

Employer Considerations in Response to the Recent Drug Reform Legislation in Ontario (July 1, 2010)

With recent drug reform occurring in Ontario and other provinces, employers are encouraged to review their current drug plan design to ensure they will benefit from these changes. The main provision to review or add is “generic substitution” in order to benefit from these changes.

Although the cost of brand name drugs in Canada is generally a third lower than the cost of brand name drugs in the U.S., the high cost of generic drugs in Canada, when compared to other countries, has been getting a lot of attention lately. The cost of generic drugs in Canada has historically been priced at approximately 75% of the brand name cost. In the U.S. generic drugs are priced at 10-15% of the cost of the brand name drug, and it's a similar situation in other countries.

Reduction in generic drug pricing and the elimination of pharmacy allowances has become the main theme in the most recent round of drug reforms occurring across the country. To date, Ontario has taken the boldest position of any province, promising to reduce the cost of generic drugs to 25% of the brand name drug effective July 1, 2010 for the public Ontario Drug Benefit (ODB) plan and by April 1, 2012 for private plans. In addition, professional allowances are

being eliminated immediately under the public plan and over a three year period under private plans. However, unlike the public drug plan, the government did not impose any caps on pharmacy markup charges or dispensing fees. As a result, it is expected that pharmacies will increase these costs to consumers to make up for a significant loss in revenue under the government program and with the removal of professional allowances.

In fact, a three tier pricing model is emerging. Costs under the government plan are lowest, because pharmacies have limited ability to charge excess costs. Private plans with pay-direct drug cards may pay a higher cost but there are controls on the amount a pharmacy can markup ingredient costs and dispensing fees due to the reasonable and customary controls behind the scene within the drug claim management engine. Consumers with no drug coverage or private plans with paper reimbursement have the highest costs because pharmacies have the ability to bill markup and dispensing fee charges at their own discretion. Paper submission prescriptions are typically paid as presented.

To ensure your plan will benefit from the recent drug reform savings, consider the following list of possible plan design changes:

- Add a dispensing fee cap to your plan or review your existing cap to ensure it is at an appropriate level. Dispensing fee caps are used to encourage employees to shop around for the best deal to limit out-of-pocket expenses.

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Employer Considerations in Response to the Recent Drug Reform Legislation in Ontario (July 1/10)

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- Make sure your plan has a generic drug policy in place. There are two options – a generic plan which dispenses the generic unless the Doctor indicates “No Substitution”, or a mandatory generic plan requiring the employee to pay the difference between the generic and brand name cost if the employee insists on the receiving the brand name drug only.
- Implement a pay-direct drug card which will provide a number of controls and checks over paper reimbursement drug plans.
- Make sure your plan allows for a 100 day supply for maintenance drugs in order to reduce dispensing fee costs.
- Add a prior authorization process for new biologics and higher priced drugs to control the impact of high-cost drugs to your plan.

It is also expected that if passed, recently introduced pharmacy reforms included in Bill 179 (the Regulated Health Professions Statute Law Amendment Act, 2009) are going to

lead to some significant changes in the pharmacy delivery model as pharmacists introduce new revenue generating services. The big question is “Who is going to pay for these new services?”. Will it be the government, employers or employees? Look for more on this subject in an upcoming Cowan newsletter.

Please contact your Cowan Consultant to discuss potential cost-saving measures for your plan.

The Benefits of Investing Wellness Dollars in Ergonomics

Studies and articles like this one tell employers that money invested in a corporate wellness program saves money over time through lower health care costs, lower Workplace Safety and Insurance Board claims, reduced absenteeism, and increased productivity. The return on investment (ROI) varies according to each organization; however, Canadian research suggests that for every dollar spent on creating a healthier workplace, a return of three to nine dollars is realized over a five year period. As the connection between good health and reduced medical expenses becomes more evident, it is clear that investing in wellness is the right thing to do.

One of the many wellness initiatives an employer can introduce is ergonomics. This proactive intervention has one main objective: to ensure optimal fit between the worker and the workplace.

Ergonomics is the science of studying the fit between the worker and the work environment. Ergonomics designs the job

and the work environment to fit the worker and not the other way around. People often think that only industrial or labour-based workplaces need to worry about good ergonomics and proper body mechanics. This is a major misconception as repetitive strain injuries (RSI) are responsible for a significant amount of short term absences, medical expenses, and lower productivity. Workers in many jobs are at risk for RSI. An RSI is an injury or disorder that occurs over time as a result of repetitive, forceful or awkward body movements. There are five major risk factors for repetitive strain injuries: repetition, high force exertion (heavy lifting), awkward postures, contact stress (leaning against a sharp edge), and static postures. Despite the belief that sedentary jobs are ‘light’ compared to laborious jobs, the human body is not designed to remain in any position for a prolonged period of time and the sustained static postures often assumed in day to day office work can have a negative impact on workers’ overall health.

Ergonomic work station evaluations as well as educational sessions on basic ergonomic principles that can be applied in the workplace are measures employers can take to lower the risks of repetitive strain injuries.

The benefits of this wellness investment include injury prevention and improved function and overall productivity in the work place.

Cowan’s Health and Disability Division is happy to answer any questions you might have. Please contact **Susan Novo, Manager of Health and Disability**, for more information: 1-888-509-7797 ext. 274 or susan.novo@cowangroup.ca.

Bill 168: Workplace Violence and Harassment

– Answering Your Insurance Questions

As many of you are already aware, Bill 168 proposes amendments to Ontario's Health and Safety Act regarding workplace violence and harassment. The amendment to the Act came into effect on June 15th, and requires employers to have policies and procedures regarding violence and harassment.

We are getting a lot of comments and questions about Bill 168 and whether it increases exposure from an employment practice perspective.

Employment Practices Liability (EPL) provides protection against claims for employment related exposures, such as wrongful dismissal, sexual harassment, and similar issues. EPL can be purchased on a stand-alone basis, or in conjunction with a Directors and Officers (D&O) Liability policy.

In the event of an EPL claim, where an employee files a claim against an employer:

- The general damage awarded to the employee, as well as defence costs, will be covered by the EPL policy, providing there is entity coverage, regardless of whether or not the Ministry of Labour charges the employer for non-compliance of Bill 168.

- If the Ministry of Labour files this charge, it is a separate issue from the actual EPL claim itself. If the Ministry is successful in proving the employer was in non-compliance of Bill 168, they will impose a fine. It is this fine which cannot, by law, be covered under the EPL policy.
- Some insurers offer an extension under their EPL policy which provides defence costs for individuals who are being charged with non-compliance of Bill 168. The defence costs are typically sub-limited, and again, cannot pay the actual fine, as it is not permitted by law.

Key Tasks for Employers

Many of you have likely implemented the key tasks required under Bill 168. For those of you who may be

interested in further details, below is a list of some key tasks:

- Prepare and post policies
- Assess the risks of violence
- Implement a workplace violence prevention program
- Address domestic violence
- Consider disclosing persons with a history of violence
- Review work refusal policy
- Establish a clear procedure for reporting and recording of incidents

Cowan's Benefits and Retirement Consulting Division can help you through these steps, and are happy to answer any questions you might have. Please contact **Teresa Norris-Lue, Vice President of Benefits**, for more information: 519-650-6363 ext. 51304 or teresa.norris-lue@cowangroup.ca.

Bill 168 Resources

Cowan's Benefits and Retirement Consulting division held a seminar on Bill 168 in the spring. As a result, they have created a series of videos that may be of interest to you. They also created a Special Bulletin with helpful information and tips. There are links to each below.

Workplace Violence Special Bulletin: www.cowangroup.ca/wv-10

Bill 168 Video: www.youtube.com/CowanInsuranceGroup



2010 Headlines of the Year

Special Bulletins

- 2010 Government Benefit Update
- Not-for-Profit Bulletin
- Generic Drug Price Changes in Ontario
- Workplace Violence
- HST Update
- Planning Corner – Why You Need a Will

March 2010

- Group Benefits – Into the Next Decade
- Trends in Pensions and Retirement Savings Programs
- Demystifying the Duty to Accommodate
- New Drug Strategy for Alberta
- CPP Changes Now Law

May 2010

- Planning for Future Pandemics
- A Training Program for Your Board of Directors or Pension Committee
- Ontario and Federal Budget Highlights
- Newsletter Q&A – What is the Ontario Trillium Drug Plan and How Does It Work?
- Cowan Catches Olympic Fever!

July 2010

- Generic Drug Cost Reform Takes Effect
- Lipitor Goes Generic – Others to Follow
- Complying with the AODA
- Changes Coming to Ontario's Registered Pension Plans
- EI Contributions to Soar
- Saskatchewan Delisting of Chiropractic Services

September 2010

- SERPs: Design and Funding Options
- Employers Seeing Value in Corporate Wellness Programs: Survey
- Cowan Helps Client Manage Benefits During Lay-off – Pushes for Change at the Ministry of Labour

November 2010

- Proposed Changes to Ontario Registered Pension Plans
- Quebec Moves to Cover IVF Services
- Change in Coverage for Cosmetic Procedures
- Countdown to Retirement – A Timeline
- Fraud Hurts Us All
- Heather McLachlin – Cowan Insurance Group's New President

Holiday Hours

Christmas Eve

– Office closes at noon

Christmas Day

– Closed on Monday, December 27th

Boxing Day

– Closed on Tuesday, December 28th

New Year's Eve

– Office closes at 3 p.m.

New Year's Day

– Closed on Monday,
January 3rd

This bulletin is produced by the Benefits and Retirement Consulting Division of Cowan Insurance Group and its subsidiary, Wentworth Financial Services. We help public and private-sector clients manage their group benefits, retirement and health and disability management plans.

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