the after-tax monthly earnings of physician practices are estimated to decline between 15% and 100% in the low-impact scenario, and between 25% and 267% in the high-impact scenario.** These two scenarios are in comparison to a baseline scenario, prior to the pandemic. The low-impact scenario is based on the reduction of physician services reported during the 2003 experience with the Severe Acute Respiratory Syndrome (SARS) while the high-impact scenario estimates more significant impacts, being approximately double those observed during SARS.

According to data from the 2019 Physician Workforce Survey conducted by the CMA, approximately **75% of physicians** reported practising in settings that would be expected to experience a reduction in patient volumes as a result of COVID-19 measures.



¹ CMA. *Physician Workforce Survey*. 2019.
² MNP-LLP. *Implications of the COVID-19 Pandemic for Physician Practices in Canada*. 2020.

Figure 1: Estimated change in after-tax monthly earnings per physician by scenario³



Unlike salaried public sector professionals, such as teachers, nurses or public servants, most physicians operate as small business owners who are solely responsible for the management of their practices. They employ staff, rent office space and have numerous other overhead costs related to running a small business, which they are still responsible for regardless of decreased earnings. According to data published by Statistics Canada in 2019 there were 120,241 people employed in physician offices in Canada and an additional 28,054 employed in medical laboratories.⁴ Additionally, physicians manage significant overhead expenses that are unique to medical practice such as practice insurance, licence fees and continuing medical education. It's important to understand that even hospital-based physicians may be responsible for significant overhead expenses, unlike other hospital staff. Like any small business owner grappling with drastic declines in revenue, physicians may be forced to reduce their staffing levels or even close their practices entirely in response to the COVID-19 pandemic.



³ MNP-LLP. *Implications of the COVID-19 Pandemic for Physician Practices in Canada*. 2020.

⁴ Statistics Canada. *Employment by industry, Annual: Table 14-10-0202-01*. 2019.

ADDRESSING THE GAPS: ENSURING THAT FEDERAL ECONOMIC PROGRAMS CAPTURE PHYSICIAN PRACTICES

To reiterate, the CMA supports the federal government's decisive and meaningful response to the pandemic, including delivering critical economic relief programs. However, more detailed analysis is revealing that segments of physician practices are not eligible for these critical economic programs, because of technicalities.

At this time, the CMA has identified three key segments of physician practice models who may not currently be eligible for the economic relief programs because of technicalities. These are:

1. hospital-based specialists
2. physician practices that operate as a small business but may not meet technical criteria
3. physicians delivering locum medical care

These technical factors reflect the complexity of the health system infrastructure in Canada. Although hospital-based specialists may receive some form of salary, they may still be structured as a small business and be responsible for paying overhead fees to the hospital. Many physicians may operate as a small business and remit a statement of self-employment, and they may not have a business number or a business bank account. As is common amongst other self-employed professionals, many physicians operate practices within cost-sharing structures. The CMA is deeply concerned that these structures are presently being excluded from the federal government's critical economic relief programs. As a result, this exclusion is affecting the many employees of practices structured as cost-sharing arrangements. Finally, physicians providing care in other communities, known as locum practice, would also be responsible for overhead expenses.

It is the CMA's understanding that the federal government is seeking to be inclusive in delivering economic relief programs to mitigate the impacts of the pandemic, such as closures or unemployment. For physician practices, eligibility for federal economic relief programs would extend the reach of these mitigation measures to maintaining Canada's critical health resources and services, as physician practices are responsible for a significant portion of health system infrastructure.

As such, the CMA respectfully recommends that the federal government ensure that these critical economic programs be made available to all segments of physician practices.

To this end, the CMA recommends that the federal government expand eligibility for the federal economic relief program to:

1. Include hospital-based specialists paying fees for overhead expenses to the hospitals (e.g., staff, equipment, space);
2. capture physician-owned medical practices using a "personal" banking account as well as those in cost-sharing structures to access programs; and,
3. include physicians who provide locum medical care.

NEW FEDERAL TAX MEASURES TO SUPPORT AND RECOGNIZE FRONT-LINE HEALTH CARE WORKERS

It is also important to note that the impact of COVID-19 on FLHCWs goes well beyond the financial impacts. All FLHCWs face numerous challenges trying to carry out their work during these difficult times. They put their health and the health of their families at risk. They make enormous sacrifices, sometimes separating themselves from their families to protect them. These risks and sacrifices can strain an individual's mental health, especially when coupled with anxiety over the lack of proper personal protective equipment (PPE). A survey conducted by the CMA at the end of April showed that almost **75% of physicians who responded to the survey indicated feeling very or somewhat anxious about the lack of PPE**. FLHCWs deserve to be recognized for their unique role during this pandemic.

Given the enormous sacrifices and risks that FLHCWs are making every day, the federal government should enact measures to recognize their significant contributions during these unprecedented times.

The CMA recommends that the federal government implement the following new measures for all FLHCWs:

1. **An income tax deduction for FLHCWs put at risk during the COVID-19 pandemic, in recognition of their heroic efforts.** All FLHCWs providing in-person patient care during the pandemic would be eligible to deduct a designated amount against their income earned. This would be modelled on the deduction provided to members of the Canadian Armed Forces serving in moderate- and high-risk missions.
2. **A non-taxable grant to support the families of FLHCWs who die in the course of responding to the COVID-19 pandemic or who die as a result of an occupational illness or psychological impairment related to this work.** The grant would also apply to cases in which the death of an FLHCW's family member is attributable to the FLHCW's work in responding to the pandemic. The CMA is recommending that access to the Memorial Grant program, or a similar measure, be granted to FLHCWs and their family member(s).
3. **A temporary emergency accommodation tax deduction for FLHCWs who incur additional accommodation costs as well as a home renovation credit in recognition of the need for FLHCWs to adhere to social distancing to prevent the spread of COVID-19 to their family members.** The CMA recommends all FLHCWs earning income while working at a health care facility or public health unit or in a capacity related thereto (e.g., paramedics or janitorial staff) be eligible for the deduction and credit.
4. **Provide additional child-care relief to FLHCWs by doubling the child-care deduction.** The CMA recommends the individuals listed above be eligible for the enhanced deduction.

It is important that any measures enacted be simple for the government to implement and administer as well as simple for FLHCWs to understand and access. The recommendations above will ensure that relief applies to a wide range of Canada's FLHCWs who are battling COVID-19.

More details on these recommendations are provided in Appendix A to this brief.

INCREASING FEDERAL HEALTH FUNDING TO SUPPORT SYSTEM CAPACITY

It is due to the action of the federal and provincial/territorial governments, together with Canadians, in adhering to public health guidance that our health systems have been able to manage the health needs of Canadians during the pandemic. However, as governments and public health experts consider how we may proceed in lifting certain restrictions, we are beginning to comprehend the enormity of the effort and investment required to resume health care services. During the pandemic, a significant proportion of health care services, such as surgeries, procedures and consults considered "non-essential" have been delayed. As health services begin to resume, health systems will be left to grapple with a significant spike in already lengthy waiting times. Further, all health care facilities will need to adopt new guidance to adhere to physical distancing, which may necessitate longer operating hours, increasing staff levels and/or physical renovations. Given these issues, the CMA is gravely concerned that Canada's already financially struggling health systems will face significant funding challenges at a time when provincial/territorial governments are grappling with recession economies. The CMA is strongly supportive of new federal funding to ensure Canada's health systems are resourced to meet the care needs of Canadians as the pandemic continues.

CONCLUSION

As outlined in this brief, the overwhelming majority of Canada's physician practices will be negatively impacted financially by COVID-19. The indefinite postponement of numerous medical procedures, coupled with restrictions related to physical distancing resulting in reduced patient visits, will have a material effect on physician practices, risking their future viability. As well, all FLHCWs will be severely impacted by COVID-19 personally, through risks to themselves and their families. Many families of FLHCWs will also be impacted financially, from increased child-care costs to, tragically, costs associated with the death of a loved one because of COVID-19.

In light of these substantial risks and sacrifices, the CMA urges the adoption of the above-mentioned recommendations designed to recognize the special contribution of Canada's FLHCWs during these extraordinary times.

APPENDIX A

COVID-19 ECONOMIC RECOMMENDATIONS – FEDERAL MEASURES TO SUPPORT FINANCIAL HARDSHIPS AND RISKS POSED TO FRONT LINE HEALTH CARE WORKERS (FLHCWS)

Front line health care workers (FLHCWs)

During this unprecedented time, Canada's FLHCWs deserve our gratitude for their valiant efforts and should be recognized for taking additional risk for themselves but more importantly for their families due to exposure to COVID-19. In addition, many FLHCWs are facing increased costs related to performing their duties. At the present time, there are no federal programs to recognize these increased risks or increased costs. Given the government is working hard for the good of the country, it is important that any measures and recommendations be simple to implement and administer for the government as well as simple to understand and access for the FLHCWs. The recommended relief ensures that it will apply to a wide range of Canada's FLHCWs who are battling COVID-19.

1. Temporary emergency accommodation and home modification

Background

To protect family members from exposure to COVID-19, FLHCWs may choose to use temporary accommodations or alternatively modify their family home, because of the high-risk and life-threatening situations they are required to work in, or as a result of having tested positive for COVID-19. Costs associated with temporary accommodations or home modifications are borne by the FLHCW.

Policy considerations

a) **Temporary Emergency Accommodation Deduction**

To provide an income tax deduction for FLHCWs who incur additional costs while living separate and apart in order to prevent the spread of COVID-19 among family member.

Canada's FLHCWs are exposing themselves and their families to risk by performing their work in a life-threatening environment. To prevent the spread of COVID-19 and more importantly to protect their families, many FLHCWs are incurring additional costs by living separate and apart. The government currently permits a deduction for residence expenses for clergy members on the basis that they are performing a function that serves the public. Providing a deduction for FLHCWs' temporary accommodation costs would be consistent with the deduction for clergy, as FLHCWs are undertaking their duties to serve their fellow Canadians in this unprecedented time. This deduction will support the families of FLHCWs who incur additional costs related to earning income in a life-threatening environment.

As an alternative, the government permits temporary accommodation and travel costs to be treated as a medical expense when the person is required to travel more than 80 km for treatment. This recognizes that in certain situations, additional costs may be incurred by the taxpayer to get support for their well-being and treatment, including costs related to an attendant who travels with them. The temporary accommodation costs incurred by the FLHCW are directly related to their well-being and/or their family's well-being.

b) Temporary Emergency Home Modification Credit (Home Credit)

To help offset incremental costs incurred by FLHCWs, **the Home Credit attempts to recognize expenses incurred to modify living spaces to allow for self-isolation within the family residence.** These costs could include additional furniture and accessories, cooking facilities, appliances, as well as household disinfectants.

Eligibility criteria

All FLHCWs earning income while working at a health care facility or public health unit or in a capacity related thereto (e.g., paramedics or janitorial staff) would be eligible for the deduction or credit — one but not both. The period in which a deduction or credit would be claimed would be during the same period as the CEWS program but would include an additional period for self-isolation (i.e., up to Oct. 15, 2020, unless otherwise extended by the government).

Potential application criteria

In order to ensure ease of applicability and administration, the following application criteria could be implemented:

- a. Certification from the employer confirming that the FLHCW earned income in a life-threatening environment during the period, possibly indicated on the T4.
- b. For self-employed individuals or professional corporation employees working in a life-threatening environment, certification of income earned through medical service billings during the period.

Implementation recommendation for the Temporary Emergency Accommodation Deduction

Section 62(1) of the ITA provides for a deduction for “moving expenses” (as defined in subsection 62(3)) in respect of an “eligible relocation” (as defined in subsection 248(1)). Subsection 62(3) could be amended so that “moving expenses” would include costs related to an eligible temporary relocation. The definition of “eligible temporary relocation” could be created by amending subsection 248(1), which could be prescribed by the minister or by regulation. In this instance the current COVID-19 pandemic could be prescribed but such an amendment would allow the government future flexibility to extend this measure to other situations or national emergencies (e.g., flood or disaster relief).

The eligible expenses for the above amounts would be for temporary accommodation costs incurred during the period of Mar. 15, 2020, to Oct. 15, 2020 (unless otherwise extended by the government). In order to achieve simplicity and ease of administration, a deduction equal to the lesser of: (i) the actual cost incurred or (ii) a set per diem rate as determined by the minister (e.g., \$150 per night and/or another amount based on geographical location) could be permitted.

Implementation recommendation for the Temporary Emergency Home Modification Credit

Given that the Home Credit would be introduced subsequent to FLHCWs incurring these costs, the credit could be implemented based on a reasonable amount through the introduction of a new subsection. The period for expenses or amounts incurred would be from Mar. 15, 2020, to Oct. 1, 2020, unless otherwise extended by the minister.

2. A tax deduction for FLHCWs put at risk during the COVID-19 pandemic

Background

All FLHCWs make significant contributions to our health care system, which is being tested unlike any other time in modern history. Daily, Canada's FLHCWs are carrying out their work in a life-threatening environment and are putting themselves and their families at significant risk. The challenges (risk to life, mental health and sacrifice, to name a few) faced by our FLHCWs, in many respects parallel the challenges that would be faced by members of the Canadian Forces who are deployed on international high- and moderate-risk operational missions.

Policy considerations

To provide an income tax benefit to FLHCWs in recognition of their heroic efforts for people in Canada

In recognition of the greater contributions made by our FLHCWs, tax relief should be provided recognizing the additional risks borne by these FLHCWs to treat their fellow people in Canada during this pandemic and the strain and burden that has been placed on them as well as their families. The Government of Canada currently provides tax relief to members of the Canadian Forces (CF) and police officers deployed on international operational missions as determined by the applicable minister or their designate. This tax relief recognizes the special contribution that CF members and police officers make to international peace and stability while serving their country abroad.

Eligibility criteria

All FLHCWs working at a health care facility or public health unit would be eligible to deduct a designated amount against their income earned for a period as designated by the applicable minister.

Potential application criteria

In order to ensure ease of applicability and administration, the following application criteria could be implemented:

- c. Certification from the employer confirming that the FLHCW earned income in a life-threatening environment during the period. A similar mechanism currently exists for T4 reporting with respect to CF members and police officers carrying on missions that have been designated by the Minister of National Defence.
- d. For self-employed individuals or professional corporation employees working in a life-threatening environment, certification of income earned through health care billings during the period.

Implementation recommendations

Currently, subparagraph 110(1)(f)(v) of the Income Tax Act ("ITA") provides that CF members and police officers are eligible to claim a deduction in respect of taxable employment income earned while serving on deployed international operational missions. This deduction provides additional relief over and above any other non-taxable allowances for absences from Canada that were received by the CF members or police officers.

Subparagraph 110(1)(f)(v) could be amended to provide a deduction for FLHCWs making it applicable to regular employment income or income earned or received by the FLHCW during the period.

For individuals earning a salary, the deduction could be applied to the salary. For self-employed individuals or professional corporations, a notional deduction could apply on the same basis that it would apply to employed FLHCWs.

<https://www.canada.ca/en/department-finance/programs/tax-policy/tax-relief/canadian-armed-forces-personnel-police-officers.html>

3. Relief for FLHCWs or their family member(s) who pass away or become disabled during the COVID-19 pandemic

Background

Owing to the heightened exposure to COVID-19 by FLHCWs in the course of their duties, there will likely be FLHCWs or their family member(s) who will die or become disabled as a result of contracting the virus. Unlike police officers or firefighters, for example, many FLHCWs may not receive grants or other payments should they die or suffer occupational illness or psychological impairment because of COVID-19.

Policy considerations

To provide relief to the families of FLHCWs who pass away or become disabled, a non-taxable grant could be made available to those FLHCWs and their family member(s) who die in the course of, or as a result of an occupational illness or psychological impairment due to COVID-19.

Canada's FLHCWs are currently carrying out their work in a life-threatening environment. Whether it is diagnosing or treating a patient, transporting sick patients or sanitizing our health care facilities, our FLHCWs are all making significant contributions to mitigate the impact of COVID-19 on the Canadian population. The Government of Canada established a tax-free Memorial Grant Program for First Responders (i.e., police officers, firefighters and paramedics) to support the families of those individuals who die in the course of, or as a result of an occupational illness or psychological impairment.

An occupational illness includes cancers and heart injury while psychological impairments include suicides. All of these are examples of the dangers encountered by First Responders and are akin to the risks that the FLHCWs are currently assuming during this pandemic. **We ask that access to the Memorial Grant Program or similar be granted to FLHCWs and their family member(s).**

Eligibility criteria

The families of all FLHCWs earning income while working at health care facilities or public health unit or directly related thereto (e.g., paramedics) would be eligible should the FLHCW die or suffer an occupational illness or psychological impairment because of COVID-19. Moreover, FLHCWs themselves should be eligible should a family member pass away as a result of their duties at a health care facility because the risk of COVID-19 being transmitted to the FLHCW's family member is significantly higher than the risk of a First Responder's occupational illness being transmitted. It would be devastating to FLHCWs should they be the cause of a family member's death and this proposed measure would ease the economic burden and hardship brought about by such a tragedy.

Potential application criteria

A regulated health care professional, within whose scope it is to certify death, could attest to the fact that a FLHCW has died or suffered an occupational illness or psychological impairment because of COVID-19. Certification of the death can also be provided by the Public Health Agency of Canada as they are tracking cases of the virus and deaths.

Implementation recommendations

Paragraph 81(1)(j) of the ITA specifically exempts from income amounts received under the Memorial Grant Program for First Responders under the authority of the *Department of Public Safety and Emergency Preparedness Act*. This program provides grants to families of First Responders for the circumstances noted above in the amount of \$300,000. **The ITA as well as the Memorial Grant Program for First Responders Terms and Conditions would need to be amended to include a definition to include FLHCWs as defined under 248(1) of the ITA.**

<https://www.publicsafety.gc.ca/cnt/bt/mmrl-grnt-prgrm/faq-en.aspx>

4. Temporary Emergency Child Care Tax Deduction

Background

Many FLHCWs require additional child care during this time in order to properly perform their duties in the interest of public safety, to treat patients and to prevent the spread of COVID-19. The closure of schools by the provinces has increased the time that FLHCWs need the support of child care providers, resulting in additional costs. Numerous FLHCWs have or could have had other family members or persons assist with their child care; however, because of requirements for physical distancing, these are no longer viable options. Finally, the children of a FLHCW are being placed into child care with children of other FLHCWs, thereby increasing the possibility of their child being exposed to COVID-19, while the FLHCW performs their duties in a life-threatening environment.

Policy considerations

To provide relief for increased child care costs, the Child Care Deduction could be enhanced.

In order to permit FLHCWs to perform their duties directly related to COVID-19, they require additional support for child care and therefore incur increased costs. The government has already recognized that child care is a significant cost incurred to earn income and, therefore, during this time it should **consider providing additional relief by doubling the Child Care Deduction (Enhanced Deduction) for those FLHCWs who are incurring additional costs and risks in the performance of their duties.** Moreover, the Enhanced Deduction should be available to the FLHCW or their partner or spouse, as decided by them.

Eligibility criteria

All FLHCWs earning income while working at a health care facility or public health unit or in a capacity related thereto (e.g., paramedics or janitorial staff) would be eligible for the Enhanced Deduction. The period for which an Enhanced Deduction would be claimed would be for the entire 2020 taxation year.

Potential application criteria

Certification could be provided by the child care provider of the expenses incurred during the period for providing child care to the FLHCW's children, which could apply for the period or the entire year.

Implementation recommendations

Subsection 63(1) of the ITA permits a deduction from income for child care expenses subject to an annual limit as outlined in subsection 63(3). The government could include an additional paragraph in the definition of "annual child care expense amount" in subsection 63(3) doubling the amounts in paragraph (a) and (b) should the eligibility and application criteria be met. In addition, the government could add a paragraph in subsection 63(2.1) permitting the FLHCW to elect as to whether the Enhanced Deduction should be claimed on their or their spouse's tax filing for the 2020 tax year provided that the spouse has a threshold level of income for the year.