

# From the Masthead



## In order to serve you better

To assist you with your employee benefit plan, we are continually updating our website. Located at:

[www.mainstayinsurance.ca](http://www.mainstayinsurance.ca)

The site provides easy access to many insurance company's websites and to the health and dental claim forms you utilize on a regular basis. We have also added links to the log on pages for members (employees) in order to provide quick entry to other websites.

If you use a form that is not on our website and would like it added, please send us an e-mail at:

[feedback@mainstayinsurance.ca](mailto:feedback@mainstayinsurance.ca)

### **Did you know that..**

there is an Online Organ & Tissue Donor Registration system in Ontario

Your decision to register could one day save up to eight lives and enhance as many as 75 more.

When you register your consent to donate organs and tissue, your donation decision is recorded in a Ministry of Health and Long-Term Care database.

In the event of your death or imminent death, when all life-saving efforts have failed, your donation decision will be disclosed for the purpose of sharing this information with your family so that they can honour your wishes.

[www.beadonor.ca](http://www.beadonor.ca)

## **Mainstay Insurance Brokerage Inc. Phone: (905)886-9203**

### **Employee Questions about Drug Claims**

During employee meetings we are sometimes asked about problems that staff encounter while trying to submit drug claims. While each insurer has different systems and processes, many are common across all.

**Q.** My drug card doesn't work at the pharmacy, what now?

**A.** Often electronic drug claims are simple problems that can be corrected at the pharmacy. This can be frustrating as pharmacy staff is often busy and don't want to spend the time making phone calls and correcting errors. Ensure that you have the most current drug card your employer has given you, provide it to the pharmacy and ensure that the relevant data has been entered correctly. Many times an error in name spelling, date of birth or a transposition error is all it takes to stop the system from paying claims promptly. A quick call to the insurer (the phone number is usually on the back of your drug card) will correct your information and process the claim.

**Q.** I always pay the same for my medication but now the pharmacy says I owe more. Why?

**A.** Assuming that your employer has not made changes to your plan, this

type of problem could be caused when the price of the script being charged is over the maximum amount allowed by your plan. In these cases you will have to speak to the pharmacy staff and ensure they have entered the correct price into their system. It could be that they input the wrong amount and are charging too high an; ingredient cost, dispensing fee or markup.

**Q.** I am turning 65. How does the Ontario Drug Benefit (ODB) plan affect my claims payment?

**A.** If you are an Ontario Resident with an OHIP card and over age 65 you will be enrolled in the ODB plan. This government program pays for the cost of your drugs less a deductible (usually \$100) and up to \$6.11 per prescription (changes were announced in the budget). The ODB is first payer and your employer benefit plan then pays any amount remaining. If a drug is not covered by the ODB plan, it may then be considered for payment under your employer benefit plan. It is important to inform the pharmacy that you are eligible for ODB drugs and that you also have group benefits by showing your card.

**Q.** I used to take a brand name such as Lipitor but now I understand there is a

generic available. What is the difference and why was I given the generic at my pharmacy?

**A.** Lipitor is a "Brand Name" pharmaceutical drug produced by Pfizer. The "Generic" version is called Atorvastatin and is produced by a number of Canadian companies. The generic drug has exactly the same active ingredient as your old brand name drug, but could be as low as 25% of the brand name drug price (saving money for both you and your employer). If your plan design states payment for generic drugs and a generic becomes available, then your pharmacist will automatically substitute the new generic and your plan will pay for it.

**Q.** What is a dispensing fee cap?

**A.** When you purchase a drug the cost is made up of the ingredient cost, markup and the dispensing fee. This dispensing fee ranges from \$5 to \$13 in area pharmacies. Many plans will limit the amount that will be reimbursed for this fee. If you have a \$7 cap and visit a pharmacy that charges \$12.99, you will be charged \$5.99. By shopping around you should be able to find a pharmacy with a lower dispensing fee and save you that cost.



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Note: This side of the newsletter is intended for you, the plan administrator. The information on the 'front' is targeted more to your staff and can be copied and distributed for their reference.

### *Just in case you were wondering...*

Dental Fee Guides in most provinces are adjusted annually to cover rising costs. These increases range from 2 to 4.5% with Ontario seeing an overall average increase of about 2.5%. Ontario plans with "basic only" coverage may see closer to a 3% increase as "major services" (except oral surgery) have been seeing a slower than average increase.

This information is provided as a reference to clients of Mainstay Insurance Brokerage Inc. It is not intended as advice. Your situation and the contract provided by your insurer as well as any relevant legislation shall always take precedence. Always obtain appropriate legal, human resource or accounting advice.

## The End of a Tax Loophole

Effective January 1<sup>st</sup>, 2013, the Canada Revenue Agency (CRA) will be closing another loophole in its effort to eliminate unfairness and increase its overall revenue.

In the past, employee bonuses could be directed to Health Care Spending Accounts (HCSA's or HSA's) or Cost Plus claims, thereby changing a taxable benefit (earnings) into a tax free one (health benefits). There have been a number of rulings by the CRA on this issue in recent years. They have all stated that this benefit would NOT result in a taxable benefit for the

employee. This new rule, in effect, strikes down all past rulings and provides clarification on a go forward basis for employers.

Due to the fact that many employers have established plans that were based on these earlier rulings, this change is being implemented January 1<sup>st</sup>, 2013 so that plans can be wound down at the end of the calendar year.

Once this change is made, any employee earnings redirected toward benefits would have to be shown as employment income and

subjected to tax just as any employment earnings would be.

HCSA's still provide a unique benefit that provides flexibility and a non-taxable benefit to employees while giving good cost control to the employer. This change has not reduced these benefits except where there has been a voluntary redirection of a bonus that had already been earned.

As always, we suggest you speak to your accountant or tax professional regarding issues around the taxation and utilization of employee benefits.

## Cost-Plus – A Great Benefit, BUT Use With Caution

Cost-Plus (CP) is a unique benefit many clients use to reimburse an employees CRA eligible health care expenses in a non-taxable manner (except Quebec).

The CP benefit is an extra-contractual benefit that an employer can utilize to provide added benefits for staff that a standard plan either has not or cannot include.

The CP benefit can be utilized for items that are NOT covered by the insured benefit plan such as: expenses over plan maximums; coinsurance or deductibles that may be owing by the employee; items that may not be in the basic plan such as major dental or orthodontic care; and newer services such as laser-eye surgery or dental implants.

The CP benefit retains its non-taxable benefit status as long as it is an employee benefit and not just a shareholder benefit.

There have been many abuses of this benefit in the past by shareholders who have not extended the benefit to all staff and had large costs reimbursed using this method. Most notably was the "Spicy Sports" case that was heard in the Tax Court of Canada in 2004 and set the standard by which the benefit is now judged. In it an employer "cost-plussed" a legitimate \$38,000 health claim but had it deemed to be taxable as the court held it to be a shareholder benefit.

This set the tone for the use of the CP benefit by shareholders alone as a

taxable non-deductible benefit.

By establishing a corporate policy that defines those employees who are eligible to receive the benefit (not JUST shareholders) the plan can retain non-taxable benefit status and be an excellent employee benefit.

We have been informed that during routine CRA audits of small and mid-sized businesses, this is one area that is being watched a bit more closely than in the past. If you have questions on the use of this benefit (especially for shareholders) we suggest that you please contact your accountant or tax professional. They know the law and your business situation best.