



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

## 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..?

According to Great West Life, in 2006:

The average out of country in-hospital bill was approximately \$26,000 while the average outpatient bill was \$1,200.

Almost 50% of US out-of-country claims were incurred in Florida, with California a distant second at only 12%.

The travel assistance centre received calls from plan members traveling in 116 nations not including Canada and the U.S..

GWL GroupLine News Update

Remember your travel card when you go and don't forget to call your insurer ASAP if you need treatment when abroad.

## Ongoing changes to drug benefits and costs

As we write this newsletter each quarter, it seems that more and more of the articles talk about rising health care costs. We focus mainly on Ontario legislation as most of our clients are based here, but a similar scene is being played out in provinces across the country (and abroad) as both private (employers) and public (government) payers struggle to come to terms with rising costs

In recent years we have seen a number of changes happen that have affected the cost and accessibility of drugs. Following is an update on some of these changes in an effort to keep you informed.

In Ontario, we have been watching the Ontario Drug Benefit Plan (ODB) and the Trillium Plan add new higher cost drugs in a cautious manner through the "Individual Clinical Review" process. This process requires drugs and patients to be evaluated on a case-by-case basis for payment. This means that some patients and some drugs are NOT covered by the ODB plan and hence those over 65 who are still employed (working seniors) may only be covered by employer paid benefit plans.

Recent changes to the ODB pricing structure have also resulted in the delisting of a number of drugs in a continued effort to keep costs down. This further affects those employers with working seniors who are also covered by employer benefit plans.

The Ontario government is also considering a change that would result in them being the second payer, after employer plans, for working seniors. This could pass along significant costs to employers with an aging workforce. This change has been communicated but has not officially been put into effect as of yet.

A totally different threat has also emerged from a totally different source than what we usually see. It comes in the form of the CanWest Direct to Consumer Advertising (DCTA) lawsuit.

This is a lawsuit that is currently before the courts. CanWest is claiming that current laws that forbid drug advertising in Canada are unfair and unconstitutional. What is at stake is as much as one half a billion dollars of advertising money and a corresponding expectation of increased drug sales resulting from the potential

increase in advertising. Who will pay the final cost if DTCA is allowed? Both public and private payers through the higher usage of the newly advertised drugs.

At the same time that these issues are being either implemented or considered, we do have some good news about cost savings.

Through the introduction of a large number of highly used generic drugs we have seen drug prices remain much lower than had been anticipated with the arrival of new higher priced brand name drugs on the market.

The latest addition to the market is the generic version of several birth control pills. These are a good example of a brand name drug that is NOT a high priced treatment. The even more reasonably priced generic can provide employers with a significant savings due to the very large market usage of this drug.

We will continue to update you on drug benefit cost issues as they occur. If you have specific questions or concerns regarding changes in payment of drugs you may use, contact your insurers customer service line directly.



## Mainstay Insurance Brokerage Inc.

10 Linton Court  
Thornhill, Ontario  
L3T 5M9

PHONE:  
(905) 886-9203

TOLL FREE:  
1-877-624-6789  
1-877-MAINSTY

FAX:  
(905) 707-0216

E-MAIL:  
[inquiries@mainstayinsurance.ca](mailto:inquiries@mainstayinsurance.ca)

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

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...*

You have an obligation to keep the insurer updated on changes to your staff.

If you hire or terminate, make salary or class changes or if your employees experience status changes that affect benefits, you must notify the insurer within 30 days to avoid late applicant problems.

Contact the insurer or Mainstay if you have any questions.

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.

## Wondering what others pay?

As a businessperson it is essential that you stay informed of the trends that impact operating costs. Benefits are no exception.

By remaining educated you will be in a better position to communicate with your staff, make plan changes if required, and avoid "sticker shock" at renewal.

Even with higher inflation, benefits remain one of the most effective ways to attract and retain staff, while providing one of the few available non-taxable (except Quebec) benefits to them.

Even though we regularly see more clients with more staff encountering higher claims (and costs), benefits are still an important benefit. Link this with our aging population and it is obvious why health benefits are more important than ever.

What do these increases mean to you, our clients?

Well it's not ALL bad. A summary of our rate

changes over the past 8 years is listed below.

### Premium Changes

Year	Best	Avg.	Worst
2000	-2%	11.7%	+30%
2001	-13%	12.1%	+25%
2002	-6%	15.6%	+46%
2003	-14%	6.3%	+31%
2004	-37%	2.5%	+25%
2005	-38%	6.0%	+25%
2006	-11%	5.0%	+30%
2007	-12%	6.8%	+38%

Everyones first response is "We want that 38% rate decrease". The firm that had that adjustment grew five times larger in one year and at the same time REDUCED claim costs. In fact, they were overpaying until their pricing was adjusted to reflect the new population of the firm.

What this summary tells us is that the client that paid an average cost of \$2000/person/year in 1999 will be paying \$3750 in 2008. A big increase? Absolutely at 87%; but not

the rate doubling every four or five years that we thought would happen if trends continued as they had up to 2002 (in both Canada and the US).

So who takes the credit for the better than expected increases? As much as we would like to be the sole reason for helping to keep costs down, much of it is due to the fact that employee claims are simply not rising to the levels many had expected them to.

Is it likely to get better? Are we going to see rates drop? Probably not. Look at the column with the highest rate increases and you will see that many clients have in fact had to deal with significantly higher rates over the past few years. These increases have caused employers to try to better manage their costs by reducing benefit coverage, sharing greater portions of the premiums with employees, and switching to defined contribution style plans (Health Spending Accounts).

## CRA changes to eligible medical expenses

There have been a number of issues that have surfaced since the last federal budget with respect to what is eligible as a deduction under the Medical Expense Tax Credit (on personal taxes).

The issue that is currently being discussed is the eligibility of non-prescription drugs. These include products like

vaccines, nitroglycerin, vitamins and over the counter drugs. Many benefit plans cover some of these products, when prescribed by a physician, and most health spending accounts and cost plus claims will also allow reimbursement.

The Federal Finance department has stated that they did not intend to

change eligibility rules for Private Health Services Plans (PHSP'S) that govern benefit plans so things are status quo for now until the issue is clarified.

We will continue to monitor the situation and insurers will be sending out communications as things progress and the coverage issue is clarified.