

COUGHLIN

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US firms propose boycott to hike Canadian drug prices

US drug manufacturers are threatening to boycott Canadian mail-order pharmaceutical suppliers and are increasing pressure on the Canadian government to eliminate price controls on prescription drugs.

According to the August 8, 2003 edition of the *Globe and Mail*, the US companies are attempting to plug the flow of mail-order pharmaceuticals from Canada to the United States. More than one million Americans now order their prescription drugs through Canadian direct mail suppliers, reports say.

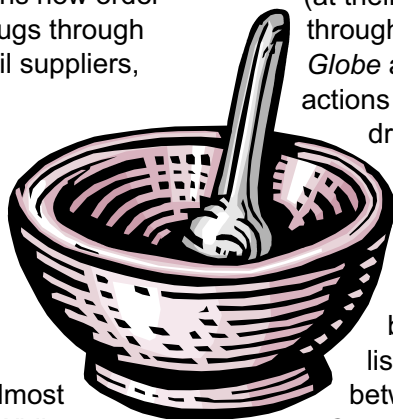
Prescription drug prices are one-third to one-half cheaper in Canada than in the United States. Mail-order drug sales in Canada now total almost \$1 billion annually. While only one per cent of American prescription drug users buy Canadian products, drug manufacturers fear that number could increase to 20 per cent in five years, according to industry analysts.

The issue has already drawn the attention of US lawmakers. In late July, the US House of

Representatives approved a bill that would allow individuals and distributors to buy lower priced prescription drugs in other countries.

In response, the powerful drug lobby has threatened to stop shipping pharmaceuticals from the US to Canada. Already, Pfizer Inc., one of the world's largest drug manufacturers, has ordered 46 Canadian mail-order pharmacies to buy their drugs directly from them

(at their price) rather than through wholesalers, the *Globe* article said. Similar actions by the other major drug manufacturers are anticipated.



If the pressure by the drug lobby continues, pharmaceuticals may be added to the growing list of trade irritants between the US and Canada. If their efforts are successful, or if the companies boycott the Canadian market, we can expect drug prices to increase substantially to match those in the United States. This will have a direct impact on the cost of drug benefits and other medical plans.

Watch for more information on this issue as it develops.

ODB dispensing fee increases

The Ontario government has increased the maximum dispensing fee on the Ontario Drug Benefit (ODB) program from \$6.47 per prescription to \$6.54.

The ODB dispensing fee is the primary guideline used for drug reimbursement programs.

The provincial government pays pharmacists up to \$6.54 for filling prescriptions submitted through the ODB plan.

Coughlin & Associates Ltd.'s agreement with pharmacies participating in its Preferred Provider Network (PPN) is based on the ODB standard.

In addition to the fixed dispensing fee, PPN participants also take advantage of the following benefits:

- a maximum 10 per cent mark-up on the price of wholesale drugs;
- one single dispensing fee for a 90-day supply of a prescribed drug;
- the maximum dispensing of up to a 90-day supply; and
- generic drug substitution, whenever possible, including non-formulary drugs.

For more information on the Coughlin & Associates Ltd. PPN, contact your consultant at 613-231-2266 or, toll-free, 1-888-613-1234.

Disability insurance coverage: you will likely need it sooner or later

If you think that being disabled is something that only a minority of people have to face, think again.

In fact, depending on your age, your probability of being disabled for 90 days or more could be close to or better than 50-50. And, if you are disabled for more than 90 days, the disability period will likely last for years.

The following table lists the probability of disability by age, based on data compiled in the *Commissioner's IDA Morbidity* and the *Commissioner's SO Mortality & Ordinary Tables* of the Society of Actuaries.

Your age	Chance of being disabled longer than 90 days	Average length of disability after 90 days
25	58%	1.2 years
30	54%	2.5 years
35	50%	2.8 years
40	45%	3.1 years
45	40%	3.2 years
50	30%	3.1 years
55	25%	2.6 years
60	14%	1.6 years

Many people think of disability as being wheelchair bound and a result of either accident or a congenital condition. However, a *disability* can result from heart disease, stroke, cancer or other critical illness as well as mental illness or other less "visible" medical condition.

For plan sponsors, this data illustrates the importance of well-designed disability insurance (DI) programs. The chances of those benefits being both needed and utilized are high compared to other benefits.

It also underlines the importance of early intervention in the disability management process. If a disability extends beyond 90 days, a member will likely be out of action for *years*. Fast and positive intervention could curtail claims or reduce the length of disabilities once they pass the critical 90-day point.

Lastly, the data reinforce the importance of individual critical illness or disability insurance programs, both of which may be available on a personal underwriting or voluntary group coverage basis.

Your Coughlin & Associates Ltd. consultant can help your organization develop disability income coverage as well as early intervention programs.

One in seven are disabled says StatsCan

If the Commissioner's tables on disability aren't enough, Statistics Canada reports that 3.4 million Canadians -- one in seven people -- were disabled in 2001. Of that number, 1.1 million were classed as having mild disabilities such as recurring back pain, 855,000 had moderate disabilities and 1.4 million reported severe disabilities.

Problems with mobility and pain were the most common type of disability among adults. Learning disabilities accounted for two-thirds of disabilities among children aged five through 14, the StatsCan report says.

The types of disabilities reported by adults aged 15 and older were:

Type of disability	% reported
Mobility	72%
Pain	70%
Agility	67%
Hearing	30%
Seeing	17%
Psychological	15%
Learning	13%
Memory	12%
Speech	11%
Developmental	4%
Unknown	3%

Repetitive strain injury cases mount

One out of 10 Canadian adults suffers from repetitive strain injury (RSI), a report released by Statistics Canada says.

According to the August 2003 release, 2.3 million people age 20 or older had an RSI in the period from September 2000 to September 2001, a 20 per cent increase from the last survey in 1996-97.

Neck and shoulder injuries occurred in 25 per cent of cases while wrist and hand problems accounted for 23 per cent of cases. Back problems occurred in 19 per cent of reports. Elbow and lower arm injuries occurred in 16 per cent of sufferers.

Those working in sales or service, trades, transport, equipment operations, farming, forestry, mining, utilities and manufacturing were most likely to have a repetitive strain injury. Managers were least likely to be affected by RSIs, the report noted. Those in more stressful workplaces were also more likely to be affected by RSIs.

Repetitive strain injuries can also lead to chronic pain and, potentially, increased short-term and long-term disability claims. A total of 23 per cent of men and 31 per cent of women with RSI also reported having chronic pain or discomfort.

This trend continued even when factors such as age and arthritis were taken into account.



Increased pension plan disclosure in the works

The Accounting Standards Oversight Council (AcSOC) has recommended that Canadian companies be required to disclose more about their pension obligations, beginning as early as the end of this year.

The AcSOC is a 24-member public body that advises the Accounting Standards Board on its policies and priorities. The Board establishes and regulates Canada's accounting rules and principles.

In a report released this July, AcSOC urged that companies be required to disclose their pension plan performance on a quarterly basis, rather than annually. However, it did not endorse making fundamental changes to accounting policies such as eliminating the "smoothing" of plan losses over a number of years. Smoothing, where large losses or gains are factored over several years rather than annually, has been blamed for many companies inflating the asset

values of their pension plans. According to the Dominion Bond Rating Service, 84 per cent of 263 corporate pension plans had funding deficits in 2002. This is partly due to some firms failing to increase their pension plan contributions as equity losses of the past three years are smoothed over several years for accounting purposes.

If adopted, AcSOC's proposals would require companies to disclose their pension plan's asset mix, assumed rates of return, long-term performance history, timetables for actuarial reviews and future funding requirements every quarter.

The Accounting Standards Board is expected to publish its final recommendations early in the fourth quarter and allow 60 days for public comment.

Members may terminate pension plan, BC court says

The British Columbia Supreme Court has made it possible for members of a pension plan to apply to have the plan terminated and its surplus distributed.

In a May 2003 decision, the court ruled that plan members were free to try to close a plan under the terms of that province's Trust Variation Act, provided they obtain the consent of plan members and beneficiaries. This is the first time plan members were given the right to close a pension over the objections of the plan administrator or plan sponsor.

The ruling is based on the case of Premier Communications, which was acquired by a major cable communications company in 1980. At that time, the Premier Communications pension had a surplus of over \$18 million. Shortly after the purchase, the acquiring company closed the pension plan, allowing no new members to join the pension and making no further contributions to the plan.

Later, the acquiring firm withdrew \$1 million from the plan and merged it with three other pension plans, all of which were in a deficit position.

The plan members then initiated a court action, claiming that they still retained rights under the original trust agreement and that the acquiring company could not unilaterally eliminate those rights without authority. They subsequently applied to terminate the plan and distribute its assets to its members and beneficiaries.

On reviewing the case, the court ruled that the termination of the plan and the distribution of its assets would benefit all designated beneficiaries. It then ordered the plan be terminated and a new trustee be appointed to oversee its closing.

The case is expected to have a major impact on pension plan governance in coming years, especially when plans have large surpluses. While it is theoretically possible for members to close plans that are in a favourable financial position, the fact that the Premier plan was a closed one may limit such rights. Whether it is possible for plan members to close an active pension plan may have to be decided by higher courts.

Grief may be private but its cost is corporate

Grief costs American companies up to \$75 billion a year in lost productivity and accidents according to the Los Angeles-based Grief Recovery Institute.

In a article published in the August 6 edition of the *Globe and Mail*, the Institute reported that companies frequently do not know how to handle employees grieving the loss of loved ones. As a result, they frequently ignore grieving employees, leaving workers to face the problem alone. The result: unscheduled absences; accidents; and reduced productivity.

The Institute also criticized today's compassionate leave policies, which usually offer employees only three to five days of leave to recover from a significant personal loss. "We take longer to get over the flu," according to Institute sources quoted in the article.

Some of the leading causes of grief include the death of a loved one, divorce and pet loss. While the article quotes American data, similar trends apply to Canada, the article says.

While personal support from colleagues and employers is often key to the grief recovery process, employment assistance programs (EAPs) can provide valuable counselling and referral support, the article suggests. However, since the grief process tends to overwhelm an individual's ability to make clear counselling requests or decisions, the Institute suggests that employers provide grieving employees with clear directions on how to contact the EAP provider.

More information on EAP providers can be obtained from your Coughlin & Associates Ltd. consultant.

PPN update

O'Connor Pharmacy, located at 267 O'Connor Street, has joined the Coughlin & Associates Ltd. Preferred Provider Network.

Fast facts

The New Brunswick government has presented legislation to amend its Workers' Compensation Act to include the following diseases as eligible occupational illnesses for all firefighters, including municipal volunteer fire brigades:

- primary site brain cancer;
- primary site kidney cancer;
- primary site non-Hodgkin's lymphoma;
- primary site ureter cancer;
- primary site colon cancer; and
- primary leukemia.

Employee health and wellness programs appear to be gaining in popularity. An August 2003 survey of 200 employers across Canada indicates that 43 per cent offered such programs compared to only 34 per cent two years ago. As well, 40 per cent offered physical fitness subsidies to employees compared to 21 per cent in 2001.

The number of smokers in Canada continues to decrease. According to Health Canada, 21 per cent of those age 15 or older were smokers compared to 22 per cent in 2001. In addition, those who continue to smoke appear to be reducing their tobacco consumption. According to the government ministry, smokers consumed an average 16.4 cigarettes per day in 2002, down from 20.6 per day in 1985. More than 45,000 people per year die prematurely from tobacco use, the government agency reports.

The federal government has passed Bill C-28, allowing federal employees to take up to eight weeks of unpaid compassionate leave to care for seriously ill family members. Under the new law, an employee must provide a medical certificate from the family member's doctor stating the family member faces a significant risk of death within 26 weeks of the date the certificate was issued or the day the leave commenced.

A survey by the US-based Life Insurance Management and Research Association (LIMRA) indicates that as many as 300,000 American companies are considering introducing or expanding their voluntary life, accident and disability insurance programs. Also being considered are non-traditional programs such as long-term care, critical illness insurance and post-secondary education savings programs.

The British government is making its second attempt in a year to raise its legislated retirement age to 70. Its latest proposals will make it unlawful for employers to set retirement ages "unless objectively justified." Its new proposals would also allow workers to continue working beyond age 70, if they wish. As part of the review process, the UK government is also inviting comment on moving the mandatory retirement level to age 70. An earlier bill to establish a higher mandatory retirement age was withdrawn following public protests.

The New England Journal of Medicine reports that US health care is more than three times more expensive to operate than Canada's. According to a report released on August 21, 2003, the US system costs an average of \$1,059 (US) per person per year to operate compared to \$307 (US) in Canada. Higher administration expenses resulting from the increased paperwork demanded by various privately operated claims processing offices are blamed for the higher US costs. Canada's centralized government-based system allows for greater economies of scale and reduced marketing, underwriting and administration costs, the report says.