GROUP NEWS

December 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:

- ***Ontario proposes use of private label drugs***
- ***Quebec Pension Plan (QPP) 2019 maximums announced***
- ***Update on the OHIP+ and Employer Health Tax in Ontario***
- ***Update on leaves of absence in Ontario and Nova Scotia***
- ***Public Sector Accounting Board – Employment Benefits Invitation to Comment***
- ***Canadian employees would like virtual healthcare offered in benefits packages***

Benefit plan management

Ontario proposes use of private label drugs

On October 29, 2018, the Ontario government posted Ontario Draft Regulation O. Reg. 201/96 (ODBA) and Reg. 935 (DIDFA) (Regulations) for review. If approved, the proposed regulatory amendments would allow private label drugs to be designated as listed drug products under the Ontario Drug Benefit Act, or interchangeable products under the Drug Interchangeability and Dispensing Fee Act, if other existing conditions in the Regulations are met.

The move is controversial, as it is contrary to the reasons provided by the province when addressing their position to prevent pharmacy chains from producing private label drugs as outlined in the Supreme Court of Canada case *Katz Group Canada Inc. v. Ontario (Health and Long-Term Care), 2013 SCC 64*. Specific to that case, the Ontario government successfully argued that the introduction of private label drugs could result in large chain pharmacies creating an unfair market in which they could manipulate prices to the detriment of the consumer.

Private label drugs are sold by wholesalers or pharmacy chains under their own branded label. The drugs are produced by an existing drug fabricator, and marketed and sold as the pharmacy's own product. For example, Shoppers Drug Mart offers generic drugs under the Sanis line in other Canadian jurisdictions, and Jean-Coutu offers drugs under the Pro Doc label.

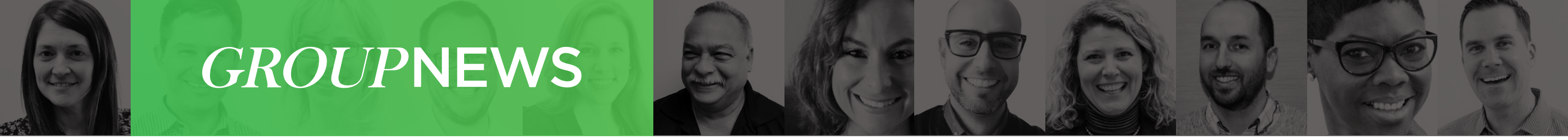
Currently, private label drugs are not eligible for designation as listed drug products under the Ontario Drug Benefit Act, and as a result are not eligible for public funding under the Ontario Drug Benefit program. They are also not currently eligible for designation as an interchangeable product under the Drug Interchangeability and Dispensing Fee Act. This means that they cannot easily be proposed as a replacement for prescribed generic or brand-name drugs.

Ontario is the only Canadian jurisdiction to currently restrict private label drugs from being designated as listed drug products or designated interchangeable products. The proposed amendments would align Ontario's position regarding private label products with the other provinces and territories.

If approved, the proposed regulatory amendments would remove the requirement that private label manufacturers fabricate the drug either in whole or in part. This would reduce the regulatory burden for private label companies and further align Ontario's position with other Canadian jurisdictions.

The government of Ontario asked interested stakeholders to comment on whether there should be limits on the percentage of private label products bought and sold by pharmacies affiliated with a drug manufacturer, similar to legislation in Quebec.

Impact: The financial impact for plan sponsors and members is currently unclear but will be closely watched if the proposed amendments become a reality.



Quebec Pension Plan (QPP) 2019 maximums announced

Retraite Québec recently ***announced*** its 2019 QPP contribution and benefit information, as shown below:

	2019	2018
Basic exemption	$3,500	$3,500
Year's maximum pensionable earnings	$57,400	$55,900
Employer contribution rate • Base plan • Additional plan	 5.4% 0.15%	5.4%
Maximum employer contribution • Base plan • Additional plan	 $2,910.60 $80.85	$2,829.60
Employee contribution rate • Base plan • Additional plan	 5.4% 0.15%	5.4%
Maximum employee contribution • Base plan • Additional plan	 $2,910.60 $80.85	$2,829.60

Impact: Employers will need to ensure their payroll and HR systems are updated to reflect the 2019 limits.

Legal & legislative news

Update on the OHIP+ and Employer Health Tax in Ontario

Effective January 1, 2018, the Ontario government's OHIP+ has been providing prescription drug coverage for eligible Ontario residents under age 25. As reported in the ***July 2018*** edition of *GroupNews*, the new Ontario government announced changes that make the program second payor for those who have coverage under a private plan. An announcement made in the ***2018 Economic Outlook and Fiscal Review*** (2018 Economic Outlook) indicated that this would take effect in March 2019.

The 2018 Economic Outlook also announced that the exemption on the Employer Health Tax for eligible private-sector employers will increase from $450,000 to $490,000 of payroll, effective January 1, 2019. They also announced a government review on the delivery of publicly funded health benefits, including a review of the Ontario Drug Benefit Program.

Impact: Given that OHIP+ will be second payor, plan sponsors will not see the anticipated savings from OHIP+. Estimates of those savings ranged from 3% to 7% and many plan sponsors adjusted their budgets to reflect anticipated savings. A second look at budgets and removing the estimated impact of OHIP+ may be appropriate, given the change in regulations.

Update on leaves of absence in Ontario and Nova Scotia

As reported in the ***November 2017*** edition of *GroupNews*, the previous Ontario Government made significant amendments to both the employment legislation and the labour legislation in the province. On October 23, 2018, the Ontario government introduced Bill 47, *Making Ontario Open for Business Act, 2018*. Bill 47 includes changes to some of the provincial leave of absences requirements established back in 2017.

Effective January 1, 2019, ten days for personal emergency leave (including two paid days) will be replaced by three days off for personal illness, three days off for family responsibilities and two days off for bereavement leave per calendar year. All the leaves are unpaid.

Also, effective January 1, 2019, eligible employees in Nova Scotia who are victims of domestic violence are ***entitled*** to take ten intermittent or consecutive days off and up to 16 consecutive weeks off per calendar year. To be eligible, the employee must have worked for their current employer for a minimum of 13 weeks. All leaves in Nova Scotia must allow employees the option to continue participation in benefit plans at their own expense beginning January 1, 2019.

Impact: Employers should review their HR policies to ensure compliance with the updated leave periods for employees in these provinces.

Actuaries' corner

Public Sector Accounting Board – Employment Benefits Invitation to Comment

The Public Sector Accounting Board (PSAB) is reviewing the issues and considerations related to an update of the accounting guidance for employment benefits in Sections 3250 and 3255 of the CPA Canada Public Sector Accounting Handbook. This project's objective is to issue a new employment benefits section to replace Sections 3250 and 3255. Some of the changes explored relate to the treatment of actuarial gains and losses, plan amendments and setting key assumptions, such as the discount rate.

PSAB has recently issued the project's third (and final) ***Invitation to Comment*** (ITC) titled *Employment Benefits: Non-Traditional Pension Plans*. The aim is to solicit feedback from stakeholders on the accounting principles and guidance applied when determining the post-employment benefit obligations, which involve employers sharing different degrees of risk with other parties. Notably, it is also an opportunity for stakeholders to provide input on whether the potential accounting guidance described in the ITC would be appropriate for estimating post-employment obligations for non-pension benefits, such as sick leave, LTD, health and dental benefits.

Written comments from individuals, governments and organizations are due to be received by PSAB by February 1, 2019. PSAB plans to deliberate stakeholder feedback on the three ITCs and develop its positions on the issues in 2019, with a Statement of Principles containing its preliminary views expected to be issued in 2020.

Impact: Organizations that do their financial reporting under the public sector accounting standards will likely be interested in the development of these changes, or wish to provide comments. Some of the changes could impact amounts reported on their balance sheets and in their income statements related to post-employment benefit plans they sponsor.

Research

Canadian employees would like virtual healthcare offered in benefits packages

A ***recent study*** by Medisys Health Group found that two of three Canadian employees would use virtual care if it was included in their workplace benefits plan, and nearly three of four would trade some of their existing benefits for virtual access to healthcare. Virtual healthcare apps give patients direct, instant access to nurse practitioners, physicians and other health professionals via secure text and video chat – anytime, anywhere.

The growing interest in access to healthcare from home and on-the-go is no surprise considering the 60% growth of average smartphone usage over the last three years, and the fact that more than 72% of smartphone users are already monitoring their health through their phones. However, only 9% of Canadian employers currently offer virtual healthcare as part of their employee benefits packages.

The Medisys virtual health study surveyed more than 1,500 Canadian employees, and also found:

- Among the Canadians who are most likely to use virtual healthcare apps are those dealing with chronic health conditions (70%), parents and caregivers (69%), and millennials (67%).
- Among the benefits of using virtual healthcare, respondents cited:
  - late hours and weekend access (67%);
  - convenience (66%);
  - avoiding hospital wait times for minor health problems (62%);
  - fewer missed work days (47%);
  - more regular doctor visits (45%); and
  - reduced stress (29%).

According to Statistics Canada, 4.5 million Canadians don't have a family doctor, and those who do can't always get an appointment when needed. The result is visits to crowded walk-in clinics, long waits in emergency rooms, and even forgoing medical care altogether. With virtual healthcare, up to 70% of clinic and ER visits can be replaced by online consultations without any impact on the quality of care.

When it comes to mental and emotional health, out-of-pocket costs, workplace stigma, lack of time and flexibility make it difficult for employees to seek the help they need. Virtual mental healthcare can alleviate these fears and inconveniences by offering direct, private access to mental health professionals. Virtual care has also been shown to help reduce wait times to see a specialist by 30-50%.

The study also shows that it isn't only employees who would benefit from improved access to virtual healthcare. The average Canadian employee currently takes two to six days off per year to visit a doctor, and each five-minute visit takes an average of two hours away from a work day. By offering virtual healthcare as part of employee benefits, companies could save thousands of dollars per employee each year, simply due to reduced absenteeism.

Impact: The results of this survey seem compelling. However, plan sponsors may want to conduct a cost benefit analysis of their own employee cohort(s) to determine the financial and well-being impact to their plan members and their organization.

In the spirit of the holidays, we would like to say thank you to our readers for your continued support this year. We wish you and your loved ones the best of the season, and a happy and healthy new year!