Manion Magazine

VOLUME 2 ISSUE 3
JULY 2015

Inside This Issue

Developments on Voluntary Supplement to the Canada Pension Plan (CPP)

On July 13, 2015 the Government of Canada released a consultation document and is seeking responses to eight questions. **All Canadians are invited to provide feedback** to the document by September 10, 2015. The questions are:

1. Do you believe a voluntary supplement to the CPP should be an option for Canadians to save for retirement? Is this something you would use to increase your retirement savings?
2. How could a voluntary supplement to the CPP be designed to facilitate participation of individuals who may be at risk of under-saving for their retirement?
3. How much flexibility should there be for individuals who choose to participate? For example, what are your views on locking-in funds for retirement and providing variability in the contribution rates?
4. How could a voluntary supplement to the CPP be designed to provide a secure stream of retirement income?
5. What retirement income options should be available upon retirement for savings accrued within a voluntary supplement to the CPP?
6. Should transfers between a voluntary supplement to the CPP and other retirement savings vehicles be permitted? If yes, should there be any limits?
7. While employers would not be required to contribute, what would be the appropriate role for employers?
8. Who should be responsible for investing the contributions made to a voluntary supplement to the CPP?

Submissions can be emailed to CPP-consultations-rpc@fin.gc.ca by September 10, 2015.

Provincial Health Ministers Discuss Need for National Pharmacare Program

An article appearing in the June 9, 2015 edition of *The Hamilton Spectator (*Ontario, Canada) debates whether or not Canada should have a national pharmacare program to help Canadians pay for prescription drugs. In early June, several provincial and territorial health ministers met and they vowed to make it a key issue in this fall's federal election.

Following the health ministers meeting , the federal government issued a statement saying it wants to work with the provinces and territories on bulk purchases of drugs before "spending more money" on a pharmacare plan. "There are hundreds of millions of dollars that could be saved, and hopefully improve access," said Michael Bolkenius, spokesperson for Health Minister Rona Ambrose.

Canada is the only industrialized country with universal health insurance that does not offer universal prescription drug coverage. Statistics show 1 in 10 Canadians cannot afford to pay for their medications.

"Certainly, I think we have an opportunity given that this is an election year federally, to put and keep this issue on the agenda," said Ontario Health Minister Eric Hoskins.

Are We Ready for Hepatitis C?

Hepatitis C (HCV) is an infectious disease that damages the liver and can be fatal in its end stages, taking the form of liver cancer or cirrhosis of the liver. According to the World Health Organization, this disease affects an estimated 300,000 Canadians and approximately 150 million people worldwide.

There are currently seven virus types (Genotypes) that have been discovered. Genotype 1 is the most prevalent and affects approximately 67% of HCV infected Canadians. The second most prevalent genotype is Genotype 3, which affects approximately 22% of Canadian patients. Genotype 2 is the easiest genotype to treat, however it affects only 6% of Canadian patients. The remaining genotypes (4-7) are mostly confind to Africa and Southeast Asia.

Treatment for Hepatitis C began with the introduction of *Interferon* in 1992 (three years after Hepatitis C was first discovered and published in 1989). This initial treatment had a cure rate of approximately 9% of patients with Genotype 1 and 30% of patients with Genotypes 2 and 3. Treatments continued to be developed through the ‘90s with *Alpha-interferon* and then *Alpha-interferon* in combination with *Ribavirin* which increased the cure rates to 30% for Genotype 1 and 60% for Genotypes 2 and 3. In 2001, a modified form of *Interferon* that stays in the bloodstream longer, was approved. When this new drug, called *Pegasys*, was combined with *Ribavirin*, cure rates increased to 50% for Genotype 1 and 82% for Genotypes 2 and 3. However, this new “cocktail” had some side effects such as severe anemia and depression.

Throughout the 2000's additional classes of drugs were approved for use in combination with the "cocktail" treatment. However, along with it came increasingly severe side effects that prevented many patients from completing treatment. In 2012, a new class of drugs called Direct Acting Antivirals (DAAs) was introduced that showed cure rates of 90 – 100% for Genotype 1. These DAAs had also cut treatment time in half from 24-48 weeks down to 12-24 weeks and displayed much less severe side effects. The approved DAAs for use with *Peg-interferon* and *Ribaviron* are *Galexos* and *Sovaldi* and have achieved cure rates of 80-90% for Genotype 1 and 96% for Genotype 4. Finally, in 2014 *Harvoni* was approved to treat Genotype 1 without *Peg-interferon* or *Ribaviron*. This drug has achieved cure rates of 90-100%.

Below is a Table of the most common treatments and costs in Canada for chronic Hepatitis C infection.

Brand Name	Drug Name(s)	Genotype(s) Treated	Approximate Treatment Cost
Pegasys/Copegus	Peg-interferon alpha 2a + ribavirin	All Genotypes	$20,000
PegIntron/Rebetrol	Peg-interferon alpha 2a + ribavirin	All Genotypes	$30,000
Incivek	Telaprevir with peg-interferon + ribavirin	Genotype 1	Up to $77,000
Victrelis	Boceprevir with peg-interferon + ribavirin	Genotype 1	Up to $70,000
Galexos	Simeprevir with peg-interferon + ribavirin	Genotype 1	Up to $85,000
Sovaldi	Sofosbuvir with peg-interferon + ribavirin	Genotypes 1 – 4	Up to $135,000
Harvoni	Sofosbuvir with ledipasvir	Genotype 1	Up to $154,000

As illustrated above, with every new advancement in the treatment of Hepatitis C comes an increase in the cost of the treatment. *Harvoni* has begun to dominate the treatment market. As previously indicated, this drug can cure Hepatitis C at a higher rate, with less side effects and the course of treatment takes half the time compared to the alternative treatments. If 67% of the 300,000 Canadians living with Hepatitis C have Genotype 1, the only Genoytype cured by *Harvoni*, drug payors will be faced with an enormous bill to pay. If it initially seemed unlikely that all those with Genotype 1 will take *Harvoni,* recent uptake trends suggest otherwise.

Starting in 2014, most doctors have been gravitating to prescribing *Harvoni* as opposed to the alternative treatments. *Harvoni* is already topping the list of costliest drugs at insurance companies across the country, taking the third spot on Great West Life's total drug spend list only five months after the drug hit the Canadian Market (2.5% of total drug spend).

The Canadian Liver Foundation is recommending that all those born between 1945 and 1975 be screened in the next year for Hepatitis C. The industry is bracing itself for what it expects to be a large increase in Hepatitis C patients looking for treatment which puts a heavy burden on benefit plans.

The Underutilization of Ontario's Trillium Drug Program

Over the years millions of dollars in catastrophic drug claims have been paid through group benefit plans when they should have been funded by Ontario's Trillium Drug Program.

The issue appears to be the fact that insurance companies are not integrating eligible high cost claims with Trillium but rather they are continuing to put more claims in stop-loss pools when the province should be paying. Compounding this problem is too few employers that are aware of Trillium and are not educating their employees about it.

With the arrival of biologics (such as *Enbrel* or *Remicade* and new Hepatitis C treatments such as *Sovaldi* and *Harvoni*), the rising claims resulting from these new drugs has caused some plan sponsors to contemplate scaling back benefits and insurers to raise stop-loss attachment points.

Plan sponsors naturally want to avoid high renewal increases but they should consider before scaling back on plan benefits, that in some cases such as Hepatitis C treatments these are one-time claims.

The Trillium Drug Program should be the first payer of an employee's eligible drug costs once the person has reached their out-of-pocket deductible (Trillium's deductible is calculated a 4% of total household net income from the previous taxation year). However, what is happening is insurance companies have been the first payer and Trillium is not involved. Although the responsibility is on the insurance companies to process claims correctly, plan sponsors also need to understand how Trillium works and communicate this to their employees.

One way to rectify this situation is to suggest a 10% to 20% co-insurance be implemented on drug plans. This will provide the opportunity to transfer part of the cost to the public system because this will satisfy the Trillium deductible that the employee has to pay.

Communication to employees, however, is still key. Employees need to apply to Trillium. The employer cannot apply on the employees' behalf. Employers should adopt a proactive approach to employee education without singling any one employee out. If the Trillium program is used correctly, the number of these large claims that are currently being processed through the employer sponsored plans can be dramatically reduced, which will help to have a sustainable drug and benefit plan in the future.

Information on the Ontario Trillium Drug Program can be found at **http://www.drugcoverage.ca/en-ca/Provincial-Coverage/ontario/drug-benefit-programs**

RAMQ Adjusts Drug Coverage

The Regie de l'assurance-maladie du Quebec (RAMQ) has reviewed and adjusted the Basic Prescription Drug Insurance Plan effective July 1, 2015.

In Quebec, residents are required to have drug coverage provided by either RAMQ or a private insurance plan. All private plans must offer coverage that is equivalent to or better than coverage provided by RAMQ.

- RAMQ coverage effective July 1, 2015, is as follows: The minimum coverage of RAMQ formulary drugs that a plan sponsor must offer is now 66 percent, down from 67.5 percent.

- The annual out-of-pocket maximum for RAMQ formulary drugs is now $1,029 up from $1,006.
- The monthly deductible has increased to $18.00 from $16.65.
- The maximum monthly contribution has increased to $85.75 from $83.83.
- The annual premium that Quebec residents must pay for RAMQ coverage has increased to $640 from $611.

Impact on Group Drug Plans

Plan sponsors providing coverage that is equivalent to or better than RAMQ coverage will see minimal impact in drug claims submitted to their plans.

Other Updates

In addition, on April 20, 2015, Quebec ratified Bill 28 which implemented 300 articles which primarily implement certain provisions of the June 4, 2014 budget speech. With respect to Prescription Drug Insurance Plan and the Health Insurance Act:

- Effective October 1, 2015, private plans that have a generic substitution clause can reimburse based on the price of the generic equivalent, and the difference in cost between the generic equivalent and the brand name drug is not used when calculating the maximum contribution. This indicates that there will be savings for private plans which have a generic substitution clause.

- Quebec pharmacists are now authorized to carry out "recognized services" including:
  - Renewing a physician's prescription;
  - Prescribing medication when no diagnosis is required;
  - Adjusting the form, dosage or quantity of a prescribed medication;
  - Adjusting the dose of a prescribed medication to achieve therapeutic targets or to ensure the safety of the patient;
  - Prescribing local laboratory analyses; prescribing a medication with another of the same therapeutic group if the prescribed medication is not available in Quebec, and
  - Prescribing medication for a minor condition and administer a medication to demonstrate appropriate usage.

- Pharmacists will be remunerated for some of the "recognized services". However, which services they will be remunerated for are not yet identified nor have the payment parameters been established. It is noted that:
  - The Prescription Drug Insurance Act provides for the reimbursement of "recognized services" from RAMQ for services that relate to drugs on the RAMQ formulary;
  - Private plans can refuse to reimburse remunerated services related to drugs that do not appear on the RAMQ formulary; and
  - Unremunerated services rendered by pharmacists cannot be billed to patients.

- The legislation now allows for confidential listing agreements with drug manufacturers.
- This means that manufacturers can make allowances to the government through rebates or discounts. The savings negotiated by the Quebec government with drug manufacturers will not apply to private plans.

Impact on Group Drug Plans

As a result of the reduction to the fees paid to pharmacists under the Public Plan coupled with the inability to bill patients for services under the Public Plan or private plans, it is expected that there will be a decrease in earnings for pharmacists which could lead to an increase in the fees they bill to insured individuals in private plans, as well as the introduction of "incidental fees".

What Is Manion Doing To Keep Drug Costs Sustainable?

Drug spend will continue to increase with the introduction of newer high cost specialty drugs resulting in ongoing pressure on plan sponsors to sustain their current benefit plan designs and drug programs. Manion, in collaboration with Express Scripts Canada, is committed to identifying lower cost solutions and healthier outcomes while delivering ongoing value and preserving great plan participant experiences for all our customers.

We are pleased to announce that, working closely with Express Scripts Canada and Pharmacy, we are able to offer a discount on the drug cost of *Remicade* for your plan participants outside the province of Quebec.

We are excited to announce that we will be using a unique member and plan-friendly way to administer the discount. Your plan participants will not be impacted. This approach will allow for the discount to be seamlessly passed on to your group and to eligible existing or new *Remicade* patients.

Remicade is a specialty drug approved for the treatment of multiple inflammatory conditions including:

- gastrointestinal (ulcerative colitis, Crohn's disease)
- dermatological (plaque psoriasis)
- rheumatologic diseases (rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis).

This will be available in June and we will be tracking the savings achieved as a result of this discount in future reporting.

In short, employee demographics influence every aspect of employee benefits programs. Yet other than basic statistics such as average age, male/female split and/or number of single employees versus those with dependents—most plan sponsors do not have a complete picture of their employee population and how changes in this profile will impact their benefits plans in the future.

Manion's New Fraud Control Feature – Regulated Paramedical Provider Database

Effective June 1, 2015, Manion will be enhancing the way we adjudicate licensed and registered paramedical providers across Canada. Manion has purchased the license to a directory that contains all license and registration data extracted from the different colleges and associations in order to ensure that these types of claims are only paid to licensed practitioners. This new feature will provide our clients with improved fraud control, reduced risks and improved overall claims management. The directory will include the following providers:

- Acupuncturist
- Audiologist
- Chiropodist
- Chiropractor
- Massage Therapist
- Naturopath
- Osteopath
- Physiotherapist
- Psychologist
- Psychotherapist
- Speech Language Pathologist

How It Works

- On a weekly basis, we will upload a file received from our accredited source that has affiliations with various colleges and associations.
- We will import this file which contains important information on provider name, offices, designations, and license status.
- After June 1, 2015, when we receive a claim for a service provider not found on our database, we will pend the claim and investigate accordingly. If the provider is accredited, the claim will be approved.
- When we receive a claim for a service provider that is not registered or active with an appropriate college, we will deny the claim with the appropriate explanation on the member's Explanation of Benefits form (EOB).
- We will allow a grace period for one claim. If a member submits a claim for a provider, which we have previously paid claims for, we will allow the claim and advise accordingly for future claims.

This new database is a further enhancement to our fraud control features in our claims system which sets us apart in the industry. We trust that our clients will endorse this new initiative, but if you have any concerns please let us know.

Pension Legislation Update

Nova Scotia

The new Pension Benefits Act and Regulations came into effect June 1, 2015. An amendment to the plan text document must be filed before May 31, 2018. The new legislative requirements are summarized below:

Pension benefits immediately vest when pension plan members terminate their employment/pension plan membership (for pension benefits earned prior to January 1, 1988 the provision that existed at termination apply).

- Unlocking if the annual pension is not more than 4% of the YMPE or if the commuted value of pension is less than 20% of YMPE.
- Includes the ability to obtain locked-in money from a pension plan for shortened life expectancy should their life expectancy be less than 2 years.
- Jointly sponsored pension plans and Target Benefit pension plans are adopted.
- The Act provides for specific requirements for record retention by plan sponsors and their service providers.
- Annual Statement requirements have expanded.
- Delinquency reporting to the Superintendent of owed contributions within 60 days of the due date.
- The administrator must provide the pension plan's trustee with a summary of pension contributions no later than 60 days after each fiscal year end.
- The Act has new or amended definitions.

Quebec

The Supplemental Pension Plans Act (SPPA) has been amended by Bill 34 effective February 18, 2015 and was assented to on April 2, 2015. Bill 34 reforms multi-employer pension plan rules with respect to the funding and restructuring. The new legislative requirements are summarized below:

- Employers participating in a negotiated contribution plan (NCP) will contribute only "the employer contributions stipulated in the plan and cannot take a contribution holiday or contribution a letter of credit to deal with solvency deficiencies. Solvency deficiencies in NCPs will not be required to be funded; the 50% rule and indexing for deferred pension prior to early retirement age will not apply; actuarial valuation reports will be required to be filed within six months of the date of actuarial valuation (previously nine months); funding deficiencies will be amortized over 12 years instead of 15 years, and the value of benefits accrued to members terminating their plan membership will be paid in proportion to the solvency ratio only.
- When the actuarial valuation of an NCP identifies insufficient contributions, the plan must be restricted according to a recovery plan that must be filed with the REGIE des rentes.
- On a participating employer's withdrawal from a NCP, benefits will now be required to be transferred or annuitized as if the plan had terminated. There are additional rules if a participating employer withdraws from a NCP within five years of the date of assent in certain cases.
- Former members whose employer has once withdrawn from a MEPP is required to transfer their commuted value from the plan in proportion to the solvency ratio to be transferred out of the plan no later than one year after the date of assent of Bill 34. However, they must be given a three-month notice, and they may request that their benefits remain in the plan subject to being reduced later.