



## Employee Assistance Programs (EAPs) - Are They a Panacea for All Things Mental Health or is the Issue Much More Nuanced?

*According to the World Health Organization: “Mental health is a state of well-being in which an individual realizes his or her own abilities, can cope with the normal stresses of life, can work productively and is able to make a contribution to his or her community.”<sup>1</sup>*

- **Even before the impact of the COVID-19 pandemic, the Mental Health crisis was real.** The stigma of mental illness faces thousands of Canadians every day whether they are in the hospital, in the workplace, at school or even in their own homes. According to the data, 1 in 5 people in Canada will experience a mental health problem or illness in any given year. Mental illness is also a leading cause of disability in Canada and the economic burden of mental illness in Canada is estimated at \$51 billion per year.
- **Clearly COVID-19 has exacerbated the global crisis in Mental Health.** Studies show that as many as 50% of Canadians reported worsening mental health since the pandemic began. In addition, other disturbing pandemic trends have emerged including an increase in stress leaves, an increase in divorce rates, an increase in domestic violence and intimate partner violence, an increase in substance use, a reversal in decades of progress on poverty, healthcare, and education, and deteriorating mental health associated with chronic illness.
- **Healthcare systems are currently overburdened and cannot adequately address this crisis.** The relative shortage of physicians here in Canada has added more “stress” to the situation as patients cannot get access to the proper primary care.
- **Employee Assistance Programs (EAPs) have stepped into the breach and are beneficial to Employees, Employers and Society as a whole.** EAPs evolved from its inception in the 1940’s to treat “alcohol-impaired” employees, to a totally confidential, professional counselling and advisory service that provides employees with access to psychologists, social workers, addiction specialists and other professionals who can assist employees who are experiencing personal difficulties that can affect work performance.
- **While there is clearly a benefit to many stakeholders, traditional EAPs have their shortcomings, and the model needs to be improved.** Despite their widespread adoption, there are problems with the current model as EAP offerings have become commoditized, the platforms have not improved over time, there have been cost pressures given the shortage of mental health professionals, and there is a lack of data regarding the actual utilization of corporate EAP platforms.
- **As a society we need to get away from the traditional EAP Model and focus more on patient needs FIRST when it comes to Mental Health. The focus should be on improved patient engagement.** Historically, we have “divided the patient” with respect to the treatment of physical conditions and the separate treatment of mental health conditions and this has led to suboptimal patient outcomes.
- **A holistic “Mental Healthcare” approach that seeks to address physical health as well as mental health in tandem is required.** While the traditional market leaders in EAP, Morneau Shepell/LifeWorks and Homewood Health, are adjusting to this new reality, disruptive new entrants like CloudMD and Dialogue are looking to adopt a more holistic, patient-centric approach.

## **Year Two of the COVID-19 Pandemic and its Growing Impact on Mental Health.**

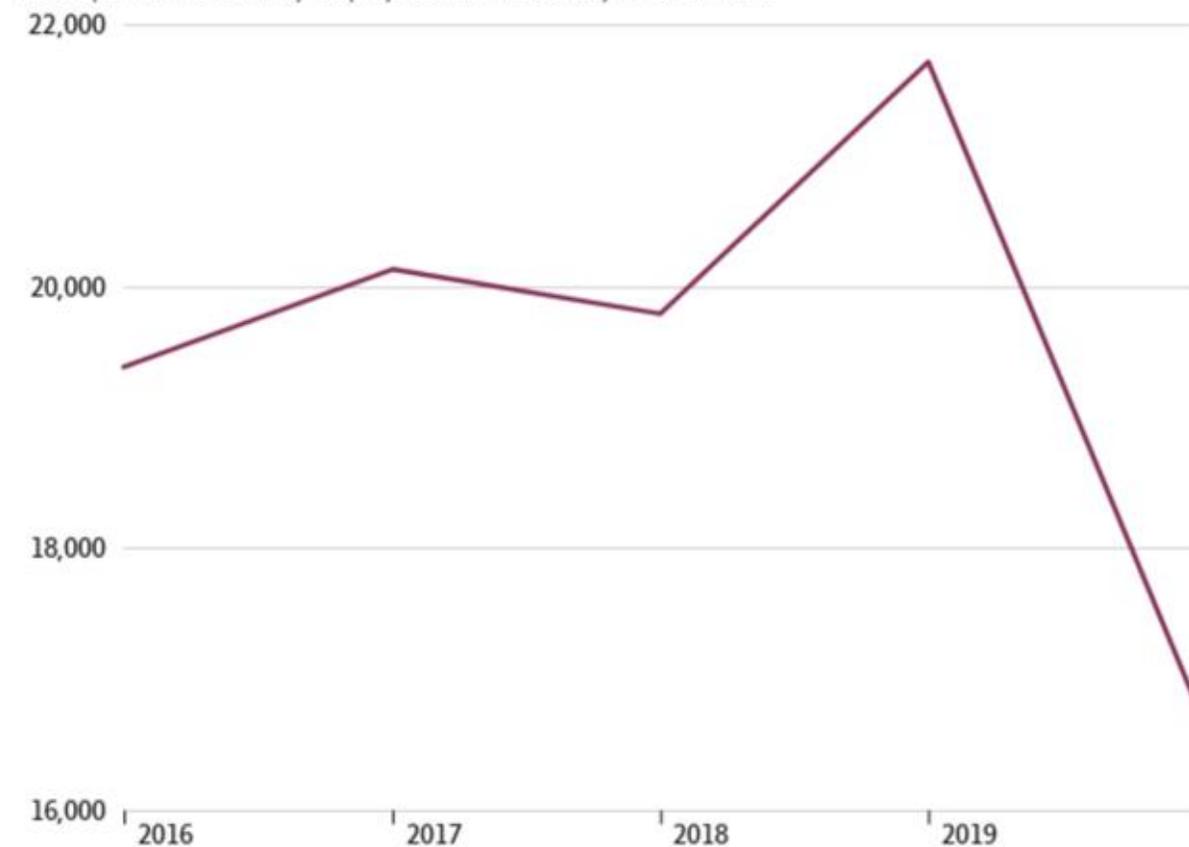
As we embark on our second year dealing with the COVID-19 pandemic, businesses big and small continue to struggle to cope with the “new normal” but some would argue for different reasons. Small businesses such as restaurants, hair salons and non-essential services, have been financially impaired (perhaps permanently) by the COVID-19 lockdowns as their sales have all but disappeared during this period. In contrast, while larger organizations like law firms, banks and other financial institutions have mandated that their employees work from home (WFH) as part of their business continuum, those employees have struggled to maintain a work-life balance and are finding life just as difficult.

It is the latter issue that is gaining a lot more attention in the media these days. With the banks and other financial services entities reporting stronger than expected financial performance, big bonuses and with their stocks trading at all-time highs, why are individuals who have managed to keep their jobs and may be positively impacted by a thriving stock market struggling to cope? There was a recent article in the Globe and Mail titled “[Working from home is causing breakdowns. Ignoring the problem and blaming the pandemic is no longer an option](#)” that highlighted this phenomenon.<sup>2</sup> It is interesting to note that the author cites “white collar professionals” as putting in longer hours, taking on more responsibilities and taking less vacation time as contributing to higher stress levels and increased absences from work:

*“To start, many people are putting in longer hours, with research showing these employees are working 2 to 2.5 hours more a day than before the pandemic. Several factors are at play, but they often boil down to no clear separation between work and home life...Businesses can also be busier than before, but have hiring freezes have forced existing employees to shoulder more work...On top of that, vacations have plummeted, with many people delaying taking time off in hope of using it when some semblance of normal life returns. The number of hours employees spent away from work on vacation fell more than 20 per cent last year, to a nearly 40-year low, according to Statistics Canada.”<sup>3</sup>*

## Decrease in vacations

Hours spent on vacation by employees who were away for a full week



THE GLOBE AND MAIL, SOURCE: STATISTICS CANADA

DATA SHARE

The article further highlights that most Human Resource (HR) departments are just too small to effectively cope with the needs of their workforce during this difficult time.

*“Roughly 70 per cent of Canadians in the private labour force work for companies with fewer than 500 employees. For many at small and medium-sized firms, it’s possible that HR might be little more than a payroll department.”<sup>4</sup>*

### **Mental Health Issues are Already a Serious Medical Concern in Canada.**

In addition to the severe medical and economic toll the COVID-19 pandemic has had on society, mental health continues to be a serious medical concern in Canada and across the globe. Through several charitable initiatives, Mental Health campaigns like Bell Let’s Talk, Protecting Minds, Mental Health Awareness Month and organizations like the Canadian Mental Health Association (CMHA), the Mental Health Commission of Canada (MHCC) and The Centre for Addiction and Mental Health (CAMH), Canadians are becoming increasingly aware of the issues surrounding mental health in our country. However, despite these efforts, the stigma of mental illness faces thousands of Canadians every day whether they are in the hospital, in the workplace, at school or even in their own homes. Most of us have seen this data already but the numbers are still staggering:



*\*1 in 5 people in Canada will experience a mental health problem or illness in any given year. This is nearly twice the number of people in all age groups with heart disease or type 2 diabetes.*

*\*By the time Canadians reach 40 years of age, 1 in 2 have—or have had—a mental illness.*

*\*Mental illness is a leading cause of disability in Canada. People with mental illness and addictions are more likely to die prematurely than the general population. Mental illness can cut 10 to 20 years from a person's life expectancy.*

*\*The economic burden of mental illness in Canada is estimated at \$51 billion per year. This includes health care costs, lost productivity, and reductions in health-related quality of life.*



*\*In any given week, at least 500,000 employed Canadians are unable to work due to mental health problems.*

*\*Individuals with a mental illness are much less likely to be employed.*

*\*Unemployment rates are as high as 70% to 90% for people with the most severe mental illnesses.*

*\*The cost of a disability leave for a mental illness is about double the cost of a leave due to a physical illness.*

*\*A small proportion of all health care patients account for a disproportionately large share of health care costs. Patients with high mental health costs incur over 30% more costs than other high-cost patients.*

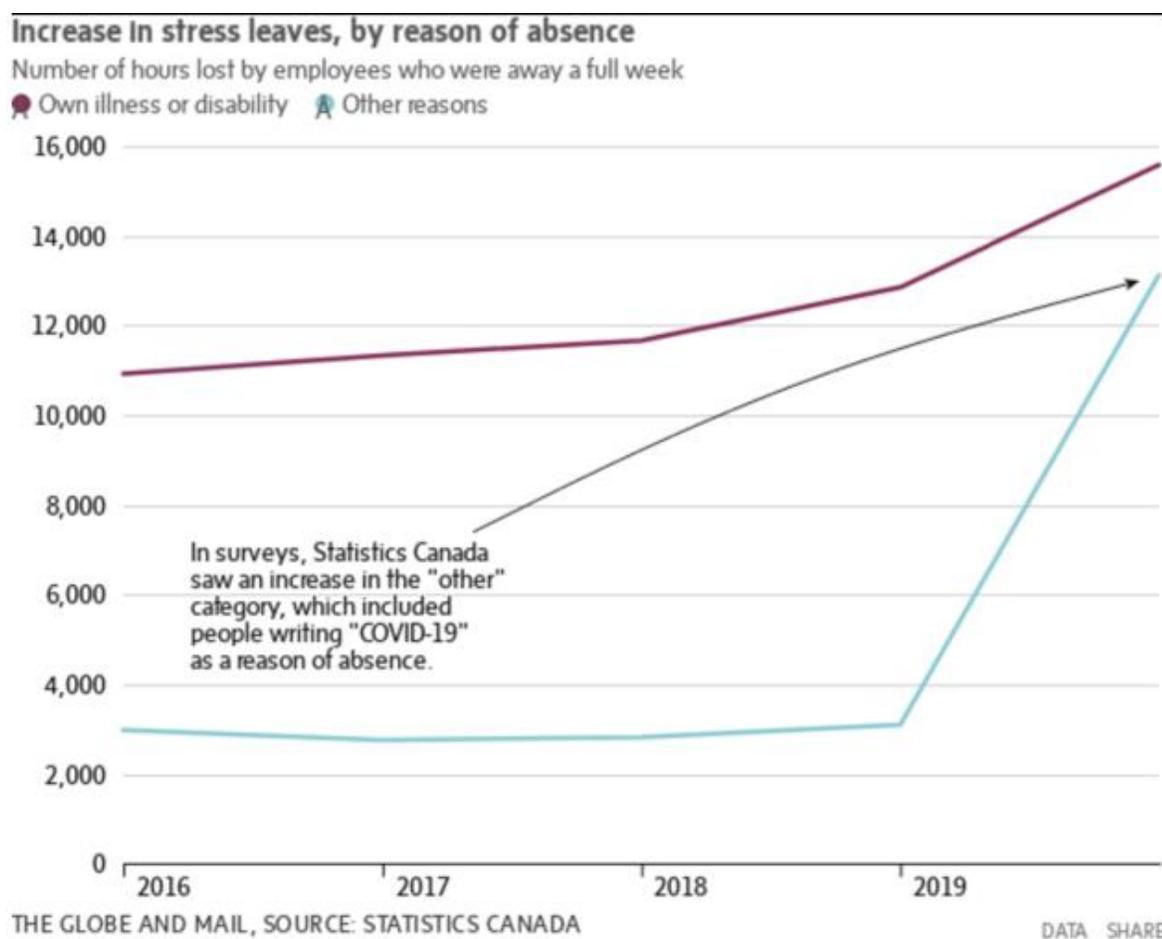
**Sources:**

Mental Illness and Addiction: Facts and Statistics. <https://www.camh.ca/en/driving-change/the-crisis-is-real/mental-health-statistics>  
Canadian Mental Health Association. <https://cmha.ca/fast-facts-about-mental-illness>

## Most of those Statistics are Well Recognized but what about Some of the New Disturbing Trends Emerging from the COVID-19 pandemic?

**An Increase in stress leaves.** As mentioned earlier, the COVID-19 pandemic has had several ripple effects for individuals who at times already struggle to maintain a work-life balance. Issues like the death of a loved one, an ill relative in the hospital, marital strife, or mounting debt as a result of substantially slowed or “shuttered” businesses, is taking its toll and tipping many over the edge. This dark cloud of uncertainty is pushing more and more individuals to take stress leave to cope with bouts of anxiety and depression. Compounding the issue is the fact that only 42% of working adult Canadians have access to paid sick leave and for low-wage workers, who are a major part of what the government deems essential, that number is a paltry 10%.<sup>5</sup>

“Under Ontario’s Employment Standards Act, 2000, employees who have been employed for two consecutive weeks may take up to three **unpaid days** off work per year for an illness, injury, or medical emergency. This is known as “sick leave” of which workplace stress falls under. If an employee is suffering from stress, the type of legal leave to use would be sick leave...Additionally, if an employee is suffering from stress and has already used the three unpaid days off for sick leave, they could ask their employer for additional days off at the employer’s **discretion**.<sup>6</sup>”

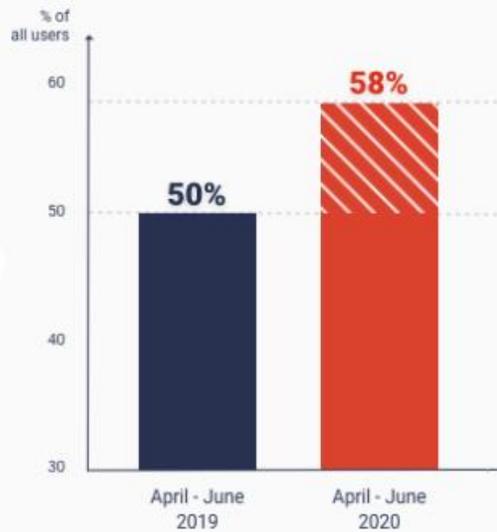


**An Increase in Divorce rates.** Canada’s divorce rate is generally 38 per cent. Historically, economic downturns have led to an increase in the divorce rate or interest in divorce but this time it’s different with COVID-19. Financial stress, couples and spouses quarantined together in small spaces, children learning from home and a lack of physical outlets like gyms, exercise studios or even a local pub where individuals can physically socialize with friends, has put immense pressure on partners. Since the pandemic began, certain law firms in Canada have seen anywhere between a 20% to 40% increase in divorce inquiries. Sadly, this is becoming a noticeable trend as separations and divorce applications are “skyrocketing” across North America and Europe. In the UK, leading British Law Firm Stewarts noted a 122% year over year increase in divorce inquiries between July and October 2020.<sup>7</sup> Shockingly, a major legal contract-creation site in the United States recently announced a 34% year over year rise in sales of its basic divorce agreement. According to LegalTemplates, “*Quarantine was a homewrecker...especially for newlyweds*” as couples married 5 months or less pursued divorce at almost DOUBLE the rate seen in 2019.”<sup>8</sup>



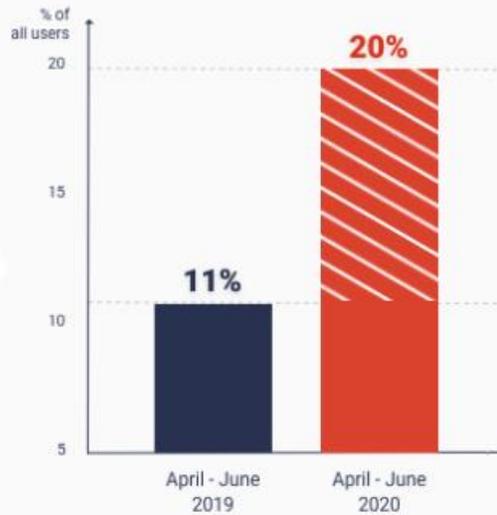
### Quarantine was a homewrecker

Compared to 2019, 16% more couples pursued a divorce after only 5 years of marriage or less.



### ...especially for newlyweds

Couples married 5 months or less pursued divorce at double the rate of 2019



**It now actually takes LONGER to get divorced which is putting even more stress on both families and individuals.** According to a Canadian study on divorce, in 2010-2011 the majority of divorces “were granted within six months after the [case] was first filed”<sup>9</sup> suggesting that lengthy divorce proceedings were uncommon. However, due to lockdown orders, backed up case files at the courts and a shift from physical legal discussions to online mitigation, the divorce process has slowed to a crawl. As per the numbers above one would think that the now lengthy divorce process would deter an increase in case filings, however that is not the case. According the aforementioned 2010-2011 study, less than half of all divorce cases took more than 2 years to finalize, and that number is expected to DOUBLE due to the backlog of cases caused by the implementation of mandatory quarantine practices.<sup>10</sup> This creates even more stress on the individuals and families involved.

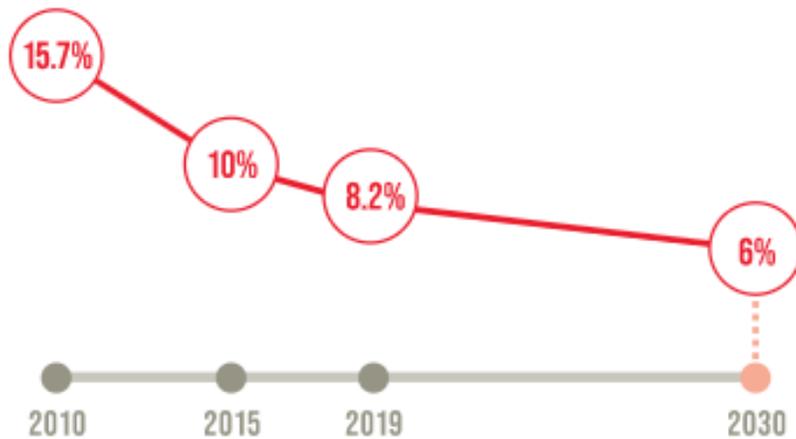
**Marriage rates are down comparatively.** According to a recent study, marriage applications were down significantly across several metropolitan regions in the United States. In Florida, Hawaii, Dallas–Fort Worth–Arlington (DFW), and Seattle, marriage application rates were down anywhere from 15% (Seattle) to 44% (Hawaii).<sup>11</sup> If these trends in other states including Arizona, New Hampshire, Missouri and Oregon were extrapolated nationwide, last year the United States had an estimated “shortfall” of approximately 340,000 marriages according to a paper by Bowling Green’s Wendy Manning and Krista Payne.<sup>12</sup> Part of this can be explained by a lack of access to governmental services that allow the processing of marriage licenses, however, the data didn’t show a rebound in the summer and autumn when states mostly re-opened. This would suggest that there was no pent-up wedding demand from the spring so it would appear that this could be due to fractured relationships.<sup>13</sup>

**The COVID-19 pandemic is reversing decades of progress on poverty, healthcare and education.** The United Nations’ 15-year global effort to improve the lives of people everywhere through the achievement of the 17 Sustainable Development Goals (SDGs) by 2030 started encounter hurdles at the end of 2019. These SDGs, also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. Now, the UN Department of Economic and Social Affairs reports that the COVID-19 pandemic has further disrupted these targets which disproportionately affects the world’s poorest and most vulnerable citizens.

Through the SDGs initiative, the world’s nations were making progress on items like maternal and child health and access to electricity. However, even before the COVID-19 pandemic the world was off track to end poverty by 2030 due to factors like growing food insecurity and deterioration of the natural environment. Perhaps even more surprisingly, with COVID-19 we saw the first INCREASE in global poverty since 1998 with over 71 million people pushed into extreme poverty in 2020.<sup>14</sup>

**BEFORE COVID-19**

THE WORLD  
**WAS OFF TRACK TO  
END POVERTY BY 2030**



**COVID-19 IMPLICATIONS**



**COVID-19 CAUSES  
THE FIRST INCREASE  
IN GLOBAL POVERTY IN DECADES**



**+71 MILLION PEOPLE ARE PUSHED  
INTO EXTREME POVERTY IN 2020**

Source: <https://unstats.un.org/sdgs/report/2020/overview/>

## Here are some more shocking statistics from the United Nations Sustainable Goals Report 2020:

- *“Underemployment and unemployment due to the crisis mean some 1.6 billion already vulnerable workers in the informal economy – half the global workforce – may be significantly affected, with their incomes estimated to have fallen by 60 per cent in the first month of the crisis.”*
- *“Women and children are also among those bearing the heaviest brunt of the pandemic’s effects. Disruption to health and vaccination services and limited access to diet and nutrition services have the potential to cause hundreds of thousands of additional under-5 deaths and tens of thousands of additional maternal deaths in 2020. **Many countries have seen a surge in reports of domestic violence against women and children.**”*
- *“School closures have kept 90 per cent of students worldwide (1.57 billion) out of school and caused over 370 million children to miss out on school meals they depend on. Lack of access to computers and the internet at home means remote learning is out of reach of many. About 70 countries reported moderate to severe disruptions or a total suspension of childhood vaccination services during March and April of 2020.”*
- *“As more families fall into extreme poverty, children in poor and disadvantaged communities are at much greater risk of child labour, child marriage and child trafficking. In fact, the global gains in reducing child labour are likely to be reversed for the first time in 20 years.”<sup>15</sup>*

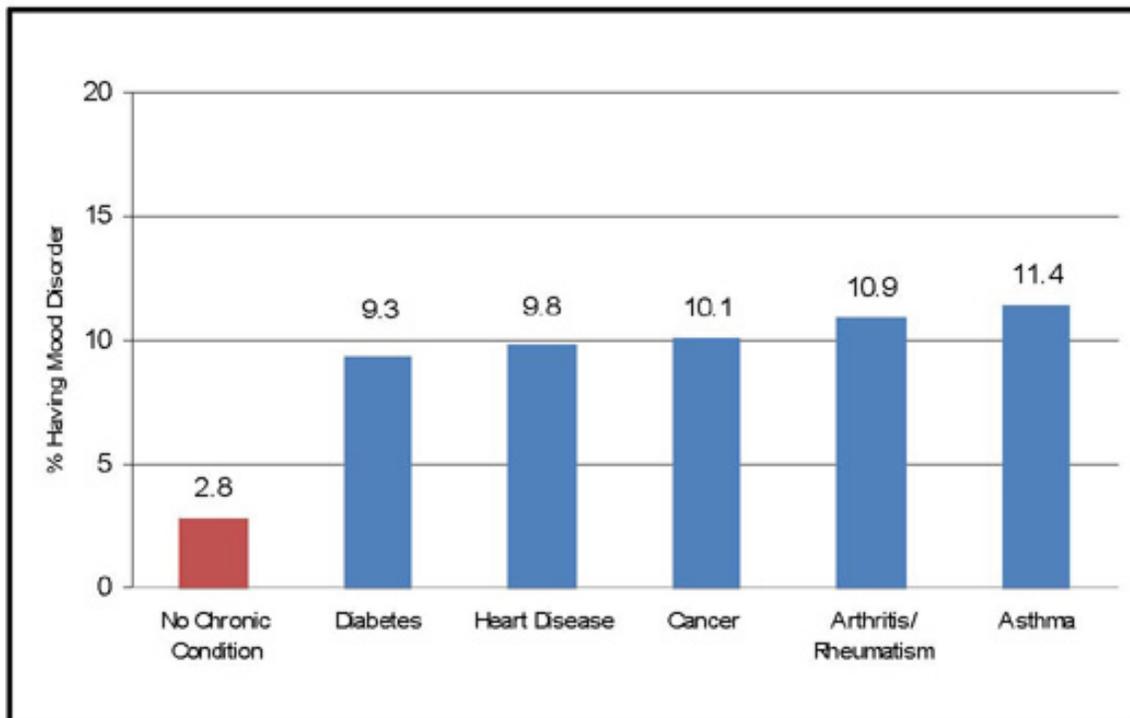
## Instances of Domestic Violence and Intimate Partner Violence (IPV) have Surged during COVID-19.

*“Intimate partner violence and mental health are often closely connected, and from what’s been reported worldwide, the pandemic has had a profound effect on people’s mental health,”<sup>16</sup>*

Another unsettling trend is the rise in domestic violence and intimate partner violence (IPV) across the globe. According to an article in the New England Journal of Medicine, 1 in 4 women and 1 in 10 men experience IPV and the violence can take on various forms including physical, emotional, sexual, or psychological.<sup>17</sup> This “Pandemic within a Pandemic” affects people of all races, religions, cultures, sexual orientations, and socioeconomic classes however this violence has a disproportionate effect on communities of colour and other marginalized groups. During the early days of the COVID-19 pandemic, Statistics Canada cites that data from 17 police forces across the country show that calls related to domestic disturbances rose by nearly 12% between March and June 2020 versus the same period in 2019. However, during the second wave of the pandemic Canada’s Assaulted Women’s Helpline fielded 20,334 calls between Oct. 1 and Dec. 31, 2020 which is almost DOUBLE versus the same period a year earlier.<sup>18</sup> The United Nations Entity for Gender Equality and the Empowerment of Women, also known as UN Women, has referred to violence against women during the COVID-19 pandemic as the “shadow pandemic” lurking in the background as healthcare systems are drained and shelters are at capacity.

## The link Between Deteriorating Mental Health and Chronic Disease has been Magnified by COVID-19

There have been clear links established between Chronic Pain and worsening mental health. Chronic pain impacts one in five adults and is defined as persistent pain that lasts for more than three months. Chronic pain is often associated with other health conditions such as anxiety and depression, resulting in a low health-related quality of life.<sup>19</sup> Chronic pain affects an individual's ability to function at home and at work and leads to concentration difficulties, disturbed sleep patterns, fatigue, loss of appetite and mood changes. Overall, chronic pain makes it difficult to participate in social or leisure activities which can lead to frustration, lowered self-esteem resulting in depression and anxiety. However, this is not just a chronic pain issue. According to a report by the Canadian Mental Health Association, people with chronic physical conditions have twice the likelihood of experiencing a mood or anxiety disorder when compared to those without a chronic physical condition.<sup>20</sup> More specifically, studies have shown that people with diabetes can experience mental-health issues like depression, anxiety and eating disorders. In addition to the increased risk for severe illness from the virus that causes COVID-19, people with diabetes have a nearly 30% risk of suffering symptoms of depression and approximately 10% will experience severe depression, known as major depressive disorder.<sup>21</sup> Diabetics may also live in a state of mental insecurity with respect to their blood glucose levels, possible complications and the impact on their personal and professional lives. This may then lead to experiences of dysphoria, anxiety, depression and even diabulimia (a disorder where people with type 1 diabetes deliberately omit or reduce their dose of insulin in order to lose weight).<sup>22</sup>



**Figure 1. Comparison of Mood Disorder Rates in Ontarians with and without Chronic Physical Conditions**  
(Source: Canadian Mental Health Association: [The Relationship between Mental Health, Mental Illness and Chronic Physical Conditions.](#))

## **AND Mental Health Issues, including Substance Use, are Getting Worse due to COVID-19...**

There have been several polls conducted suggesting that Canadians are suffering worsening mental health since the start of the pandemic. A study conducted by CAMH reported that one in 10 Canadians polled said that their mental health had worsened “a lot” as a result of COVID-19 while 50% of Canadians reported worsening mental health since the pandemic began with many feeling worried (44%) and anxious (41%).<sup>23</sup> In addition, over 80% of Canadian workers surveyed reported that the pandemic is negatively impacting their mental health.

Another scary trend is the notion that substance use is on the rise in Canada during COVID-19. A recent poll conducted by the Centre for Addiction and Mental Health (CAMH) found that 25% of Canadians aged 35-54 and 21% of those aged 18-34 have increased their alcohol consumption since social distancing and self isolation due to COVID-19 began. Another study found that Canadians who described their mental health as ‘fair’ or ‘poor’ were more likely than those with better mental health to have increased their use of alcohol, cannabis and tobacco during the early stages of the pandemic.<sup>24</sup>

There was a recent article published in the Globe and Mail comparing the opioid crisis to the COVID-19 pandemic. Since 1995, more than 700,000 people in North America have died from drug overdoses – almost twice the number of deaths from COVID-19 at that point. In the past 3½ years, more than 17,602 Canadians have died of opioid-related overdoses. *Sadly, due to the COVID-19 pandemic, “between April and June last year overdose deaths jumped a record 58% over the previous quarter.”*<sup>25</sup>

### **In addition, the Lack of Available Treatment due to the Disruption of Current Mental Health Service has Exacerbated the Problem of Increased Substance Use.**

Once again, the numbers tell us that people living with mental illness are twice as likely as other Canadians to experience problematic substance use and these individuals also account for nearly one-third of inpatient mental health admissions.<sup>26</sup>

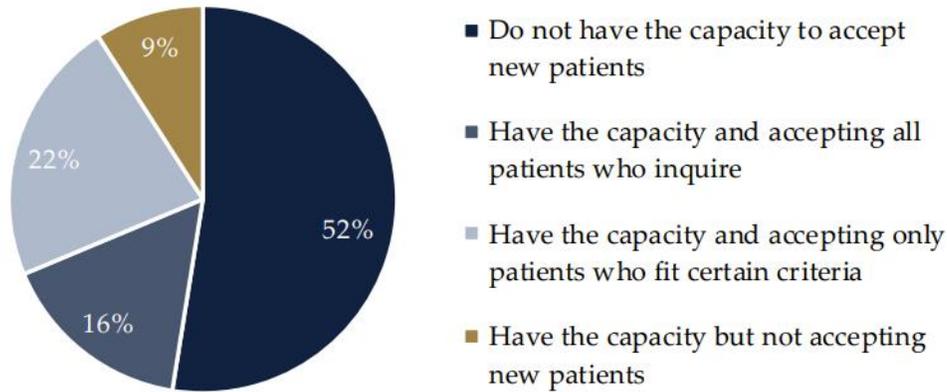
According to the World Health Organization (WHO), the COVID-19 pandemic has disrupted current mental health services globally for vulnerable people, including children and adolescents, older adults, and women requiring antenatal or postnatal services. What may even more startling, however not surprising, is the data that suggests that for individuals requiring mental health services, 67% saw disruptions to counseling and psychotherapy; 65% to critical harm reduction services; and 45% to opioid agonist maintenance treatment for opioid dependence.<sup>27</sup>

### **Unfortunately, the Canadian Healthcare System is already taxed as there is a lack of available doctors and proper patient care available.**

The relative shortage of physicians here in Canada has added more “stress” to the situation as patients cannot get access to the proper primary care. In Canada, the majority of physicians do not have the capacity to accept new patients and there are only about 2.7 physicians per 1,000 population, which lags the OECD average of 3.5.<sup>28</sup> This has subsequently limited primary care capacity given that about 61% of doctors here in Canada are currently not accepting new patients.<sup>29</sup>

## Canadian Primary Care Capacity

*The majority of physicians in Canada do not have the capacity to accept new patients*



Therefore, if we do not have enough doctors to ensure that patients receive the proper primary care, then it stands to reason that there will be a lack of recognition, thorough assessment, and specialist referrals necessary for the proper treatment of mental health conditions. Add to that the fact that almost one half (49%) of people who feel that they have suffered from depression or anxiety have NEVER gone to see a doctor about this problem, we could have another “wave” that the COVID-19 epidemiologists are currently not anticipating. This next wave could be a mental health crisis.

Clearly, with a lack of available primary care doctors, mounting mental health issues due to the COVID-19 pandemic, and increased substance use/abuse due to lockdowns, more help is needed.

## ***Enter the Employee Assistance Programs.***

An Employee Assistance Program (EAP) is an employer-sponsored benefit that provides counselling and services for employees and their immediate families. This professional counselling and advisory service is totally confidential and provides employees with access to psychologists, social workers, addiction specialists and other professionals who can assist employees who are experiencing personal difficulties that can affect work performance.

According to the Canadian Centre for Occupational Health and Safety (CCOHS) *“An EAP, or employee assistance program, is a confidential, short term, counselling service for employees with personal difficulties that affect their work performance. EAPs grew out of industrial alcoholism programs of the 1940's. EAPs should be part of a larger company plan to promote wellness that involves written policies, supervisor and employee training, and, where appropriate, an approved drug testing program.”*<sup>30</sup>

Also, CCOHS states that *“The EAP offers help with the resolution of difficulties that may be affecting work. These difficulties, however, do not have to be caused by workplace issues. Employee Assistance Programs are designed to help people understand or overcome their difficulties regardless if the source is work or otherwise. While most EAPs offer a wide range of services, they often refer to other professionals or agencies who can offer more or extended care in particular areas.”*<sup>31</sup>

Traditionally, an EAP provides employee access to assistance “on demand” 24 hours per day, 7 days per week. In a typical situation an employee calls a help line, an intake professional receives the call (Counsellor, Nurse Practitioner, etc.), some basic personal information is recorded, an assessment is made, and, on a case-by-case basis, the person is then matched to a qualified counsellor in their area. If the situation is deemed “urgent” (i.e. life threatening) the intake professional may provide counselling immediately.

For a typical Employee Assistance Program, workers can expect help in dealing with various issues from job stress, harassment, substance abuse, family violence, childcare, fitness/wellness, crisis situations and personal situations.



Source: The Employee Assistance Trade Association (EASNA): The Value of Employee Assistance Programs

## ***According to the data, there is VALUE in Employee Assistance Programs.***

A paper titled “Investigating the Global Value of Employee Assistance Programs: A Canadian Study” attempted to assess the impact of EAPs. More specifically, the study asked the following questions: 1) Is there a “need” for EAPs at the Individual Level? 2) Is there a “need” at the organizational/employer and societal level? 3) Is mental health, the primary target of EAPs, actually associated to organizational and societal outcomes? And finally, are improvements observed at the individual (mental health, alcohol use), organizational (productivity, employer cost) and social (healthcare utilization) levels after EAP use?

**EAPs are beneficial to Employees.** Overall, the results of the study were positive on multiple metrics which suggests that Employee Assistance Programs are beneficial to employees. More specifically, overall mental health was significantly improved after access to the EAPs and there was a statistically significant reduction in stress, anxiety, and depression.<sup>32</sup> In addition, alcohol use was significantly reduced in both men and women after EAP access.

**EAPs are beneficial to Employers.** EAPs are beneficial to employers as there was a significant improvement in work productivity as 75% of participants showed improvement after access to the EAP. In addition, before access to EAP services the average COST to employers per month was \$294 and after access the average GAIN to employers in work performance was \$526.<sup>33</sup>

**EAPs are beneficial to Society.** There are also data that suggest that EAPs are beneficial to the healthcare system as a whole as there were significant reductions in the number of visits to other public healthcare practitioners (e.g. specialists vs. family doctors) which indicates lower overall public healthcare utilization.<sup>34</sup>

In summary, the study concluded that there were individual benefits to an EAP as employee mental health was improved. This includes a reduction in stress, anxiety, depression, and alcohol use which are all very common mental health concerns in the workplace. In addition, there were organizational benefits as work productivity improved after EAP use leading to gains to employers in terms of work performance. Finally, there were social benefits as EAP users showed a reduction in visits to public health care practitioners which leads to a lower burden of healthcare costs to the system.

### **And...Employers Have Been Listening.**

Once again, Employee Assistance Programs are traditionally good for an organization for several reasons:

- 1) EAPs lead to increased productivity: “A Happy Worker is a Productive Worker”. Simply stated, when employees are distracted, stressed or “bogged down” by personal issues they are less motivated, less attentive, less creative and this may lead to increased absenteeism.
- 2) EAPs help businesses Reduce costs: “Mental Health Issues are Costly for an Employer”. According to Statistics Canada, mental health issues account for over 75% of short-term disability claims and are estimated to account for \$20 billion in direct costs to employers annually.<sup>35</sup>
- 3) EAPs Offer Financial Returns to Employers: “An Ounce of Prevention is Worth a Pound of Cure”. As per a 2020 Workplace Outcome Suite (WOS) Report conducted by Barb Veder, Research Lead and Chief Clinician at Morneau Shepell, the estimated ROI for EAP programs ranged from 3:1 for small-size employers, 5:1 for medium-size employers and 9:1 for large-size employers in the United States. In addition, EAPs result in cost savings ranging from about \$2,000 to \$3,500 per employee.<sup>36</sup>
- 4) EAPs allow Employers to attract top talent. “We value our Employees”. A recent Mercer study shows that 50% of workers prefer that organizations protect health and financial wellbeing and 55% of employers are redefining their wellness strategy.<sup>37</sup> EAPs have come to be recognized as a way that an employer can show that it cares for its employees.

Over time, Employee Assistance Programs have become widely adopted by businesses both large and small. More specifically, the number of organizations with an EAP went from 31% in 1985 to 75% in 2009.<sup>38</sup> Today, according to the International Employee Assistance Professional Association, an estimated 97% of large companies with more than 5,000 employees have an EAP. Even as you move down to medium-sized (1,001-5,000 employees) and small companies (251-1,000 employees), 80% and 75% of those entities have EAPs respectively.

### ***However, What has Been Wrong with the Traditional EAP Platforms?***

**There are Disadvantages for Employees.** To understand some of the issues with Employee Assistance Programs it is worth revisiting the history of EAPs and their evolution to the platforms we see today. EAPs began in the 1940s as a way to offer addiction counselling for “alcohol-impaired employees” and over the next decade these programs evolved to include mental health support. While they were originally offered as in-house company programs, they grew to become their own industry. As the model grew over time, it began to *“imply that EA clinicians generally function as private practice therapists, providing one to eight visits about 60-70% of the time, preventing “costly” referrals beyond the EAP to the benefit plan.”*<sup>39</sup> This suggests that by offering a capped number of sessions with a counsellor this allowed programs to “re-route” employees away from using costlier psychologists offered by some benefits plans. This is a controversial notion because this also implies that the model evolved according to what works best for the benefits providers rather than what best addresses the needs of the employees.

Compounding the issue was the “thinning out” of EAP companies from a diverse number of competitors to a limited number of large service providers due to a series of mergers and acquisitions here in Canada. This market consolidation has led to large, publicly traded corporations dominating the EAP industry and, it has been argued by some, that the shareholders of these companies now determine the quality of mental health care made available to employees and their families.

**There are Disadvantages for Employers.** Some have argued that there is a clear lack of data regarding the utilization of corporate EAP platforms. These employers lack the necessary information to determine what percentage of employees are actually using the EAP. Data regarding the average number of sessions per employee or simply whether an employee had a positive or negative EAP experience remains elusive. Moreover, EAPs are usually tethered to benefits packages so the costs are usually rolled together and, as a result, many employers do not know precisely what they are paying per employee for the program.

#### **There are Still Problems with the traditional Model:**

- **EAP offerings are becoming commoditized.** While 20 years ago the EAP business enjoyed higher prices and high margins, once a certain U.S. payroll provider entered the Canadian market, this led to lower prices which led to margin compression and a “race to the bottom”. This margin compression still exists today.
- **These programs haven’t improved over time.** There is still a stigma associated with mental health so employees are both reluctant to use the service and, due to privacy, may not disclose a negative experience to their Human Resources (“HR”) department. This does not promote utilization or improvements in the programs.
- **There are cost pressures given the shortage of Mental Health Professionals.** There is a shortage of Counsellors and Psychotherapists, so these professionals generally do not want to work for an EAP program because of the lower fee structure. Like any business, individuals using an EAP platform want to deal with experienced personnel rather than someone right out of school. However, experienced mental

health professionals prefer to run their own private practices rather than work at EAP rates. For example, the average Employee Assistance Program (EAP) Counselor makes C\$42.50 per hour in Canada versus \$70-100 per hour for a Clinical Social Worker and \$125-175 per hour for a psychotherapist.<sup>40</sup>

***For Employee Assistance Programs, Digital Solutions that Allow for a “Holistic” View of the Patient and “Mental Healthcare” is the Next Evolution.***

Employers are starting to realize Employee Assistance Programs are not enough and companies need to be more proactive when it comes to addressing mental health issues in the workplace. COVID-19 has shown us that employers can no longer afford to be passive and need to find additional solutions that address mental health issues and promote the overall health and wellbeing of its workers. According to Mercer’s latest Global Talent Trend 2021 report, “64% of Canadian employers plan to add benefits to address mental or emotional health issues, and 50% are training managers to spot mental health issues.”<sup>41</sup>

*“A strong mental health strategy allows an employer to set a framework, identify gaps, address employee preferences and cover needs across the entire spectrum of mental health conditions.”<sup>42</sup>*

It is becoming clear that having a program to address a physical condition and a separate EAP program to address mental health condition is fraught with issues. When most people know that by the very nature of our healthcare system it is easier to get a diagnosis for a broken arm than it is to get a diagnosis for depression, something has to change. Clearly, while one diagnosis is can be more subjective while another is usually backed by physical evidence (i.e., an X-ray), patients should expect the same level of care whether or not they present with physical symptoms or mental symptoms. In fact, one could argue that in many cases they both go hand-in-hand.

***We need to move away from the concept of Employee Assistance Programs as a “Cure All” or “Panacea” and consider Mental Health along with Physical Health when trying to achieve positive patient outcomes. This is evidenced by the plethora of studies that show patients with chronic physical conditions are almost twice as likely to also suffer from mental health issues. In a new era of digital/virtual care, where it is possible to create bespoke healthcare solutions more efficiently, a more holistic view of the employee or patient is required. Think of it as “Mental Healthcare” with a goal to promote better patient engagement. This is the only way we are going to be able to deal with the next pandemic: a crisis in mental health. And this pandemic will likely last much longer than COVID-19.***

### **Summary Conclusions:**

- 1) Even before the impact of the COVID-19 pandemic, the Mental Health crisis was real.
- 2) Clearly COVID-19 has exacerbated the global crisis in Mental Health.
- 3) Healthcare systems are currently overburdened and cannot adequately address this crisis.
- 4) Employee Assistance Programs (EAPs) have stepped into the breach and are beneficial to Employees, Employers and Society as a whole.
- 5) While there is clearly a benefit to many stakeholders, traditional EAPs have their shortcomings, and the model needs to be improved.
- 6) As a society we need to get away from the traditional EAP Model and focus more on patient needs FIRST and improved patient engagement when it comes to Mental Health.
- 7) A holistic “Mental Healthcare” approach that seeks to address physical health as well as mental health in tandem is required.

***There are Several Companies that Intend to Help with a Transition from Traditional EAP to a Holistic “Mental Healthcare” Strategy.***

### **The “Traditional” Players:**

#### **Morneau Shepell Inc. (MSI, \$2.2 Billion Market Cap).**



Morneau Shepell Inc. (“Morneau Shepell”, “MSI” or “the Company”) provides health and productivity, administrative and retirement solutions to assist employers in managing the financial security, health, and productivity of their employees. The Company employs ~6,000 employees; serves ~24,000 client organizations across 162 countries. Since 2008 Morneau Shepell has made 17 acquisitions which represents over US\$800 million in disclosed transaction value. MSI is a market leader in Canada with a growing presence in the U.S. and internationally.

#### **The Company has four operating segments:**

- 1) Well-Being Solutions (38% of Revenue) – integrates Employee Support Solutions with the people, assets, and capabilities of the LifeWorks organization.
- 2) Administrative Solutions (40% of Revenue) – offers user-friendly solutions for the administration sector.
- 3) Retirement Solutions (12% of Revenue) – helps organizations design, build, and operate sustainable retirement programs that provide a strong ROI.
- 4) Health & Productivity Solutions (10% of Revenue) – offers strategic advice to help organizations provide the best offerings for their employees.

#### **What are they doing differently in EAP?**

- In October 2020, MSI announced a LifeWorks telemedicine offering. MSI Acquired LifeWorks in July 2018 and LifeWorks (formerly Ceridian/LifeWorks) is a Global EAP and wellness provider with a SaaS model. LifeWorks has a presence in the U.S., U.K., Australia and Canada. They are also partnered with LifeSpeak to offer health and wellness content.
- There is value in LifeWorks’ clinical network. Once again, if you own your healthcare professionals (i.e. doctors and nurses) there is no need to rely on a network which subjects an employer to cost pressures, and subjects an employee to the feeling that they are being rushed through the system. It is assumed that in an environment with heavy price competition there is pressure to generate more volumes and hence pressure to get more patients through the system to maximize revenues. When you have your own healthcare professionals in house, there is less impetus to do this.
- Their EAP platform can go head-to-head with the Healthcare IT/Virtual health players now entering the space. They have a very broad platform that can deal with anything from depression to alcohol-dependency. As noted, LifeWorks has a clinical network that many of the virtual care providers currently do not have.

- Is LifeWorks a hidden asset inside MSI? MSI acquired LifeWorks for \$426M or an implied multiple of 4.1x 2017 revenues of \$105M. Back of the envelope, even if you assume modest top-line growth of 5% in that business since the acquisition, LifeWorks could generate \$125-130M in revenues (at 10% growth that number is closer to \$150M). According to INFOR's Healthcare IT tracker, the Global HCIT companies trade at an average EV/Revenue multiple of 15x while the Canadian Comps trade at ~5x multiple on average. Ignoring any associated debt, this puts a rough valuation range of \$650 Million to \$1.5 Billion on the LifeWorks platform stand-alone.

**Risk:** The traditional EAP market is ripe for disruption and this is still a major portion of MSI's overall business.

## Homewood Health (Private).



Founded in 1883, Homewood Health ("Homewood" or "the Company") is the second largest EAP provider in Canada. Homewood has a two-pronged strategy where they have an EAP platform as well as facilities dedicated to Mental Health and Addiction Treatment. Homewood has clinics in Vancouver, Edmonton, Calgary and Mississauga as well as three inpatient treatment centres including Homewood Health Centre which is one of the largest Mental Health and Addiction Facilities in Canada. This fully accredited 300-bed facility is located in Guelph Ontario and, along with The Residence at Homewood and the Homewood Ravensview, offers over 130 years of award-winning patient care. Homewood Health is partnered with several other mental health initiatives including Kids Help Phone, Stepped Care Solutions and Greenspace Mental Health as part of Wellness Together Canada. Wellness Together Canada offers a full range of free mental health support and counselling to people of all ages in every part of Canada and is funded by Health Canada.

Homewood offers a unique continuum of care with three verticals including 1) Stay-at-Work Services, 2) Return-to-Work Services and 3) Treatment Services:

- The Stay-at-Work services focuses on sustaining good employee health through an integrated approach to overall health and wellness.
- The Return-to-Work Service focuses on reducing costs due to absence, helping employees get back to work and staying there successfully.
- The Treatment Service focuses helping employees recover from the most complex mental health challenges or addictions.

Homewood Health Inc has 4,500 total employees across all of its locations and, according to reports, generates between C\$450 and C\$650 million in annual revenues.

### What are they doing differently in EAP?

Homewood has a two-pronged strategy where 1) they are the second largest EAP provider in Canada and 2) they own treatment private pay facilities/hospitals. These hospitals can charge anywhere from \$25,000 to \$35,000 per stay.

**Risk.** This is a well-run private business with over 130 years of experience in mental health patient care and award-winning physical facilities. As the EAP landscape rapidly evolves, Homewood may not be able to shift their overall patient care model to incorporate an effective virtual care platform.

## The “Disruptive” Players in EAP:

### **CloudMD Software & Services Inc. (DOC, \$400M Market Cap).**



CloudMD Software & Services Inc. (“CloudMD”, “DOC” or “the Company”) is a virtual care provider rapidly becoming a leader in the Employer Healthcare segment. With the recent acquisition of Oncidium, DOC is well positioned to take advantage of the \$3.5 trillion untapped virtual care market.

The \$100M Oncidium acquisition represents CloudMD’s largest acquisition to date and the deal increases the Company’s annualized revenue run rate to ~\$122M. Oncidium is one of Canada’s leading health management companies with a loyal client base of over 500 corporate and public sector clients across various industries. This transformative acquisition expands CloudMD’s National footprint to include 5,500 clients, 8,500 direct healthcare providers, and over 5 million individual lives touched. This acquisition accelerates the positioning of CloudMD as the leading service provider in the employer market and creates opportunities for synergies and cross sale of existing services. Moreover, the employer market is the fastest growing area in healthcare spending as employer healthcare costs are expected to grow by 130% through 2025.

CloudMD continues to be one of the fastest growing companies in Healthcare IT as the company has closed on 11 acquisitions in the past 6 months. The Company continues to build on its basic principles: 1) own all their own technology and innovate from that technology, 2) as healthcare providers, everything they do comes from the perspective of the individuals they are trying to treat, and 3) revolutionizing the way healthcare is deployed by taking a “patient-centric” view rather than “dividing the patient” where disparate healthcare professionals treat separate conditions with a lack of cross-communication. Historically, “dividing the patient” has been the standard of care and that has unfortunately led acute problems to grow into chronic problems which, over time, further leads to complications including mental health issues. According to the Company, CloudMD solutions lead to better outcomes given that they are focused on a “patient-centered” approach to comprehensive care versus episodic care. To that end, CloudMD has thoughtfully acquired and developed innovative technology and pursued an omni-channel strategy within the sector utilizing highly motivated and energized healthcare professionals to deliver said care.

CloudMD has an employee service delivery offering that includes: 1) virtual and on-demand care, 2) onsite care at the employer and 3) access to a national network of over 8,500 healthcare providers as well as over 100 regulated “in-house” health professionals. This works in conjunction with an employer service delivery offering that includes: 1) virtual and onsite access to occupational health nurses and physicians, 2) absence management, return-to-work, and Workers’ Compensation claims management, 3) medical assessments and health surveillance and 4) medical management, COVID-19 support services and rapid testing.

#### **What are they doing differently in EAP?**

CloudMD is building a software-enabled virtual Employee Assistance Program (EAP) platform through a series of acquisitions:

**September 24, 2020: DOC announced a definitive agreement to acquire Snapclarity for C\$3.35M.** Snapclarity provides an on demand digital platform that provides an assessment for mental health disorders. This results in a personalized care plan, access to online resources, a clinical health care team and the ability to match to the right therapists.

**October 22, 2020: DOC announced the acquisition of Medical Confidence for \$6M.** Medical Confidence provides access to a real time digital database of publicly available specialists allowing patient referrals to the right specialist in the shortest period of time. The platform provides medical consultations, wellness plans and referrals to Canadian healthcare providers in support of patient's mental and physical health.

**October 28, 2020: DOC announced the acquisition of HumanaCare for \$17.5M.** HumanaCare is an industry leading EAP, funded by employers to provide access to mental and physical wellness support services. HumanaCare provides employee health services to over 5000 corporate clients, 1 million employees and their family members utilizing a clinical network of more than 3500 clinicians.

**January 18, 2021: DOC signed a binding term sheet to acquire 100% of Aspiria Corp.,** an integrated, Employee (EAP) and Student Assistance Services (SAP) company, which focuses on a comprehensive suite of mental health and wellness solutions for all employer and educational sectors. Aspiria currently serves over 750 organizations, with 1 million employees, students, and their families, in Canada and internationally. The acquisition will increase the Company's clinical network to approximately 7,500 therapists in North America.

### **How do these acquisitions tie together?**

**Snapclarity is the digital platform that can diagnose up to 13 different mental health disorders.** Snapclarity is a diagnostics tool. Historically, EAPs don't actually diagnose, they manage a referral process. This is a differentiator as CloudMD now has their own digital intake process. In the "new normal" individuals want to pay for "mental health solutions" they don't just want to buy EAP. **HumanaCare provides the employer a funded EAP Platform.** They have already seen improvement at HumanaCare given that EBITDA margins were less than 9% at the time of acquisition however, margins are now up to ~15%. In addition to an EAP platform, **Aspiria contributes Student Assistance Services Programs (SAP).** The Aspiria acquisition brought a few things to the table: 1) The student assistance programs provide access to Colleges and Universities as young people have high incidence of depression and suicide, 2) Shorter 25-30 minutes sessions vs the typical hour-long sessions which suits this demographic, and 3) an extensive U.S. network.

**CloudMD has built a platform that allows employees/patients to maximize the utilization of the services offered to them while also allowing employers to see the data and track the benefits.** DOC uses the Nurse Case Manager as the gatekeeper: 1) Snapclarity performs a mental health assessment (symptom platform evaluation), 2) the Nurse Case Managers evaluate next steps and 3) if an individual has a defined dollar amount for mental health and paramedical spend, they can be directed to the correct portal. This could be the EAP platform, or depending on the circumstances, they can avoid EAP altogether and be immediately directed to the physician portal. CloudMD's total solution allows Nurse Case Manager to use public and private resources when needed.

**The "value proposition" lies in the capabilities and workflow, and this should drive margin expansion.**

CloudMD "owns" their docs so they can monetize the patient in several different ways. In addition, Oncidium has a proprietary technology that allows it to analyze what services employees are utilizing and the overall spend. This allows employers to see what programs are being utilized and which programs are not so that they can redirect their spend accordingly. Therefore, there is margin expansion potential from treating an individual more effectively, and by managing the total spend for an employer which results in cost savings. Ultimately, CloudMD should be able to share in that savings.

**Risks:** Once again, CloudMD has made 11 acquisitions in the past 6 months. Even though these acquisitions were targeted, as with any acquisition, there is always integration risk. That risk is compounded when there have been multiple acquisitions within a short time frame. In addition, there is rebranding risk and a risk that the platform doesn't scale as expected.

Dialogue Health Technologies Inc. (“Dialogue”, “CARE” or “the Company”) is the premier digital healthcare and wellness platform in Canada as the first pureplay B2B virtual care operator. Dialogue has leading market share and the largest client base. Last year, Dialogue achieved 187% organic revenue growth and is currently generating \$60 MM+ in ARR, with 99% recurring/reoccurring revenue as of January 2021. Aside from a compelling financial profile, Dialogue also features exceptionally strong customer KPIs, distribution agreements with four of Canada’s top five insurance carriers, direct relationships with over 2,000 top-tier business customers, and approximately 2.5 MM Canadians have access to its virtual platform.

**What healthcare issues does Dialogue hope to address?** At the risk of belaboring this point, in Canada, we are suffering from a shortage of physicians, so most doctors do not have the capacity to accept new patients. As a result, this puts more stress on the system and it feeds into a negative feedback loop where patients have a difficult time seeing primary care physicians, therefore they do not get diagnosed, cannot get a referral, cannot get a prescription which then results in further undiagnosed disease.

**How does Dialogue help solve the problem?** At the best of times, if a patient has a problem, they call in and get connected to a registered nurse who is not qualified to make a diagnosis. This patient then gets put in the “hamster wheel of care” that involves booking an appointment, waiting for the appointment, sitting in a waiting room, and then finally seeing a doctor and receiving a diagnosis. It is an arduous, lengthy process that most individuals would like to (and try to) avoid. In fact, a [study from Harvard Medical School \(HMS\)](#) calculated that the average doctor’s appointment takes 121 minutes. This two-hour block includes time devoted to the appointment including travel, waiting, paying, completing the paperwork and only 20 minutes actually spent with a doctor. Dialogue is looking to disrupt primary care. Dialogue allows a patient to upload a photo or detailed description of an ailment through an app or web browser, which is connected to a physician or specialist that can almost immediately determine whether or not that patient needs to see a doctor/specialist in person. Once that is determined, the platform can help book the meeting and even facilitate the completion and delivery of prescriptions. This results in a much faster and more patient friendly process.

**Dialogue has a Strong and Unique B2B Business Model.** Once again, Dialogue is the first pure-play B2B virtual care entity focused on “marrying” the Employer and the Group benefit ecosystem. By connecting an employee and a medical professional in a more efficient way saves time, reduces costs (for both the employer and the payor) and improves employee morale & effectiveness. In addition, the B2B model gives them interesting SaaS-like properties with 100% recurring revenue, strong margins, and much lower churn.

**More on the Dialogue platform. 1) Dialogue offers a Full service “integrated health platform” virtual care clinic** with capabilities in Primary Care & Mental Health (65% of ARR), Employee Assistance Programs (31% of ARR) and Occupational Health & Safety in Germany (4% of ARR). Please note that Dialogue officially launched an EAP offering with the acquisition Optima Global Health last fall. **2) Dialogue has best in class technology including an AI-driven triage engine that takes less than 5 minutes to assess a condition.** The Chatbot considers 1,200+ symptoms and 800+ conditions and 96% of triages meet or exceed human performance. AI helps doctors assess a patient’s symptoms to speed up diagnosis so they can see more patients. This leads to a faster response time where description to diagnosis is reduced from days to minutes. Prescriptions are sent directly to the pharmacy or to the patient at home. There is end-to-end integration providing a seamless solution for the employer, patient, and practitioner. **3) Dialogue provides a superior patient experience** with a best-in-class Net Promoter Score (NPS) of +74 and a +92% Satisfaction score which drives monthly revenue expansion, customer loyalty and overall retention. Patients have access to full concierge-level service which allows them to use a live chat, call or video for advice regarding counselling, diagnosis, or a prescription. Automated follow-ups are supported by reporting and analytics, so doctors have knowledge prior to repeat visits. There is also easy access to specialist referrals as required. **4) Dialogue has direct economic exposure to prevailing macro tailwinds which supports future growth.** Dialogue is well positioned to further penetrate the current Total Addressable Market (TAM) in Canada for Primary Care (\$40B), Mental Health (\$16B) and EAP (\$1.2B). With additional services like Women’s Health, Sleep & insomnia, Chronic Disease Management and

Metabolic Health further adding to their TAM. This market also has compelling economics for both patients and employers as 72% of Canadian employees want a virtual care solution, and employers can earn a 3-4x ROI based on time saved. **5) Dialogue has a strong management team and a strategic partnership with Sun Life Financial.** Dialogue is run by a seasoned and visionary management team led by Cherif Habib, co-founder and CEO. Dialogue also has a highly engaged and talented employee base capable of further scaling the business in Canada & internationally. It is also worth noting that last July, Dialogue announced a strategic commercial partnership with Sun Life as well as a \$32.7 million equity investment in the company. Going forward Sun Life will hold a minority ownership in Dialogue with the right to acquire additional equity.

Dialogue recently went public via an IPO on the Toronto Stock Exchange. Media reports suggest that the books were 10x oversubscribed leading to demand of approximately \$1.0 Billion on the \$100M offering. Despite a recent pullback in the shares Dialogue shares are up over 40% from the IPO price. Dialogue is the largest telemedicine provider in the country as the company has over 2,000 direct enterprise clients active on the platform and, when you include their insurance partners, over 50,000 companies use their services. The company boasts the largest B2B telehealth platform in Canada with #1 market share and the largest client base.

### **What are they doing differently in EAP?**

On October 7, 2020 Dialogue purchased Optima Global Health to gain entry to the Employee Assistance Program (EAP) market. Optima was founded in 1993 and is a leading provider of EAP, vocational rehabilitation and disability management services. With a network of more than 3,000 practitioners and more than 2 million members across the country Optima is a Canadian leader.

**Dialogue is poised to disrupt EAP.** Sadly, one of the most significant medical conditions over the next three years will be mental health and its treatment. With the purchase of Optima Global Health, Dialogue is now in a position to “disrupt” the current EAP market as we know it. Historically EAP has been subject to consolidation and commoditization as the two biggest players (LifeWorks and Homewood) collectively have 70-80% market share.

**Dialogue Believes that EAP is the “perfect market for disruption”.** Dialogue started seriously investigating EAP over 2 years ago by interviewing clients to discover the “pain points” and areas where they could improve existing EAP offerings. Historically, as larger players like Morneau consolidated the industry, prices continued their downward spiral so the smaller players couldn't compete. Therefore, the conclusion was that in order to be effective against industry leaders like MSI you need to reduce costs. However, if your platform suffers from low utilization (i.e., 0.2% utilization) you also must reduce your comp on providers and, as a result, you don't attract the best industry professionals. It's a bit of a negative feedback loop. The current EAP market suffers from commoditization, low pricing, low levels of service, no technology, and essentially no utilization. This is the “perfect market for disruption”.

**How do you disrupt an industry like that?** To really disrupt the EAP industry new players need to prioritize several things: 1) Focus on the patient experience, 2) Build utilization and engagement (rebuild confidence in the service), 3) Focus on Speed and Execution and 4) Measure Health outcomes from a Business standpoint as these outcomes can be measured to show both the benefits to employees and the ROI improvements to the employers. **From an intake standpoint SPEED IS THE KEY:** When an individual with a mental health issue finds the courage to reach out for help, the platform needs to be able to respond immediately. With Dialogue an individual can expect to be connected with a mental health specialist within 60 minutes (88th percentile), have an assessment, and be referred a mental health professional (counsellor, therapist, etc.) in under 24 hours. Under the current analogue system on average, it takes 5 days to open a file and **15 days** to connect with a

therapist! During this window an individual's condition likely gets worse because, again, it is very common for people to wait until the last minute before they reach out for help. Dialogue intends to solve this problem.

**Dialogue doesn't have Nurse Practitioners or Doctors on their EAP systems.** The first person individuals connect with is a social worker (with at least a masters in social work) who is fully trained. Then patients are connected with a mental health professional. Dialogue has personnel that are licensed in all of the Canadian provinces and territories as the most common question is whether or not an individual can be matched with someone in their own geography. Having similar geography is important but they are also doing their best to match based on other criteria like matching the right counselor with a LGBTQ+ person, etc. They try their best to match based on their personal preference, but this needs to be balanced with the potential for longer wait times. There is also a follow up where Dialogue checks to see if an individual is matched with the right person or wants a change.

**Optima has 30,000-member network and the Company is transitioning the best people in the network to be a full time or part time Dialogue employee.** They conduct 1,000 audits per month (clinical quality measure) and this can be used to select the right candidates. When one uses an external network, you can't measure quality of work, review patient notes or re-engage patients to see if they are still on track. The toughest people to recruit are psychologists and therapists so currently the Company is recruiting social workers with master's degrees to help to reduce costs. They also have recruiters looking to add people from other EAPs or other mental health networks to the team.

**Risks.** Dialogue needs to scale their supply very rapidly. This is a challenge however the Company has done it before given that last year Dialogue added "600 new employees in 100 days". Operational efficiency is key, and Dialogue is a "well oiled machine" on the primary care side which has allowed them to drive margin improvements. In EAP, they are still scaling so fast that they cannot optimize yet since experience suggests that when companies try to scale AND optimize at the same time, they usually fail.

# EAP Providers in Canada

Company	Location	FTE	Description	Website
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Markham,  
ON

38

- Aspiria is the only provider in Canada solely focused on EAP and Student Assistance Program (SAP) solutions. <https://aspiria.ca/>



Ottawa, ON

27

- Provider of employee assistance programs (EAP), employee and family assistance programs (EFAP), workplace health & wellness solutions <https://www.fseap.ca/>



Guelph, ON 4,500+

- Canada's leader in mental health and addiction services.
- Provides a continuum of stay at work, return to work and treatment services through a team of over 4,500 staff and clinical professionals. <https://homewoodhealth.com/corporate>
- 130+ years of experience in mental health and addictions.



Toronto, ON 200

- HumanaCare is an industry leading EAP, funded by employers to provide access to mental and physical wellness support services.

<https://humanacare.com/>



Toronto, ON 6,000

- Morneau Shepell Inc. provides health and productivity, administrative and retirement solutions to assist employers in managing the financial security, health and productivity of their employees.
- The Market leader in Canada with a growing presence in the U.S. and internationally.
- Employs ~6,000 employees; serves ~24,000 client organizations across 162 countries.

<https://www.morneaushepell.com/ca-en>



Montreal, QC 80

- Founded in 1993, Optima Global Health is known for its flagship integrated workplace health and wellness approach.
- Through specialization in prevention, intervention and postvention, the company helps workers in all fields maintain or recover their health, both physical and psychological
- Integrated expertise helps act efficiently at all levels: awareness and training, employee assistance program (EAP), manager support, disability management, disability support, early intervention, rehabilitation, healthy lifestyle habit integration, etc.

<https://optimasanteglobale.com/>



Ottawa, ON 20

- The Snapclarity digital platform helps leading organizations build and strengthen their mental health strategy and take better care of their people by making it easier and more convenient for employees to access insurable mental health therapy.

<https://www.snapclarity.com>



# Canadian Mental Health Virtual Care Providers

Company	HQ	FTE	Description	Private/ Public	Business Model	Key Partners
	Vancouver, BC	30+	<ul style="list-style-type: none"> <li>Curatio offers a social network that matches patients struggling with similar health issues, ensuring no patient endures their journey alone.</li> <li>The company builds the social infrastructure that allows organizations to leverage the power of a private social network at scale.</li> <li>Offers services in 100+ countries and 20 languages.</li> </ul>	Private	B2B2C	   
 	Toronto, ON	33	<ul style="list-style-type: none"> <li>Inkblot's online platform provides convenient, secure, and affordable mental health services at the convenience of the patient.</li> <li>The company uses a personality test to pair a wide-range of individuals to an online therapist, with the intention of creating long-lasting relationships.</li> <li>Inkblot was acquired by Greenshield Canada on March 9, 2021.</li> </ul>	Private	B2B	 
	Toronto, ON	115+	<ul style="list-style-type: none"> <li>MindBeacon is a virtual therapy platform that helps people overcome mental health concerns such as depression, anxiety, panic, and PTSD</li> <li>Software services are offered at an affordable price; saving 80% of the cost of traditional therapy</li> <li>Services are offered across Canada.</li> </ul>	Public	Hybrid	  



Purchase,  
NY 4,000+

- The global leader in virtual care with 12,000+ clients, 51.5M U.S. paid members and 15M visits since 2015.
- Teladoc delivers, enables, and empowers virtual care services that span every state in a person's health journey -- from wellness and prevention to acute care to complex healthcare needs.

Public Hybrid



Calgary,  
AB 48  
Toronto,  
ON

- Wello is a medical service for Canadian employees' wellness needs.
- The service leverages data and technology to provide company's high-risk populations with direct access to clinicians for fast, efficient medical support.

Private

B2B



## Industry News

Date	Article
Apr. 16, 2021	CRH Medical shareholders approve acquisition by WELL Health
Apr. 15, 2021	MCI Onehealth announces investment in Acorn Biolabs & partnership with ReGen Scientific
Apr. 15, 2021	Dialogue announces exercise of over-allotment option in connection with initial public offering and secondary offering
Apr. 15, 2021	Cloud DX announces commencement of trading on the TSXV
Apr. 15, 2021	Diabetes Canada and Shoppers Drug Mart bring digital healthcare to Canadians living with diabetes
Apr. 14, 2021	Think Research expands network of digital-first primary care clinics
Apr. 13, 2021	VitalHub announces new board appointments & acquisition of hospital queue management business from Jayex Healthcare
Apr. 12, 2021	WELL Health advances digital health interoperability for apps.health and its global EMR business

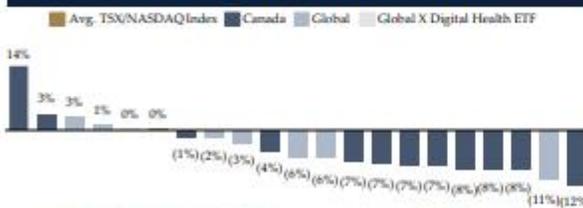
### Trading Multiples – Global HCIT

All figures in US\$MM Company	Price (19-Apr-21)	Market Cap	Enterprise Value	EV/Revenue CY2021E
Veeva	US\$270.38	\$41,158	\$39,495	22.7x
TELADOC	US\$184.09	\$28,403	\$29,062	14.6x
GoodRx	US\$38.20	\$14,979	\$14,678	19.6x
OAK STREET HEALTH	US\$58.55	\$14,096	\$13,694	10.4x
one medical	US\$40.92	\$5,600	\$5,560	11.5x
amwell	US\$16.81	\$4,003	\$2,946	11.1x
hims   hers	US\$11.21	\$2,051	\$2,050	10.2x
<b>Group Average</b>				<b>14.3x</b>

### Trading Multiples – Canadian HCIT

All figures in CS\$MM Company	Price (19-Apr-21)	Market Cap	Enterprise Value	EV/Revenue CY2021E
WELL Health <sup>(1)</sup>	C\$7.16	\$1,470	\$1,564	7.1x
Dialogue	C\$16.52	\$1,216	\$1,085	15.6x
CloudMD	C\$1.97	\$465	\$428	4.7x
Mind Beacon	C\$7.04	\$175	\$108	5.2x
onehealth	C\$3.58	\$169	\$143	3.0x
thinkresearch	C\$3.51	\$155	\$145	3.6x
vitalhub	C\$2.91	\$108	\$83	3.8x
JACK PATRIAN HEALTH	C\$0.67	\$56	\$48	n/a
newtopia	C\$0.50	\$51	\$47	3.3x
carebook	C\$1.12	\$39	\$55	4.3x
NEUPATH	C\$0.68	\$38	\$40	n/a
wellteq <sup>(2)</sup>	C\$0.17	\$18	\$9	1.8x
<b>Group Average</b>				<b>5.2x</b>

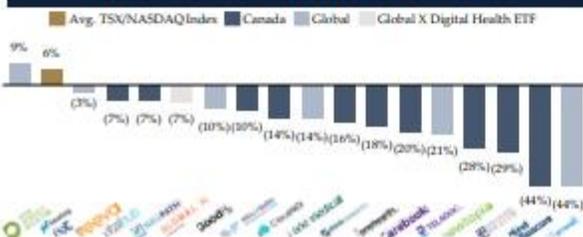
### Last 1-Week Relative Performance



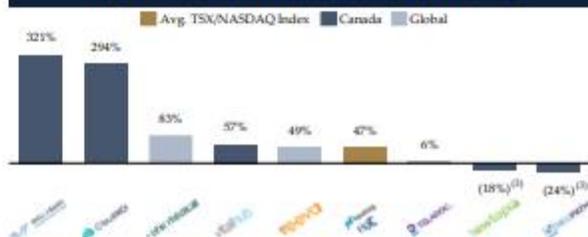
### Last 1-Month Relative Performance



### Last 3-Months Relative Performance



### Last 12-Months Relative Performance



Source: Company filings, Thomson Reuters

Note: All figures in CS\$MM, unless indicated otherwise

Note: USD/CAD rate of 1.2528 per Thomson Reuters

(1) WELL Health shown pro forma CRH Medical acquisition

(2) Revenue guidance as per investor presentation

(3) Relative performance shown since IPO/RTO

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