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AT A GLANCE ...

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Drug cost increases slow to four per cent

The rise in drug costs may be slowing down, according to the latest data released by the Canadian Institute for Health Information (CIHI).

The health information organization reports that drug costs rose by just four per cent between 2010 and 2011, the lowest increase since 1985. That compared to the average rate of increase of 8.5 per cent from 1985 to 2011.

According to the CIHI, the decrease can be attributed to:

- the expiration of patents on widely used brand name drugs, opening markets to less expensive generic medications;
- the introduction of strict generic pricing rules in Ontario, Quebec, British Columbia and other provinces;
- stricter enforcement of generic substitution policies by group insurers;
- more conservative issuing of prescriptions for expensive drugs like statins; and
- an increase in the number of drugs on the market, thereby driving down costs.

A total of $32 billion was spent on drugs in 2011, the CIHI says. Of that, $27.2 billion was channelled to prescription medications.

On a per capita basis, each Canadian spends $890 annually on drugs, the organization reports. That compares to $1,147 annually per American. However, the Canadian usage pattern is not uniform. British Columbia had the lowest per capita spending on prescription drugs at $576 per person. That compared to New Brunswick, the highest per capita spender, at $985 per person. ❧

Insurers join drug pooling agreement

Almost two dozen of Canada's largest insurers have agreed to pool their catastrophic drug claims.

In an effort to spread the cost of unusually large drug claims and still provide drug coverage to plan members, the insurers have agreed to share the cost of the drug claims that exceed $50,000 per claimant per year.

The new arrangement will go into effect on January 1, 2013.

The pooling arrangement will be applied only to fully insured drug plans. While it will not apply to self-insured arrangements, insurance industry representatives have not ruled out extending the plan to those groups in the future, the Canadian Life and Health Insurance Association (CLHIA) says.

Under the pooling arrangement, insurers will pool the costs of large drug claims and ignore the impact of those claims when setting premiums for plan sponsors. The initiative will reduce cost pressures for insurers and plan sponsors while increasing the potential for members' drug plans to withstand large claims.

Canadian insurers paid out more than $9.5 billion in prescription drug claims in 2010, the CLHIA says. Claims with amounts exceeding the $25,000 level have been increasing at an annualized rate of 20 per cent, it warns. In 2010, approximately 1,900 drug claims from fully insured plans involved amounts of more than $25,000 each.

Cost pressures are expected to accelerate with continued development of expensive biologic drugs, some of which can cost several hundred thousand to $1 million per year, along with the expected increase in prescription drug usage from an aging population.

The following companies have joined the pooling arrangement:

Alberta Blue Cross;

Assomption Vie;

The Co-operators;

Desjardins Financial Security;

Empire Life;

Equitable Life;

GMS Group Medical Services;

Great-West Life;

Green Shield Canada;

Industrial Alliance;

La Capitale;

La Survivance;

Manitoba Blue Cross;

Manulife Financial;

Medavie Blue Cross;

Pacific Blue Cross;

RBC Insurance;

Saskatchewan Blue Cross;

SSQ Financial;

Standard Life;

Sun Life Financial;

Union Vie; and

Wawanesa Life. ❧

The top 10 worldwide

Following are the top 10 selling prescription medications worldwide:

Medication	Therapy	Average annual cost
1. Avastin	Cancer	$50,000-$55,000
2. Humira	Arthritis	$20,000-$30,000
3. Enbrel	Arthritis	$20,000-$30,000
4. Crestor	Cholesterol	$550-850
5. Remicade	Arthritis	$35,000-$40,000
6. Rituxan	Arthritis, cancer	$12,000-$30,000
7. Lantus	Diabetes	$1,000-$2,500
8. Advair	Asthma	$1,000-$1,500
9. Herceptin	Cancer	$39,000
10. NovoRapid	Diabetes	$400-$800

(Source: Reuters)

Supreme Court to review workplace drug and alcohol testing

The Supreme Court of Canada has agreed to rule on a case that will decide whether employers have the right to conduct random alcohol testing in the workplace.

The case involves a large New Brunswick-based pulp and paper company that introduced such testing in a chemical boiler room of a paper mill where an accident or error could result in an explosion.

An employee working in that room was selected randomly by a computer to undergo alcohol testing. Ironically, due to his religious convictions, the employee was an abstainer. He then filed a grievance citing invasion of privacy.

His case was ultimately heard by the Court of Queen's Bench and the New Brunswick Court of Appeal, both of which rejected arguments that to justify such testing, workplaces must be "ultra dangerous" or places where alcohol abuse was evident. Since neither was proven, the two courts backed the arbitrator's earlier decision supporting the employee.

The case will consider employers' rights to make workplace rules to protect employee health and safety against employees' rights to privacy. This is the first case in which the Supreme Court will rule on alcohol and drug testing in the workplace. ❧

Manitoba introduces home drug program for cancer patients

Manitoba Health has introduced a new program that will allow cancer patients to receive orally consumed cancer medications at home at no cost to them.

The drugs are available to cancer patients on an out-patient basis, provided they register with the province's Home Cancer Drug (HCD) Program and have been identified by CancerCare Manitoba as either receiving or being scheduled to receive eligible out-patient oral cancer and specific support drugs. Patients must also be eligible for Manitoba Health coverage. In addition, the prescriptions must not be covered under other provincial or federal programs.

The new program went into effect on April 19, 2012 and covers only prescriptions filled on or after that date.

Under the plan, cancer patients can have their eligible prescriptions filled at the pharmacy of their choice. The following drugs are included in the plan's formulary:

all-trans retinoic acid
anagrelide
anastrozole
aprepitant
bicalutamide
busulfan
capecitabine
chlorambucil
cyclophosamide
dasatinib
dexamethasone
domperidone
etoposide
erlotinib
everolimus
exemestane
granisetron
hydroxyurea
imitanib
imiquimod
isotretinoin
lenalidomide
letrozole
lomustine
megesterol acetate
melphalan
mercaptopurine
methotrexate
metoclopramide
nilotinib
olanzapine
ondansetron
prednisone
procarbazine
prochlorperazine
sorafenib
sunitinib
tamoxifen
temozolomide
thioguanine

More information on the program is available at CancerCare Manitoba at 204-787-4591. ❧

Government unveils new EI rules

The federal government has announced sweeping reforms to the Employment Insurance (EI) program.

Under new rules unveiled on May 24, all EI recipients will soon be classed in one of three categories. The length of time recipients will receive benefits and the benefit amounts paid to recipients will vary by EI category. The three categories are:

Long-tenured workers. Those who received 35 or fewer weeks of regular EI benefits over the past five years. These individuals will be allowed to restrict their job hunt to positions that pay 90 per cent of their previous earnings in the same occupation. After 18 weeks, they will be expected to take jobs that pay 80 per cent of their previous salary in the same field.

Frequent users. Those who collected 60 or more weeks of benefits in the past five years. These individuals will have six weeks to find a job in a similar occupation paying at least 80 per cent of their former wage. Proportionally, Quebec and the four Atlantic provinces have the largest numbers of frequent EI users.

Occasional users. Those not covered by the first two definitions and have limited experience looking for work. These individuals will have 18 weeks to look for a job in a similar occupation at 80 per cent of their former pay.

After their respective job search time allotments expire, EI recipients will be expected to take any work they are qualified to perform at a level of 70 per cent of their former pay.

One of the more controversial aspects of the new EI rules is the requirement that recipients accept "suitable employment" in jobs an hour or further away from their home, based on their local commuting patterns.

"Suitable employment" is defined by six criteria. They include: type of work; hourly wage; personal circumstances; working conditions; hours of work; and commuting time. If an individual does not accept suitable employment within the one hour commuting range, he/she could be denied further EI benefits.

The proposed rules have been heavily criticised by opposition groups, who charge that new regulations stigmatize the unemployed. As well, they have expressed concern that skilled individuals who are qualified for certain occupations will be forced to take lower paying, unskilled jobs in distant locations or face loosing their EI benefits.

The government counters that the new rules are designed to encourage people, particularly those who work in seasonal occupations for short periods and collect EI benefits for the remainder of the year, to expand their job search to other communities or industries. ❧

Fatigue not a disability, arbitrator rules

Tired maybe; sick no.

A Quebec arbitrator has ruled that persistent fatigue is not a disease for which an employee may qualify for disability benefits.

The case involves a situation where a woman filed a grievance for non-payment of disability benefits despite having signed medical records dating to 2010 confirming persistent fatigue.

In reviewing the claim, the arbitrator noted that under Quebec law, an individual's right to receive disability benefits must be based on incapacity caused by a disease that requires medical monitoring and prevents the worker from performing the routine tasks associated with his/her position or any other similar position.

However, in this case, the term "disease" was not defined in the company's collective agreement. As a result, it had to be interpreted according to its usual and customary definition, which is: *"an organic or functional alteration of the state of health."*

The arbitrator ruled that fatigue is a *"state of increased discomfort and decreased efficiency resulting from prolonged or excessive exertion"* and therefore did not meet the disability definition. ❧

Ontario pension reforms coming July 1

Plan sponsors of defined benefit pension plans registered in Ontario are reminded that the terms of that province's revised Pensions Benefits Act (PBA) will go into effect on July 1, 2012.

Under the new regulations, terminated employees whose age plus years of service total 55 or more will qualify to receive grow-in benefits until they are eligible to receive Canada/Quebec Pension Plan benefits or Old Age Security.

Under the new rules, grow-in benefits must be extended to all members of defined benefit plans who are subject to involuntary termination. The only exceptions are those who are terminated due to wilful misconduct, disobedience or neglect of duty as defined under the Act.

The term "*grow-in*" means that any reduction to a former employee's pension due to retirement prior to the plan's normal retirement age is determined as if the employee had continued to be employed until retirement.

Also included in the July 1, 2012 reforms are the elimination of partial wind-ups of pension plans, which should simplify procedures associated with the downsizing of organizations, corporate acquisitions or mergers and related transactions. As well, the new rules extend the Superintendent of Financial Institutions' ability to order the wind-up of pension plans when they no longer have active members or when members can no longer accrue benefits under a plan.

As well, the new PBA will require that pension benefits vest immediately when an employee becomes a member of the pension plan. Under current arrangements, vesting must occur no later than two years after the member joins a pension plan.

Approximately half of all pensions in Canada are registered in Ontario. ❧

Wellness offerings far from uniform, IF study says

Almost two out of three Canadian organizations offer wellness programs, according to a survey of 107 plan sponsors conducted by the International Foundation of Employee Benefit Plans (IF).

While the IF data suggests that Canadian employers consider employee wellness a priority, further analysis reveals a wide variation in wellness program availability among plan sponsors.

According to the IF study, 87 per cent of public or government institutions offered wellness programs, compared to 76 per cent of single employer organizations and only 36 per cent of multi-employer groups.

The most popular program offerings included employee assistance plans (EAPs), which were available from 91 per cent of plan sponsors with wellness programs, flu shots at 65 per cent, and smoking cessation plans with 49 per cent.

To encourage participation in the plans, the majority of participants, 59 per cent, offer incentives such as fitness centre discounts, gift cards and gift prizes.

Just over one-third of Canadian employers, 35 per cent, use the data collected from wellness programs to develop a general awareness of their benefit plan's status and assess its effectiveness in understanding issues that may be affecting their plan experience. That compares to 65 per cent of plan sponsors in the United States. In addition, only 15 per cent of Canadian organizations offer disease management programs to address health issues such as heart disease and diabetes. That compares to 75 per cent among American plan sponsors.

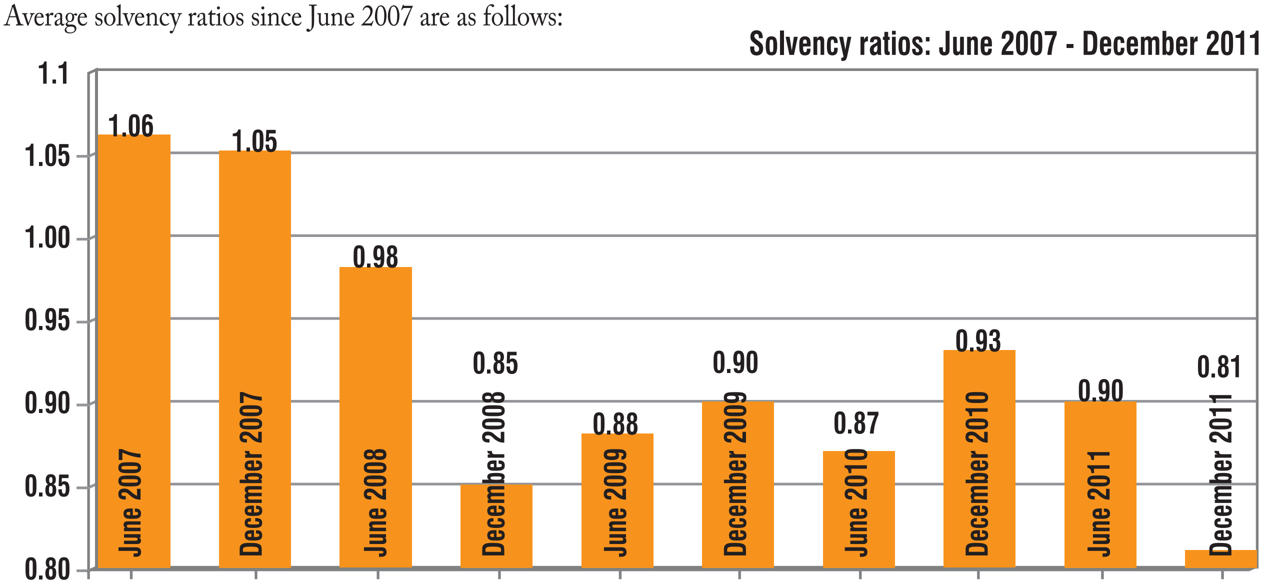
Despite that, 60 per cent of Canadian organizations state that they have *"an overall culture of health"* for their workforce, the IF survey notes. ❧

Solvency ratios reach new lows, OSFI reports

Solvency ratios of the 400 defined benefit pension plans regulated by the Office of the Superintendent of Financial Institutions (OSFI) continue to track at five-year lows, the financial regulator reports.

As of December 2011, solvency ratios averaged 0.81, indicating that federally regulated pension plans had only 81 cents for every $1 of pension commitments. That ratio compared to 0.90 in June 2011. The 0.81 ratio exceeded the previous low of 0.85 recorded in December 2008 at the depth of that year's equity market crash.

Average solvency ratios since June 2007 are as follows:



(Source: InfoPensions, May 2012, Office of the Superintendent of Financial Institutions)

Perhaps more disturbing, OSFI estimates that 68 per cent of all federally regulated pension plans had a solvency ratio of less than 0.80. That compared to 25 per cent in June 2011. ❧

Teachers' pension deficit sparks confrontation with government

The Ontario government has set itself on a collision course with the members of the Ontario Teachers Pension Plan (OTPP), thanks to the plan's $9.6 billion deficit.

Ontario Finance Minister Dwight Duncan says that plan benefits will have to be cut before any further money is channelled to the pension plan.

With assets totalling more than $117 billion, the OTPP is the largest single employer pension plan in Canada. The plan represents 300,000 active and retired teachers.

The province is facing increased deficit pressures of its own and is reluctant to make up pension shortfalls through taxation.

"We are saying that benefits have to be cut," Mr. Duncan asserted. *"We are not agreeing to contribution increases."*

Built-in inflation protection is one area that should be reduced, the finance minister noted. In addition, the pension plan income qualification formula of age plus years of service totalling 85 should also be adjusted, he said.

Under current arrangements, plan shortfalls could be covered by increasing plan contributions, which would be shared equally between contributing teachers and the province. However, the Ontario government has introduced budget legislation to require pension plans to reduce their future or ancillary benefits before increasing employer contributions.

The OTPP reported a rate of return of 11.2 per cent in 2011. Despite that strong performance, it still did not generate enough returns to cover its pension obligations. The plan has generated a deficit for 10 consecutive years.

On average, Ontario teachers work 26 years and collect pension benefits for 32 years.

For plan sponsors, the activism by the Ontario government toward the OTPP could foreshadow the challenges that may be coming to other pensions facing funding shortfalls. Since almost half of the country's pensions are registered in that province, Ontario's budget requirement that underfunded plans first cut benefits before seeking additional plan contributions could result in protracted pension debates between plan sponsors, plan members and member representatives in the near future. ❧

Individual catastrophic drug and medical coverage now available

The facts surrounding a catastrophic illness or accident can be shockingly blunt. For example, with today's effective new drugs, cancer medications can routinely cost more than $25,000 per year. In addition, the annual cost of home care services, physiotherapy or private duty nursing can also exceed the $40,000 mark.

The costs of catastrophic health care or prescription drug costs can easily top the plan maximums built into many extended health care plans. That's why Manulife Financial's new individual *FlexCare Catastrophic Coverage* makes so much sense.

The new Manulife plan is designed to cover the costs of medical care resulting from an unforeseen serious illness or accident by providing protection against the expenses that may not be covered by the government health insurance plan or your group benefit plan.

FlexCare Catastrophic Coverage is available in two plans; the first with a $4,500 deductible; the second with a $10,200 deductible. They work like this:

	Catastrophic coverage $4,500 deductible	**Catastrophic coverage $10,200 deductible**
Prescription drug coverage	Unlimited 100% coverage when qualifying annual prescription drug costs exceed $4,500 per person per year.	Unlimited 100% coverage when qualifying annual prescription drug costs exceed $10,200 per person per year.
Homecare and nursing, prosthetic appliances, and durable medical equipment	Additional $25,000 coverage. Begins when annual claims exceed $7,500 per person per anniversary year. Lifetime maximum: $100,000.	Additional $25,000 coverage. Begins when annual claims exceed $7,500 per person per anniversary year. Lifetime maximum: $100,000.

Under either plan, a claimant submits the relevant receipts that qualify for coverage. Once total claims reach the $4,500 or $10,200 deductible limit, any subsequent claims for that year will be covered at 100 per cent. The deductible can be paid from the claimant's out-of-pocket expenses or as expenses claimed under an existing health plan.

Plus, in the event of an accident that requires a hospital stay of at least 24 hours, the plan provides unlimited chiropractor and physiotherapist coverage for one year following the accident.

The plan is ideal for small business owners, the self-employed or those with limited group benefits coverage.

For more information about *FlexCare Catastrophic Coverage,* contact Coughlin Individual Financial Services Consultant **Jackie Moulton** at 613-231-2266, Ext. 251, or email jmoulton@coughlin.ca ❧

Fast facts

- The province of Manitoba will begin to apply a seven per cent sales tax on group life insurance premiums beginning on July 1, 2012. The tax will not apply to health, accident and sickness or individual life insurance policies.
- Effective April 1, 2012, generic drug prices in the following provinces were set as follows:
  - Ontario: 25 per cent of equivalent brand name drug.
  - Quebec: 25 per cent of equivalent brand name drug.
  - Saskatchewan: 35 per cent of equivalent brand name drug.
  - British Columbia: 35 per cent of equivalent brand name drug.
  - Newfoundland & Labrador: 45 per cent of equivalent brand name drug.
  - New Brunswick: 40 per cent of equivalent brand name drug (effective June 1, 2012).
- The Canadian Human Rights Commission has warned employers not to use the one-year transition period leading to the repeal of mandatory retirement in federally regulated workplaces to force early retirements. *"The transition period should not be viewed as a license to force aging workers out the door,"* Acting Chief Commissioner David Langtry says.
- The three main expected sources of retirement income of Canadians now age 45 to 54, according to a Harris/Decima survey for CIBC: their savings: 30 per cent; government payments: 25 per cent; private pensions: 25 per cent.
- A Bank of Montreal survey says that 51 per cent of homeowners in Canada expect to be making mortgage payments after they retire.
- Statistics Canada reports that the number of people enrolled in registered pension plans increased by 0.7 per cent in 2010 to 6.06 million, or 40 per cent of the workforce. The number in public sector pension plans increased by 1.5 per cent to 3.14 million while the number in private sector plans declined by 0.5 per cent to 2.92 million.
- The province of Prince Edward Island will convert its sales tax system to the Harmonized Sales Tax (HST) beginning on April 1, 2013. The HST in that province will be 14 per cent.
- The Prince Edward Island Drug Cost Assistance Program has changed its mandate to become to payer of last resort instead of payer of first resort.
- Steel maker ArcelorMittal Dofasco has announced plans to force its active workers out of its defined benefit pension plan. The company also plans to increase the cost of the benefits it provides to its retirees. The move affects 12,000 employees and retirees.
- In an effort to reduce its pension costs, the Ford Motor Company will offer lump sum buy-outs to 90,000 of its non-union retirees and former employees. The company's pension shortfall exceeds $15 billion. ❧

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PPN update

We Care Pharmacy of Unit 4, 1020 St. Laurent Blvd, Ottawa, has joined the Coughlin & Associates Ltd. Preferred Provider Network. Its phone number is 613-749-8577.

The Medical Pharmacy, located 100-36 Antares Drive in Ottawa, has joined the Coughlin & Associates Ltd. Preferred Provider Network. Phone: 613-526-6116. ❧

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