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# Group Insurance for Small Quebec Employers: Drug Plan Rules

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Published by 2727 Coworking · 2026-10-29 · quebec employer group insurance drug plan mandatory · ramq public drug plan private insurance · employee benefits small business quebec

Original article: <https://2727coworking.com/articles/group-insurance-employers-quebec-drug-insurance-ramq-public-plan-obligation>



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## Does a Quebec employer have to offer group insurance?

No. RAMQ says it in so many words: "The employer can choose whether or not to offer group insurance to its employees" (RAMQ, [Information on private plans](#)). What Quebec law does regulate is **what happens once a plan exists**: the *Act respecting prescription drug insurance* (chapter A-29.01) says that every resident must have prescription drug coverage, either through the public plan run by the Régie de l'assurance maladie du Québec (RAMQ) or through a private group plan, and it decides which one applies to whom ([Act respecting prescription drug insurance](#)).

For a founder hiring the first few employees, that creates three practical consequences:

1. If you offer **no** group plan, your employees stay on the RAMQ public drug plan and pay its premium through their Quebec tax return. Nothing to administer.
2. If you offer a group plan that **includes drug coverage**, it must provide coverage at least equivalent to the public plan, and every eligible employee under 65 must join it and cover their spouse and children, unless already covered as a spouse or child under another group plan.
3. If you offer a plan, you take on payroll and tax work: premium deductions, a taxable benefit on the RL-1 and the Quebec tax on insurance premiums.

This guide explains each step. It is general information, not legal, tax or insurance advice. For your other first-hire obligations, see our guide to [hiring your first employee in Quebec](#).

## Public plan versus private plan: who is in which

The Act sorts people into two groups.

**Covered by the RAMQ public plan** (s. 15), among others:

- people 65 or over who are not members of a group plan that includes basic plan coverage;
- people receiving last-resort financial assistance who hold a valid claim booklet;

- **everyone else who is not required to join a private group plan** and is not covered as a beneficiary by a family member's plan.

**Required to join a private group plan** (s. 16): every person eligible for the basic plan (other than those in paragraphs 1 to 3 of s. 15) who belongs to a "group with private coverage" must become a member of that group's plan for coverage at least equivalent to the basic plan.

A "group with private coverage" (s. 15.1) is a group formed for a purpose other than buying insurance, whose members belong to it because of current or former employment, or through a professional order, a professional association, a trade association or a union, **and** who qualify for a group plan that includes coverage for prescription drugs (Act, ss. 15, 15.1, 16).

So the trigger is not your company's size. It is whether your employees have access to a group plan that covers drugs. A five-person startup that buys a group plan with drug coverage turns its employees from public-plan members into private-plan members.

There is one exemption from joining: the obligation does not apply to a person already covered for drugs as a **spouse, child or person with a functional impairment** under another group plan (s. 16, second paragraph). An employee covered by a spouse's plan can therefore stay on that plan.

Note also what the Act says about freelancers: professional orders, professional associations and trade associations can form groups with private coverage too (s. 15.1). A self-employed accountant under 65 whose order offers a group plan with drug coverage for which they qualify must join it (s. 16) and leave the public plan.

## The rule: private plans must include basic drug coverage

Once drug coverage is offered to a group, the Act imposes a floor and several restrictions on insurers.

- **Drug coverage is basic plan coverage.** Any group contract or employee benefit plan that covers prescription drugs is deemed to provide basic plan coverage, whatever the contract says (s. 35).
- **Health coverage brings drug coverage with it.** No insurer may conclude or keep in force a group contract that includes accident, illness or disability coverage for a group covered by s. 16 unless the group also has coverage at least equal to the basic plan (s. 38; s. 39 applies the same rule to uninsured employee benefit plans). Once your employees are in a group plan, you cannot keep the health and paramedical benefits and drop the drugs.
- **At least equivalent coverage.** Members must be covered for at least the basic plan coverage (s. 16). RAMQ summarizes it plainly: all insurers are required to offer at least the same prescription drug coverage as the public plan, and a private insurer may offer more (RAMQ, [Amount to pay for prescription drugs](#)).
- **Everyone in the group.** If a group contract includes drug coverage, the insurer must cover all members of the group (s. 42), and that drug coverage cannot be offered to people outside the group (s. 42.1).
- **No workaround through individual policies.** An individual contract that has the distinctive characteristics of group insurance cannot be offered to a group of people covered by s. 16 unless it includes coverage at least equivalent to the basic plan (s. 42.2).

- **Free choice of pharmacist.** No group plan may restrict a beneficiary's choice of pharmacist (s. 42.2.1).
- **Automatic renewal.** For the basic plan portion, every group contract renews by operation of law each year on its expiry date unless the insurer, the policyholder or the member gives notice. Notices of non-renewal or premium changes from the insurer must reach members at least 30 days before expiry (s. 45).
- **No cancellation except for non-payment.** An insurer can cancel the basic plan coverage only if the premium is not paid, and only 30 days after sending notice (s. 47).
- **No exclusions on the basic portion.** The insurer cannot rely on a policy clause or Civil Code provision to deny or reduce the basic plan portion of coverage (s. 46).

All of the above is from the [Act respecting prescription drug insurance](#).

In practice: if drugs are in, the full basic plan floor is in, for every eligible employee and their family, with no medical underwriting on that portion (s. 37).

## Employee obligations and family coverage

An employee who is a member of a group plan applicable to a group with private coverage must make sure the same coverage is provided to (s. 18):

- their **children** (under 18, or up to 25 if a spouseless full-time student living with a parent, per the definition in s. 17);
- persons with a functional impairment who live with them;
- their **spouse**, if they share the same domicile, **unless the spouse is already covered** under another group plan.

Where parents live apart, the parent with whom the child lives must ensure the child is covered (s. 18.1) ([Act](#)).

For the employer, this means the plan needs single, couple and family rates, and onboarding has to collect each employee's family situation and any proof of other coverage.

## Payroll mechanics: deducting the basic-plan premium

When the group is based on employment, the **employer must deduct** each employee's share of the premium for the basic drug coverage from their pay and remit it to the insurer or plan administrator (s. 44.1). An employee who submits proof of at least equivalent coverage as a beneficiary under another group plan is exempt from the deduction, unless membership in the employer's plan is a condition of employment ([Act](#), s. 44.1). An employer that fails to deduct or remit these premiums commits an offence punishable by a fine of \$2,500 to \$25,000 (s. 84.4). RAMQ advises employers to keep the proof of other coverage (an official letter from the other employer, order or insurer) that justified each exemption ([RAMQ, Responsabilités des employeurs et des assureurs](#), French only).

Eligibility rules (a waiting period such as three months, minimum hours, full-time status) are yours to set with the insurer, but they cannot be based on age, sex or health (ss. 37, 41). A new hire still in the waiting period must stay on another plan, usually the RAMQ plan, until coverage starts (same RAMQ page).

The premium for the basic plan coverage is negotiated or agreed to by the parties (s. 44). In practice the insurer quotes it, and you decide how much of the total premium the company pays and how much employees pay through payroll. Show both on the pay stub; our [pay stub guide for small Quebec employers](#) lists what a Quebec pay stub must contain.

## Public plan costs in 2026-2027

Knowing what employees pay on the public plan helps you judge whether a group plan is a real benefit or a cost transfer. RAMQ's rates in effect **from July 1, 2026 to June 30, 2027** ([RAMQ, Rates in effect](#)):

| Item                                                | July 1, 2026 to June 30, 2027                           |
|-----------------------------------------------------|---------------------------------------------------------|
| Annual premium (paid through the Quebec tax return) | \$0 to \$789 per person, depending on net family income |
| Monthly deductible                                  | \$21.25                                                 |
| Co-insurance                                        | 30% of the cost of covered drugs after the deductible   |
| Maximum contribution, ages 18 to 64                 | \$105.25 per month, \$1,263 per year                    |

The premium is payable even if the person buys no drugs, and it is owed for every full month in which the person had no access to a private plan ([RAMQ, Annual premium](#)). Children of people covered by the public plan are generally covered free of charge if they have no access to a private plan ([RAMQ, Rates in effect](#)).

RAMQ's own worked example: for a \$60 prescription at the first purchase of the month, the adult pays the \$21.25 deductible, then 30% of the remaining \$38.75 (\$11.63), for \$32.88 in total; RAMQ pays \$27.12 ([RAMQ, Amount to pay](#)).

An employee who moves from the public plan to your group plan in mid-year stops owing the public premium for the full months they had access to your plan, and should ask the former insurer for a statement of contributions so the annual maximum is not paid twice ([RAMQ, Amount to pay](#)).

## Tax treatment of employer-paid premiums

Three taxes touch a group plan in Quebec.

**1. Quebec taxable benefit.** For Quebec tax purposes, contributions an employer pays under a group insurance plan for coverage an employee receives because of employment are a **taxable benefit** for the employee. This includes a private health services plan, group life, group critical illness and other group plans. Contributions for wage-loss coverage paid periodically are an exception. The value goes in **boxes A and J** of the RL-1 for a private health services plan, and boxes A and L for other types of plan. For an insured plan the value is the premium **and the related tax on premiums** paid for the employee's coverage, minus what the employee reimbursed through payroll and any premium refunds allocated to them ([Revenu Québec, Plan backed by an insurance contract](#)). The value is estimated and spread over pay periods during the year, then trued up with actual data at year-end ([Revenu Québec, Contributions to a group insurance plan](#)).

**2. Federal treatment differs.** The CRA says employer contributions to a plan that meets every condition of a private health services plan are **not** a taxable benefit (CRA, [Premiums and contributions to insurance plans](#)). So the same health and drug premium is taxable on the RL-1 and not on the T4, which surprises employees who came from other provinces.

**3. Tax on insurance premiums.** Quebec charges a tax on insurance premiums of **9%**; GST and QST do not apply to insurance premiums ([Revenu Québec, Tax on Insurance Premiums](#)). The rate rises to **9.975%** for premiums paid after December 31, 2026, to match the QST rate, and no input tax refund can be claimed for it ([Revenu Québec, 9 April 2026](#)). Budget it as a pure cost.

### Worked example (illustrative)

A four-person Montreal design studio buys a group plan in 2027. The \$200 premium is hypothetical (insurers quote per group); everything else follows the rules above. The employer pays 70% of the premium and the whole tax on premiums; employees pay 30% of the premium through payroll.

| 2027, per employee per month                              | Amount   |
|-----------------------------------------------------------|----------|
| Group premium (health, drug, dental), hypothetical        | \$200.00 |
| Tax on premiums: $\$200.00 \times 9.975\%$                | \$19.95  |
| Employee share, deducted from pay: $\$200.00 \times 30\%$ | \$60.00  |
| Employer cost: \$140.00 premium + \$19.95 tax             | \$159.95 |
| Quebec taxable benefit: $\$200.00 + \$19.95 - \$60.00$    | \$159.95 |

Over a year, each employee's RL-1 shows  $\$159.95 \times 12 = \$1,919.40$  in boxes A and J, and Quebec income tax is withheld on that amount through the year. Nothing is added to the T4, because the plan is a private health services plan. For the four employees, the tax on premiums alone is  $4 \times \$19.95 \times 12 = \$957.60$  a year, with no input tax refund. In 2026 the same premium carries \$18.00 of tax (9%), for a monthly benefit of \$158.00.

## Health services fund and other payroll costs

Benefits sit on top of payroll contributions you already owe. The one most often forgotten is the Quebec **health services fund (HSF)**. For 2026, employers other than primary, manufacturing and public sector employers pay **1.65%** of total payroll if that payroll is \$1,000,000 or less; between \$1,000,001 and \$7,799,999 the rate is  $1.2662 + (0.3838 \times \text{total payroll} \div 1,000,000)$ ; at \$7.8 million or more it is 4.26% ([Revenu Québec, Principal changes for 2026](#)). Rates are as of October 2026.

QPP, QPIP, EI, CNESST and the labour standards contribution complete the list; our [employer obligations by team size guide](#) shows which thresholds kick in as you grow.

## Small-team options

If you want to offer benefits with three to ten employees:

- **Small-group plans from insurers**, usually sold through a group benefits broker or advisor. Compare what each option covers, knowing that health coverage brings the full basic drug plan floor with it (s. 38).
- **Association plans**. Chambers of commerce and industry associations sometimes offer plans to member employers. Check whether you would join a pooled group.
- **Health spending accounts**. These reimburse eligible health expenses up to a set amount. For Quebec tax, employer contributions to one are a private health services plan benefit (RL-1 boxes A and J), like insured premiums. Under the drug insurance Act, an uninsured "employee benefit plan" that covers prescription drugs is deemed to provide basic plan coverage (ss. 4, 35), so an account that reimburses drugs brings the same obligations as an insured drug plan; one limited to dental, vision and paramedical expenses does not.
- **No plan, but higher pay**. A perfectly legal choice. Employees remain on the RAMQ plan.

### Questions to ask a broker

1. What are the single, couple and family rates, and the rate guarantee period?
2. What is the minimum participation, given that employees with spousal coverage may opt out?
3. What happens to coverage when someone leaves, and can they convert?
4. How are renewals priced for a group this small (pooled or experience-rated)?

## Checklist before launching a plan

- ☐ Decide whether the plan includes health coverage; if it does, basic drug coverage and mandatory participation come with it.
- ☐ Choose eligibility rules (hours per week, waiting period) and apply them consistently.
- ☐ Collect each employee's family situation and any proof of other group coverage (spouse's plan).
- ☐ Set the employer/employee premium split; configure the payroll deduction (s. 44.1).
- ☐ Set up the Quebec taxable benefit in payroll (RL-1 boxes A and J or L).
- ☐ Budget the 9.975% premium tax for 2027 premiums.
- ☐ Tell employees joining the plan to stop paying the RAMQ premium for months covered and keep their statement of contributions.
- ☐ Keep the contract, renewal notices and employee enrolment forms on file.
- ☐ Recheck the plan at each renewal; insurer notices of premium changes must arrive 30 days before expiry.

Benefits are a per-head cost like desk space. When you budget a hire, add the plan, the premium tax and the workspace; 2727 Coworking's [office size calculator](#) helps with the space side.

## Sources

1. Act respecting prescription drug insurance, chapter A-29.01 (LégisQuébec)

2. Rates in effect, Public Prescription Drug Insurance Plan (RAMQ)
3. Amount to pay for prescription drugs (RAMQ)
4. Annual premium (RAMQ)
5. Contributions to a Group Insurance Plan (Including a Private Health Services Plan) (Revenu Québec)
6. Premiums and contributions to insurance plans (Canada Revenue Agency)
7. Tax on Insurance Premiums (Revenu Québec)
8. Harmonization of the insurance premiums tax rate with the QST rate, 9 April 2026 (Revenu Québec)
9. Employers: Principal Changes for 2026 (Revenu Québec)
10. Information on private plans (RAMQ)
11. Responsabilités des employeurs et des assureurs (RAMQ, French only)
12. Plan Backed by an Insurance Contract, taxable benefit valuation (Revenu Québec)

## Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

1. <https://www.ramq.gouv.qc.ca/en/citizens/prescription-drug-insurance/information-private-plans>
2. <https://www.legisquebec.gouv.qc.ca/en/document/cs/A-29.01>
3. <https://www.ramq.gouv.qc.ca/en/citizens/prescription-drug-insurance/amount-pay-prescription-drugs>
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10. <https://www.revenuquebec.ca/en/businesses/consumption-taxes/tax-on-insurance-premiums>
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12. <https://www.revenuquebec.ca/en/businesses/source-deductions-and-employer-contributions/employers-kit/principal-changes-for-2026-employers-kit>

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