

Generic Drug Cost Reforms Take Effect

As of July 1, 2010, the first in a series of rate reductions to generic drug costs took effect in Ontario. Drug cost reforms were finalized by Ontario's Ministry of Health and Long-Term Care in June following several months of debate. Many of the reforms are the same ones we talked about in our May 2010 Special Bulletin on generic drug costs with a few small changes. Below are further details.



- Provide \$75 million in transition fees to pharmacies in the form of an additional \$1 payment until March 31, 2011.

For more information, please visit:
<http://www.news.ontario.ca/mohltc/en/2010/06/improving-ontarios-drug-system.html>

Rate reductions for generic drugs reimbursed by the private sector (as a percentage of the original brand-name drug):

- July 1, 2010 – From approximately 65% to 50%
- April 1, 2011 – To 35%
- April 1, 2012 – To 25%

An exception will be made for non-solid dosage generic drugs – such as creams and patches. They may be priced up to 35% of the original brand name drug “in recognition of their higher manufacturing costs,” says the Ministry’s website.

As for professional allowances, these were completely eliminated for the Ontario Drug Benefit as of July 1, 2010. For private plans, they will be completely eliminated by April 1, 2013, following the same rate of reductions as set out for generic drug costs.

The Ontario government also pledges to:

- Increase dispensing fees at rural pharmacies by up to \$5 per prescription filled
- Invest \$150 million in 2010/11 for professional services to patients provided by pharmacists.

Lipitor Goes Generic – Others to Follow

With sales of \$1.2 billion in Canada and \$12 billion worldwide, the release of a generic version of cholesterol-busting heavyweight Lipitor is expected to result in significant savings for plan sponsors.

Several manufacturers, including Canada’s Apotex, have launched the generic equivalent of Pfizer’s patented drug, called atorvastatin. Exact pricing is still under review, and we will keep you updated as more information becomes available.

Lipitor is one of several drugs that will be coming off patent protection shortly. Below we have prepared a list by year. In total these 24 drugs made up about 20% of prescribed medications paid in 2009.

Drugs Coming Off Patent Protection

2010	2011	2012
Lipitor	Flovent	Crestor
Advair	Singular	Plavix
Actonel	Diovan	Symbicort
Proscar	Avapro	Atacand
Concerta	Cozaar	Hyzaar
Glumetza	Arthrotec	Maxalt
Altace-HCT	Micardis	
Trusopt		
Spiriva		
Accupril		
Yasmin		

*These represent about 9.3% of the total cost of scripts for 2009

*These represent about 5.6% of the total cost of scripts for 2009

These represent about 5.7% of the total cost of scripts for 2009

Genericizing these medications will have an enormous impact on plan costs for group plan sponsors, especially if the pricing for generics gets down to 25-30% of the brand name cost. The Ontario government’s goal for the lower pricing of generics is to get down to 25% of the brand cost by 2012.

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If you have any questions, please contact your Cowan consultant.

Complying with the AODA

Accessibility within Ontario for individuals with disabilities has been a major focus for the provincial government over the last decade and has culminated in the 2005 Accessibility for Ontarians with Disabilities Act (AODA).

The AODA is meant to remove barriers from the everyday lives of individuals with disabilities so that they can fully participate in society. These barriers or obstacles can be physical, architectural, informational/communicational, attitudinal, and technological along with any policies or practices that may not take into account the full integration of individuals with disabilities.

The Act is meant to fully address the above issues by January 1, 2025, and the Government of Ontario will be developing their standards in stages with regard to five key areas:

- Accessible Customer Service
- Accessible Information and Communications
- Accessibly Built Environment
- Employment Accessibility
- Accessible Transportation

The standards have been set for the first area – Accessible Customer Service.

Key Deadlines

In January 2008, the Customer Service Standard under the AODA came into force. This affects 360,000 organizations in Ontario that provide goods or services to the public, including not-for-profit organizations, private businesses, provincial and municipal governments, universities and colleges, hospitals, school boards, and public transit organizations.

For businesses and organizations with **more** than 20 employees:

- They must comply with the standard by January 1, 2012; and
- They must file their first accessibility report in 2012

For businesses and organizations with **less** than 20 employees:

- They must comply with the standard by January 1, 2012
- But do not need to file an accessibility report

Public-sector organizations were required to comply with the standard by January 1, 2010, and file their first accessibility report by March 31, 2010.

What the AODA Means for Employers

While standards have only been set for the first of five key areas, we recommend looking ahead to incorporate the general purpose of the AODA into the future plans for your business. Take for example the following:

(1) Moving your business – Will the new office/retail/industrial space be accessible for individuals with disabilities affecting their mobility?

(2) Updating your website – Will the new site be accessible for individuals with disabilities relating to sight or comprehension of written text?

(3) Updating corporate policies – Do the policies address allowances for individuals with disabilities, or could they be seen as a barrier against either working or purchasing goods/services from your organization?

As an employer with at least one employee in Ontario, we recommend you begin to ensure your organization is setting out to comply with the AODA.

If you have any questions regarding this article and/or the AODA please contact your Cowan consultant or the author of this article, **Dave Wilkins: 905-528-0193 or dwilkins@wentworthfinancial.com**.

Key Websites

Who has to comply

<http://www.mcsc.gov.on.ca/en/mcsc/programs/accessibility/ComplyingStandards/whoHasToComply.aspx>

What you have to do to comply

<http://www.mcsc.gov.on.ca/en/mcsc/programs/accessibility/ComplyingStandards/whatYouHaveToComply.aspx>

How to file an accessibility report

<http://www.mcsc.gov.on.ca/en/mcsc/programs/accessibility/ComplyingStandards/howtofileaccessreport.aspx>

Tools to help you comply

<http://www.mcsc.gov.on.ca/en/mcsc/programs/accessibility/ComplyingStandards/toolsTohelpYouComply.aspx>

Changes Coming to Ontario Registered Pension Plans

On May 18th, 2010, Bill 236, Pension Benefits Amendment Act 2010 received Royal Assent. As we mentioned in our December 2009 Employee Benefits Bulletin, Bill 236 makes a number of changes to the Ontario Pension Benefits Act (PBA). While many of the provisions won't come into effect until a date yet to be determined, it is important for plan administrators to review their practices and planning in anticipation of the changes.

The changes - which will impact all pension plans either registered in Ontario or those that have members in Ontario - include:

Immediate Vesting and Locking-In For All Benefits

- On or after the date of proclamation both Defined Benefit (DB) and Defined Contribution (DC) plans will be required to provide immediate vesting and locking-in. (Currently the PBA requires vesting and locking-in after two years of plan membership.) Plan sponsors may want to examine the eligibility provisions of the pension plan in light of this move to immediate vesting. The maximum waiting period for full-time employees continues to be 24 months of continuous employment. You may also need to consider whether there are any restrictions to lengthening the waiting period under your plan (i.e. collective agreements).

Small Benefit Commutation and Unlocking

- Immediate vesting and locking-in provisions may lead to a larger number of short-service plan members with small balances. Bill 236 addresses this issue by allowing terminating members with small balances to receive their benefits in cash. The current rule permits a plan

to commute and pay in cash the value of the pension benefit of a former member if the annual pension payable at the normal retirement date is 2% or less of the Year's Maximum Pensionable Earnings (YMPE) in the year of termination of employment. When proclaimed into law the new rule will increase the threshold to 4% of YMPE.

Partial Wind Ups

- On a to-be-determined date, partial wind ups will be eliminated.

Administrative Items

Notice of Plan Amendments

- The new rules will require that all current, former and retired members receive notice of all plan amendments, in advance, unless it fits within an exception prescribed by regulation and irrespective of whether they are 'affected' by the amendment.
- It is expected that notice will require basic data such as name and registration number of the plan including the explanation of the amendment, such as when the amendment is effective and who is affected by it.

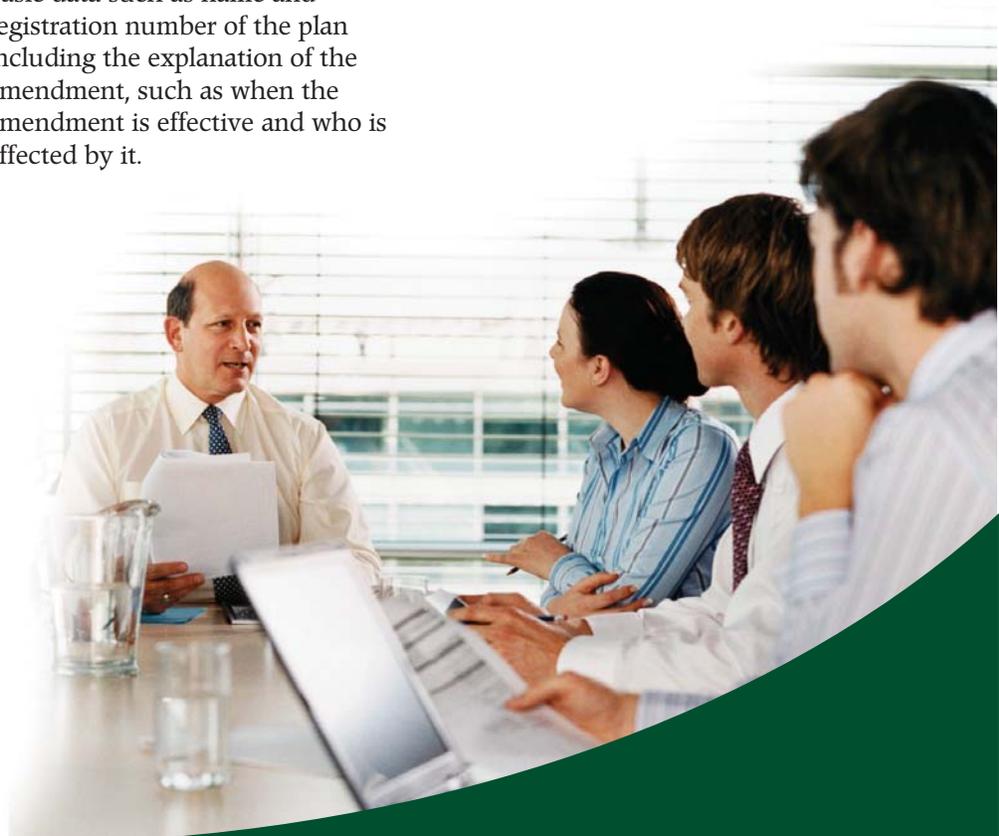
Benefit Option Statements and Employee Booklets

- Employers must ensure that employee booklets and benefit option statements to terminated and retired members are updated to reflect the various changes introduced by Bill 236.

Records Retention

- Bill 236 has introduced statutory records retention requirements, which will likely require pension records be kept indefinitely. This is in general a good practice to adopt.

To discuss further how Bill 236 could affect your business and your pension plan, please contact your Cowan consultant or the author of this article, **Senior Pension Consultant Olga Knight: 519-650-6363 ext. 51652 or olga.knight@cowangroup.ca**.



EI Contributions to Soar

In April, the Parliamentary Budget Officer (PBO) submitted a report suggesting the current policy of a frozen Employment Insurance (EI) contribution level may be on the way out. PBO projects EI premiums will increase by the maximum allowable limit of \$0.15 per \$100 of insurable earnings between 2011 and 2014 to return the fund to near balance in five years.

The \$0.60 increase in the premium rate over the next several years is expected to raise annual contributions per worker by \$535, with about \$223 more being paid by the employee and \$312 by the employer. The current maximum EI contribution paid by employees is just over \$747 per year (\$587 in Quebec). Adjustments beyond this level would require changes in the legislation.

Despite the anticipated changes, the budget office estimates the EI fund would still carry a \$700-million deficit by 2014 after hitting a peak shortfall of \$10.7-billion in 2011.

Details of the government policy have yet to be announced. Expect to hear much more on this topic, especially if a federal election is in the works.



Saskatchewan Delisting of Chiropractic Services

Effective April 1, 2010, the Saskatchewan government delisted chiropractic services. The change in coverage will impact plan sponsors located in Saskatchewan and national plan sponsors with employees in the province of Saskatchewan.

Client Options

We expect carriers will give plan sponsors options to deal with this. For those who wish to maintain their existing contract language, the impact will vary between client types. It is estimated that their extended health care premium may increase 1.75% for plans currently covering this service from the first dollar.

For plans that exclude coverage until provincial maximums are reached, an estimated increase of 4.75% to the Extended Health Care premium could be implemented. Since Saskatchewan did not place limitations on total dollars or visits, plans that excluded coverage until provincial maximums are reached were effectively providing no coverage.

If you have any questions or wish to discuss any plan design changes, please contact your Cowan consultant.



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