Manion Magazine

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Ontario Provincial Budget Bill 14 – Pre-Retirement Beneficiary under PBA (All Ontario RPPs)

In our inaugural issue of the Manion Magazine (January 2014), we spoke about the Ontario government's introduction of Bill 151 which contained amendments to the Pension Benefits Act (PBA) to resolve the uncertainty created by the 2012 Ontario Court of Appeal decision on the Carrigan v. Carrigan ruling. Bill 14 received Royal Assent on July 24, 2014 which effectively resulted in the reversal of the 2012 Ontario Court of Appeal ruling in this case.

In the Carrigan case, the Court held that a pre-retirement death benefit was payable to the deceased member's designated beneficiary, even though the member had a common law spouse on the date of death, because the member also had a married spouse from whom he was separated but not divorced. The amendments in Bill 14 restore the common-law spousal entitlements in section 44 (joint and survivor pensions) and section 48 (pre-retirement death benefits).

The section 44 amendments clarify the entitlement of a common-law spouse to a joint and survivor pension where the member also has a married spouse from whom he or she is separated when the pension commences.

The section 48 amendments stipulate that a common-law spouse who is living with a member on the date of the member's death is entitled to the member's pre-retirement death benefits, despite the member having a married spouse from whom he or she was separated from at the time of death. The amendments do not prevent the married spouse from having an entitlement as a designated beneficiary provided the common-law spouse who is living with a member on the date of the member's death has waived his or her rights.

These amendments were effective July 24, 2014 (not October 31, 2012). Section 48(10.1) provides a retroactive discharge to plan administrators who applied the Carrigan rules to pre-retirement death benefits.

Canadian Drug Insurance Pooling Corporation (CDIPC) Claims Double

The number of prescription drug claims in excess of $25,000 per claimant per year that are covered by the Canadian Drug Insurance Pooling Corporation (CDIPC) has doubled between 2012 and 2013.

According to the Canadian Life and Health Insurance Association (CLHIA) insurers in Canada paid more than 4,000 such claims in 2013, up from 2,000 when CDIPC was first established in 2012. Several of these claims exceeded $500,000, with one claim exceeding $1.2 million.

In the absence of a catastrophic drug program in Canada, life and health insurers voluntarily established the CDIPC, under which they share the costs of highly expensive and recurring drug treatments in order to protect fully-insured private drug plans from the full financial impact of high-cost drugs. "Without this system, many Canadians would be left without access to the prescription drugs they need to help them deal with rare and often life-threatening conditions," says Frank Swedlove, CLHIA president.

CDIPC does not apply to ASO Plans and Multi-Employer Trust Funds, which is why **Manion** makes comparable Stop-Loss coverage available to any of our ASO Plans and Multi-Employer Trust Fund Clients that wish to implement it.

Double Digit Health Trend Rates Are Determining Premium Rates – Why?

If prescription drug inflation has been reportedly “flat” for the past few years and drugs are the largest component of most employer-sponsored health plans, why are insurers still using annualized health trend rates in excess of 11% to determine premium rates? The reason is that drugs are becoming a smaller piece of the healthcare “spend” and plan members are using more expensive services more frequently.

Drug costs under most group plans are still the majority of the “spend”, however it is not uncommon for them to make up less than half of the overall healthcare spend. While the drug inflation is flat it is having a smaller impact on the healthcare cost trend. Then what is causing the increase in premium rates? Paramedical practictioners, vision care and medical services and supplies are increasing at much higher inflation rates. Several factors have contributed to this trend.

The list of covered practitioners has expanded to include acupuncturists, registered dietitians and others that were not commonly covered years ago. A recent study by Great-West Life showed a 170% increase in the percentage of plan members using Massage Therapy compared to 10 years earlier. Paramedical coverage has become a highly valued benefit. Many plan sponsors have increased annual maximums as part of their desire to provide a more meaningful benefit program.

Although this may appear to be a two-edged sword the high use of paramedcials should not necessarily be construed as a bad thing. It may in fact help reduce drug costs and incidence of disability.

WITHHOLDING TAX REQUIREMENT FOR DISABILITY BENEFITS – JANUARY 1, 2015

CRA will be implementing new tax withholding requirements effective January 1, 2015 on taxable disability benefits paid from group insurance plans. The tax rate for these withholdings would be based on the current period payroll tax tables and basic personal exemption amounts. Previously, plan sponsors or plan members had options for withholding tax, such as withholding only a specific amount or percentage or deferring the tax payment until annual taxes are filed. This will now change for any payment from January 1, 2015 onward. NOTE: for Quebec members, there has always been a requirement to deduct Provincial taxes.

To comply with this new requirement, **Manion** will be making adjustments to our systems and processes to have withholding taxes taken at source based on the current payroll tax tables. We will be sending out a notice to all affected members who are currently receiving taxable STD benefits and who do not have an expected return to work date before January 1, 2015.

MANAGING GROUP BENEFIT COSTS IS A PRIORITY

In the environment of ever increasing healthcare costs and the burden that is being put on group benefit plans, helping our clients manage these costs is a priority. Insurers of health plans use “Reasonable and Customary” fees to achieve value for the dollars spent by clients.

The definition of Reasonable and Customary fees (R&C) is the maximum that will be reimbursed for a particular medical expense such as prescription drugs, paramedical services and dental services. These maximums protect the benefit plan from high fees and other service costs, making the plan more affordable and sustainable. They are not intended to decrease coverage but to be used as a benchmark to identify patterns in irregular claims and to identify claims above the recommended fees.

A combination of the following information sources are used to determine R&C fees:

- Provincial/Territorial association recommended fees (i.e. Dental Association fee guides)
- Survey responses from various practitioners
- Previous pooled claims history
- Competitive analysis

These sources are monitored to ensure the R&C charges remain current. Claims reimbursement amounts are based on the lesser of the fee charged by the provider or the R&C amount.

THE NEW ONTARIO RETIREMENT PENSION PLAN

The ORPP is the Ontario government's solution to help individuals save for retirement. It will be a defined benefit pension plan, similar to CPP that will be administered at arm's length from the Ontario government.

Mandatory participation in the ORPP is set to begin in 2017, with enrolment occurring in stages starting with the largest employers. Contributions will be split equally between employers and employees, up to 1.9% each (3.8% total) on an employee's earnings above a "yet to be determined" minimum threshold and up to a maximum annual earnings threshold of $90,000. The plan aims to provide retirement benefits that replace 15% of an individual's pre-retirement earnings up to $90,000.

Will all employers be required to participate in the ORPP? Unfortunately as of this date the answer is still not confirmed. The Ontario government has stated that employers with a "comparable workplace pension plan" will be exempt from participation. The big question is: What is considered "comparable" ? To date the government has not offered any details on what would constitute "comparable".

What you can be sure of is **Manion** will be keeping close focus on how this develops!

COMING IN 2015.....MANION HEALTH SPENDING ACCOUNT!

Effective January 2015 **Manion** is pleased to announce the launch of our new Health Spending Account. Should you wish to include this in your current benefit plan or would like to initiate this on a stand alone basis, please contact info@manionwilkins.com or your Account Representative for further details.

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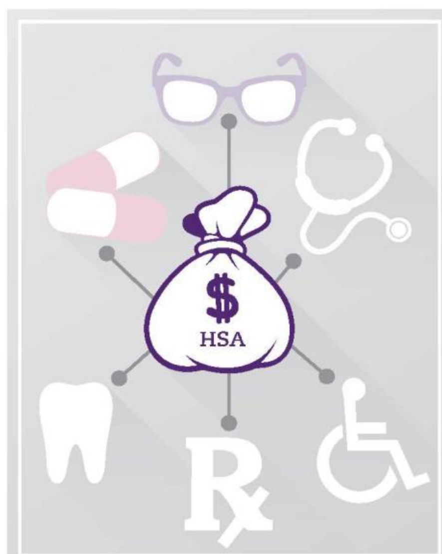
Plan Sponsors look to provide benefit programs that are cost effective and sustainable while Members are looking for greater input and flexibility with regards to their benefit coverage.

The solution is a Manion Health Spending Account.



A Health Spending Account (HSA) provides reimbursement for a wide range of health related expenses over and above a regular benefit plan. An HSA is an easy way to offer choices and self-service for Plan Members. They appreciate having the option to use their HSA funds for eligible healthcare expenses that meet their individual needs. At the same time, it is an effective way for Plan Sponsors to hold benefit costs to a predetermined level and reduce the incidence of fraud.

Stay tuned for more details...

An HSA is a versatile way for Plan Members to get the most out of group benefit coverage and reduce their out of pocket expenses.

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