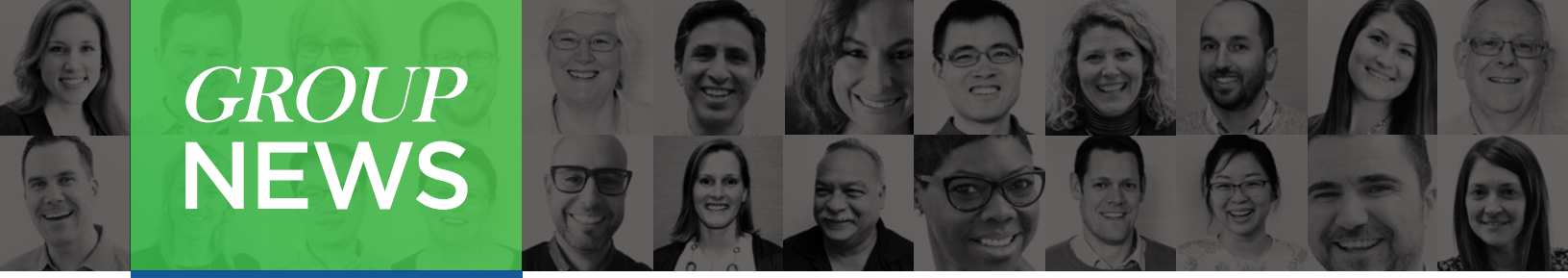


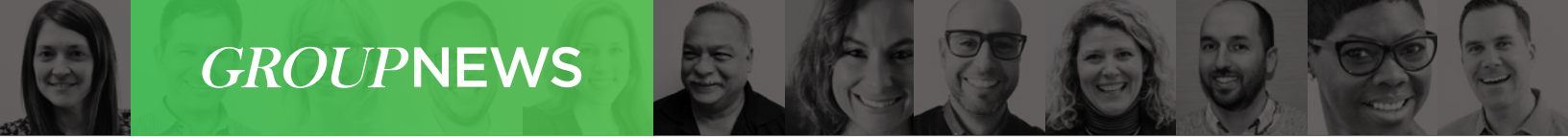
GROUP NEWS

September 2018

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

Here's what you'll read on the following pages:

- ***Government changes Employment Insurance Act***
- ***2019 EI premium rates***
- ***Update on British Columbia Medicare Protection Act measures***
- ***Latest PMPRB report analyzes Canada's rising public drug plan costs***



Benefit plan management

Government changes Employment Insurance Act

The federal government is making ***changes*** to the Employment Insurance (EI) program to provide more flexibility for claimants transitioning back to work while receiving EI benefits.

The Employment Insurance Working While on Claim (EI WWC) benefit was first introduced as a pilot project in 2016, allowing claimants to earn employment income while also receiving EI benefits. Claimants receiving regular, fishing, parental, compassionate care or family caregiver benefits can keep 50 cents of their EI benefits for every dollar earned while employed, up to a maximum threshold (90% of weekly insurable earnings used to calculate the EI benefit rate). Any income earned above this threshold is deducted dollar for dollar from EI benefit amounts.

In the 2018 federal budget, the government announced that the EI WWC pilot project (set to expire in August 2018) would be made permanent. It also extended the rules to apply to those receiving EI sickness benefits and maternity benefits, who were not included in the pilot. These changes to the *Employment Insurance Act* came into effect on August 12, 2018.

Impact: Prior to these changes, individuals receiving EI benefits had their EI weekly benefits reduced, dollar for dollar, by their employment income amounts that are over 25% of their weekly EI benefit amount. The new added flexibility in the EI program could encourage employees to return to work on a part-time basis, which could increase costs for benefit plan sponsors that discontinue benefits for employees while they are on leave.

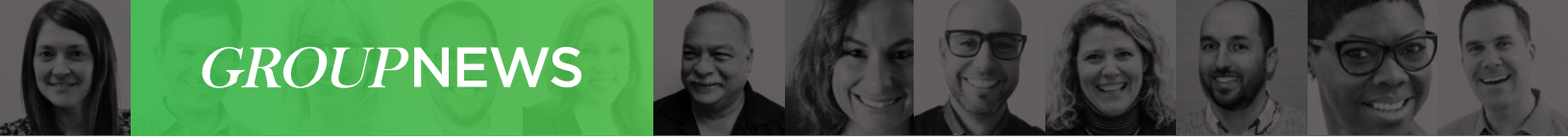
2019 EI premium rates

On September 13, 2018, following the release of the ***2019 Actuarial Report on the Employment Insurance Premium Rate***, the Canada Employment Insurance Commission ***announced*** the updated EI rates.

For 2019, the EI rate is set at $1.62 per $100 of insurance earnings – slightly lower than the 2018 rate of $1.66. EI premium rates for Quebec residents (who are covered under the Quebec Parental Insurance Plan) are set at $1.25 for employees and $1.75 for employers – 5 cents lower per $100 of insurable earnings than the 2018 rates.

The maximum insurable earnings will increase from $51,700 in 2018 to $53,100 in 2019.

Impact: In provinces other than Quebec, both employer and employee EI costs in 2019 are expected to be marginally higher than in 2018 because of the 2019 EI premium rate reduction, offset by the increase in the maximum insurable earnings. In Quebec, employee and employer EI costs will decrease marginally, as the EI rate reduction will have a greater impact than the increased maximum insurable earnings.



Legal & legislative update

Update on British Columbia Medicare Protection Act measures

Measures to protect patients in British Columbia from extra billing for medically necessary treatments will ***come into force*** on October 1, 2018.

Extra billing occurs when a patient is asked to pay an additional amount above what the provincial Medical Services Plan (MSP) pays for medically necessary treatments. The provisions coming into force under sections of *Bill 92, Medicare Protection Amendment Act, 2003* (Bill 92) mean patients who are subject to extra billing can be refunded by the Medical Services Commission. The provisions also set fines for clinics and practitioners who contravene the *Medicare Protection Act*.

The federal government continues to require provinces and territories to report extra billing and may reduce Canada Health Transfer funds where it takes place. The changes coming into effect on October 1 could allow B.C. to recover close to $16 million in fines from extra billing for medically necessary surgeries during the 2015-16 fiscal year.

Provisions under Bill 92 applying to diagnostic services will come into effect on April 1, 2019. These provisions highlight the government's commitment to increase publicly funded MRI exams through new capacity, while making sure public investments are used to their full capacity to decrease wait lists and working with private clinics to help them meet the Bill's requirements. Total volumes are expected to increase to 225,000 MRI exams completed in 2018-19 – up from 188,000 in 2017-18.

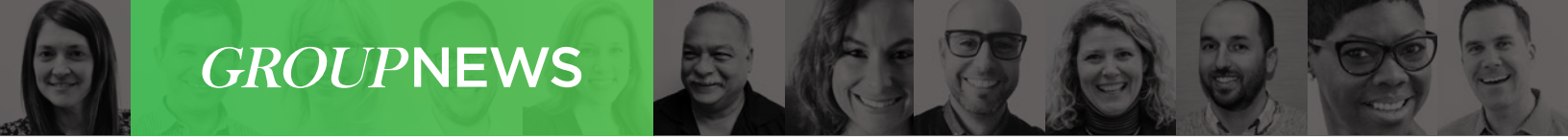
Impact: With the possible exception of healthcare spending accounts (HCSAs), payments made by plan members to physicians and clinics in B.C. would not be reimbursed by private group benefit plans, so the government's focus on extra billing practices is not expected to have much, if any, direct impact on most plan sponsors. However, the potential increase in MRI capacity should provide some relief for patients currently facing long wait times. It may also benefit plan sponsors, since members on disability who receive more timely diagnosis and treatment may be able to return to work sooner.

Research

Latest PMPRB report on Canada's rising public drug plan costs

The role of the Patented Medicine Prices Review Board (PMPRB) is to review the prices of patented medicines sold in Canada and ensure they are not excessive. As part of its price review process, the PMPRB's Human Drug Advisory Panel (HDAP) evaluates each new medicine and assigns a recommended level of therapeutic improvement.

The PMPRB completed scientific reviews for 124 of the 163 medicines approved by Heath Canada between 2012 and 2016. Over this period, only 14% were placed in the Substantial Improvement or Breakthrough categories. Of the rest, 65% demonstrated Slight or No Improvement over existing therapies, while 21% were classified as Moderate Improvement.



According to the PMPRB's September 2018 edition of ***CompassRx*** (which examines the cost pressures on prescription drugs in Canada's public drug plans), increased spending on high-cost drugs – combined with lower savings from generic drugs and decreased use of direct-acting antiviral (DAA) drugs for Hepatitis C – have driven up total drug costs by 7.3%, on average, over the past two years.

Here are some key findings from the latest report (which generally compares current findings to those from 2016-17):

- Drug costs increased by 10.8% in 2015-16, with an additional 1.9% increase in 2016-17 – resulting in two-year average growth of 7.3%, or $10.7 billion.
- 79% of the overall cost increase came from drug costs (including markups), while dispensing costs were responsible for the remaining 21%.
- Increased use of higher-cost drugs (other than DAAs) continues to be the most significant cost driver, pushing costs up by 4.4%.
- Patented medicines (other than DAAs) continue to represent the largest market segment, with associated costs rising by 5.7%.
- Costs of prescription drugs with annual treatment running more than $10,000 rose by 17.2%. While these high-cost medications were used by fewer than 2% of beneficiaries, they increased total drug costs by nearly 28%.
- Savings from reduced prices and generic substitutions have steadily declined to 2.8% in 2016-17 – down significantly from 9.2% five years earlier, as the impacts of the patent cliff and generic pricing reforms have waned.
- A growing beneficiary population – and hence an increased use of prescription drugs – pushed total drug costs up by 2.8%. Among the provinces, PEI recorded the highest growth of active beneficiaries, at 9.1%.
- Public drug plans across Canada paid an average of 86% of total prescription costs for 266 million prescriptions, dispensed to almost 6 million active beneficiaries.

Impact: These statistics are related to public drug plans, but private plan are similarly impacted. Plans that cover all drugs approved by Health Canada are subject to many "me too" drugs (which contain most of the same ingredients as or are structurally similar to existing drugs) or drugs that provide only moderate improvement to drugs already on the market. Such statistics reinforce the idea that formularies need to be managed to provide the best value.

This publication has been prepared by the *GroupNews* editorial board for general information and does not constitute professional advice. Current editorial board members are: *Andrew Tsoi-A-Sue*, *Ellen Whelan*, *Charlene Milton*, *Karen Gleeson*, *Alyssa Hodder*, *Philippe Laplante*, and *Nick Gubbay*. All *GroupNews* issues are available on *eckler.ca*.

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CONSULTANTS + ACTUARIES

Connect with us:

Halifax
902-492-2822

Montreal
514-395-1188

Quebec City
418-780-1366

Toronto
416-429-3330

Winnipeg
204-988-1586

Vancouver
604-682-1381

Barbados
246-228-0865

Jamaica
876-908-1203

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