

Benefits Bulletin

Baynes & White
Consultants ♦ Actuaries

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Did You Know ?

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Update on Ontario Drug Reforms

We all knew it was coming, now it's here! The following is a review of the changes that took place in the private sector on July 1, 2010:

Lowered Generic Drug Pricing

The reimbursement of generic drugs will be reduced from 70% to 50% of the brand name cost. Incremental reductions to 35% and 25% will take place on April 1, 2011 and 2012, respectively.

Elimination of Pharmacy Professional Allowances

The currently unregulated Professional Allowances (PAs), will be regulated at 50% and gradually eliminated by April 1, 2013.

Dispensing Fees

Dispensing fees will continue to be unregulated by the government.

Mark Up

Mark-up on drug ingredient cost will continue to be unregulated by the government.

What Does This Mean For Plan Sponsors?

These changes should have a positive impact on private payers. Estimated cost savings of up to 3%-4% should result from the reduced generic pricing, assuming no changes to pharmacy dispensing fees and ingredient mark-ups submitted to private payers.

Source: ClaimSecure eNews. June 2010

Fraudulent Paramedical Claims

Over the past few years, several schemes have emerged for defrauding insurance carriers with fraudulent claims. One of the more recent ones is spa owners and employees who claim beauty treatments under their group benefit plans. Employees are being told that if they have health insurance, they can claim esthetic services under their paramedical services such as massage therapy. In order to cover the cost of the treatment, one spa had fake receipts predated and postdated to cover the cost, and then signed by a massage therapist as legitimate claims. Unfortunately these types of claims are very difficult for insurance carriers to detect because the documentation is legitimate. The only way these situations are brought to light, is if an employee notifies the carrier. Ultimately, the claim expense falls with the plan sponsor, in the form of higher premiums as a result of increased utilization.

Source: CBC News

Did you know ?

Great-West Life is going to introduce an eClaims service which will allow health provider direct claims submission as well as online member claims submissions. Just as there is a dental network of providers who submit electronically, Great-West Life will allow healthcare providers who have joined their approved network to submit claims electronically at point of sale. Claims will be adjudicated automatically, with checks on coverage, types of expenses claimed and provider eligibility being done both via automation as well as manually (on a certain percentage). Plan members will also be able to submit claims online via a secure online service. Everyone will have access to the eClaims service, but this service might not be a fit for all organizations. If you are with Great-West Life and you do not want to allow Provider eClaims, please contact your benefit plan consultant.

New Legislation Tackles Workplace Violence and Harassment

Bill 168, *An Act to amend the Occupational Health and Safety Act with respect to violence and harassment in the workplace and other matters*, will significantly impact workplaces in the province of Ontario. Bill 168 received Royal Assent on December 15, 2009 and came into force on June 15, 2010. Workplaces in Ontario are now required to have the necessary policies, programs, measures and procedures in place. These include a Workplace Harassment policy and another policy to address Workplace Violence. Bill 168 also requires that a risk assessment be carried out in every workplace to determine if Workplace Violence is an ongoing concern. Every employer will need to develop a program to implement the Workplace Harassment policy and if the risk assessment indicates a potential for workplace violence, a program will have to be developed to implement the Workplace Violence policy.

There are a number of firms that can assist you with compliance. Online manuals and instructions are also available.

Source: Ministry of Labour – Fact Sheet #2 – May 2010

Baynes & White News!

Monique Mowers has joined the firm in the position of Benefit Specialist. Formerly with Desjardins, Monique has over 10 years of group benefits experience. Monique can be reached at extension 223 or email:

mmowers@bayneswhite.com.

Marcel Roy has joined the firm in the pension department in the position of Pension Consultant. Marcel has a wealth of pension experience and can be reached at extension 234 or email: mroy@bayneswhite.com.

Harmonized Sales Tax (HST)

In their 2009 budgets, both British Columbia and Ontario entered into agreements with the federal government to harmonize their provincial sales tax with the 5% goods and services tax (GST), effective July 1, 2010 in the amount of 12% in BC and 13% in ON. HST is also being increased from 13% to 15% in Nova Scotia effective July 1, 2010.

ASO plans that do not have an insured portion, Health Care Spending Accounts and Cost Plus plans will be charged HST on the administrative fees only. Only premiums that are currently subject to GST will be subject to the HST.

ON is not replacing its retail sales tax (RST) at 8% applicable to insurance premiums with the HST at 13%. ON will still require RST on all insurance premiums and ASO paid claims and on ASO administration fees under plans that have insurance protection (eg: stop loss).

The tax paid for ASO, Health Care Spending Accounts and Cost Plus plans in ON and BC should not change significantly. The applicable taxes will be:

- ON 8%, BC 7% RST on claims as they do now
- ON 8%, BC 7% RST on administration fees as they do now where there is insurance protection, or ON 13%, BC 12% HST (instead of 8% RST plus 5% GST) on administration fees where there is no insurance protection

Sources: DFS Info Note June 2010; GWL GroupLine 10-14

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