GroupNews

April 2019

Eckler's *GroupNews* monthly newsletter provides commentary on the issues affecting Canadian group benefit plans

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Benefit plan management

Manitoba increases Pharmacare deductible

On April 1, Manitoba increased the ***deductibles*** for its Pharmacare Program for the 2019/2020 benefit year. The following table provides a breakdown of the new deductible rates:

Adjusted Family Income	Deductible Rate 2018/2019	Deductible Rate 2019/2020
$0 – $15,000	3.09%	3.17%
$15,001 – $21,000	4.38%	4.49%
$21,001 – $22,000	4.42%	4.53%
$22,001 – $23,000	4.50%	4.61%
$23,001 – $24,000	4.56%	4.67%
$24,001 – $25,000	4.60%	4.72%
$25,001 – $26,000	4.67%	4.79%
$26,001 – $27,000	4.72%	4.84%
$27,001 – $28,000	4.78%	4.90%
$28,001 – $29,000	4.82%	4.94%
$29,001 – $40,000	4.85%	4.97%
$40,001 – $42,500	5.26%	5.39%
$42,501 – $45,000	5.39%	5.52%
$45,001 – $47,500	5.50%	5.64%
$47,501 – $75,000	5.57%	5.71%
$75,001 and greater	6.98%	7.15%

The annual deductible is determined by multiplying the adjusted total family income by the applicable deductible rate. On average, the deductible will increase close to 2.5% for eligible prescription drug expenses. The minimum deductible for Pharmacare is $100. Once the deductible is met, Pharmacare will pay 100% of eligible expenses.

Impact

Private plans that cover the employee deductible for eligible members will experience increased costs. Plans that cover all of the employee deductible can expect increased costs close to 2.5% of current "deductible costs".

British Columbia introduces legislation to eliminate Medical Services Plan premiums

The government of British Columbia has introduced ***Bill 20***, *the Medicare Protection Amendment Act, 2019* (the Act). Following the 50% cut in premiums introduced in the 2017 Provincial Budget, the Act is the next step in eliminating the premiums under BC's provincial health insurance program, the Medical Services Plan (MSP). Premiums will be eliminated effective January 1, 2020.

The Act also amends the administrative powers of the Medical Services Commission to remove responsibility for setting and collecting MSP premiums for enrolment periods after January 1, 2020. The Medical Services Commission will continue to enroll eligible residents in MSP and collect any unpaid premiums from before January 1, 2020.

Impact

The elimination of MSP premiums is good news for plan sponsors that currently cover some or all of these premiums for their plan members. The elimination of the MSP premiums will relieve some of the pressure of cost escalation, especially for employers with a BC payroll who have also been paying the Employer Health Tax (EHT) since January 1, 2019. For more information on the EHT, please refer to the ***November 2018*** edition of *GroupNews*.

Additionally, employer MSP subsidies are a taxable benefit to employees and retirees. As such, when the premium and corresponding employer subsidies are eliminated, many plan members and pensioners will see an increase in their net take-home pay or pension.

Federal government proposes changes to regulations for generic drug submissions

The federal government has published ***proposed amendments*** to the Food and Drug Regulations that will improve access to generic drugs. Currently, if a manufacturer wants to market a generic version of an existing, authorized drug, they are required to establish that the generic version is safe by submitting an Abbreviated New Drug Submission (ANDS). To obtain regulatory approval, the ANDS must demonstrate that the generic drug contains "identical amounts of identical medicinal ingredients" and is the "pharmaceutical equivalent."

The proposed amendments will change the criteria for ANDS eligibility from "identical medicinal ingredients" to allow for the authorization of generic drugs with the same "therapeutically active component" as brand name drugs, provided they achieve the same effect and with the same dosage as the brand name.

The proposed amendments would also amend the limits on data protection for "innovative drugs" by updating the definition of innovative drugs to include criteria that matches the other proposed amendments.

Interested parties can comment on the proposed amendments until June 8, 2019. Comments can be directed to ***hc.lrm.consultations-mlr.sc@canada.ca***.

Impact

Allowing generic drug manufacturers to introduce chemical variants of existing authorized drugs to the market could result in lower prices for plan administrators, as the generic variants may be made available for a reduced cost.

Leaves policy

Prince Edward Island introduces new leave for victims of domestic violence

Effective November 1, 2019, Prince Edward Island joins other provinces, including Manitoba, Ontario and Alberta, in providing employees with domestic violence leaves. Employees who are victims of domestic violence will soon be able to take up to ten days of leave for reasons of ***domestic, interpersonal partner or sexual violence***. A minimum of three of the ten days must be paid. The employee must have worked for a continuous period of three months to be eligible.

Leave may be taken intermittently or in one continuous period during a twelve-calendar-month period, and may be taken for the following reasons:

- seek medical attention;
- Obtain services from a victim's services organization;
- Obtain psychological or other professional counselling;
- Relocate either temporarily or permanently;
- Seek legal or law enforcement assistance and attend court appearances; and/or
- Comply with child protection interventions.

Impact

Employers and plan sponsors should review their policies and procedures to identify and make the changes needed to comply with the new regulation.

Budget highlights

Ontario Government Releases *Bill 100, Protecting What Matters Most Act (Budget Measures), 2019*

On April 11, 2019, the Ontario government issued ***Bill 100, Protecting What Matters Most Act (Budget Measures), 2019*** (Bill 100). Bill 100 amends legislation in Ontario to enact measures proposed in the ***2019 Ontario Budget***. *Bill 100* amends the *Insurance Act* of Ontario to clarify that insurers in Ontario will be allowed to accept electronic beneficiary designations, subject to legislation and the requirements of the Financial Services Regulatory Authority.

Impact

Paperless communications of beneficiary designations could result in significant cost reductions for plan administrators and allow for more immediate, effective acceptance of beneficiary designations for plan members. However, it could also result in additional administrative effort to determine a member's preferences, and to ensure that electronic communications are handled in a way that secures Personally Identifiable Information.

Quebec Budget Highlights

The ***Quebec Budget*** was introduced on March 21, 2019. The Budget includes $1.4 billion in new spending for 2019, and several initiatives in health care and group benefits, including:

- Reimbursing the cost of glasses and contact lenses, every two years, for children 17 and under through RAMQ. Details have not been provided on how this new benefit will be integrated with private plans. However, it is anticipated that private plans covering glasses and lenses will become second payor, and as such will be required to reimburse only what is not covered under RAMQ;
- Fostering early detection of learning disabilities and neurodevelopment disorders in children, and providing care and services to young people experiencing difficulties;
- Improving the assistance offered to parents of children with exceptional care needs because of serious illness or severe disabilities;
- Establishing "winter clinics" to allow earlier treatment of minor health problems, such as flu or other typical winter infections, for patients who do not have a family doctor; and
- Promoting "Aire ouverte" centres to provide Quebecers aged 12 to 25 with mental and sexual health services, including help with alcohol and drug issues, mental health and adaptation problems.

Impact

The proposed initiatives may result in healthcare savings or efficiencies if plan members take advantage of the initiatives before personal medical and/or family situations impact plan usage. Plans with coverage for glasses or contact lenses could see a reduction in claims if plan members receive coverage through RAMQ.

Actuaries' corner

Canadian Institute of Actuaries: Updated long-term disability termination study

The Canadian Institute of Actuaries (CIA) recently released an updated study of termination experience under Canadian group long-term disability (LTD) policies. The study was based on LTD recovery and mortality experience between 2009 and 2015, provided by sixteen insurance companies representing approximately 99% of the Canadian group LTD market. The prior study published by the CIA in 2011 was based on similar experience between 2004 and 2008.

The objectives of the study were to provide rate of termination assumptions for use in setting premium rates and financial reserves for LTD plans, and to review the impact of Canada Pension Plan (CPP) / Quebec Pension Plan (QPP) benefits on LTD plans. Rates of LTD termination are split between mortality rates and recovery rates. Recovery includes LTD termination for reasons other than mortality, e.g., returning to work, retiring early and no longer meeting eligibility requirements.

Consistent with the previous study, the updated tables provide LTD termination rates that vary by age, duration of disability, gender, and region (Quebec versus the rest of Canada). According to the study, Quebec termination rates are consistently higher than the rest of Canada, reflecting higher LTD claim incidence rates. Within the non-Quebec provinces, terminations tend to be higher in the Western provinces and lower in the Atlantic provinces. Overall termination experience appeared consistent with the prior study, while mortality rates declined slightly. However, the distribution of terminations by the above factors was significantly different.

The study noted that most LTD plans integrate with CPP / QPP, and that the data reviewed suggested that upwards of 80% of long-term claims (those over five years) will ultimately be approved for CPP / QPP disability benefits.

Also of interest was the confirmation that mental disorders are the primary cause of LTD claims – 41% in Quebec and 25% in the rest of Canada, followed by musculoskeletal and neoplasms (mostly cancers).

Impact

As most large insurance companies develop their own LTD termination tables for pricing and financial reserving, this updated study is not expected to have any immediate impact on many plan sponsors' LTD premium rates. Smaller insurers may rely more on the CIA studies, and may adjust their premium rates in due course to reflect these findings. The potential impact on individual plan sponsors will depend on their specific circumstances, including the distribution of their membership by the risk factors identified above. Plan sponsors who provide continuation of benefits to employees while on LTD, or who self-insure LTD benefits, may look to these assumptions as a basis for determining related post-employment benefit liabilities that they may have to hold on their balance sheets. In addition, plan sponsors should continue to focus on supporting long-term LTD claimants in applying for CPP / QPP disability benefits, as these benefits will typically help to reduce LTD plan costs over time.

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