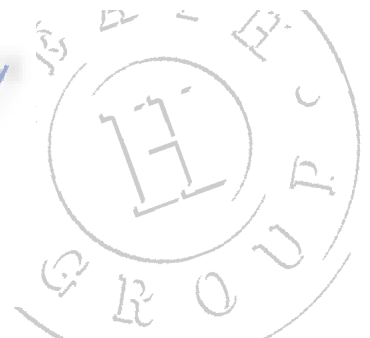


Bene Facts



NEWS FROM HEATH BENEFITS CONSULTING

1.2 Viagra - A New Potential Cost for Drug Plans

By now, you have almost certainly been exposed in some way to news of this, the latest wonder drug, which apparently temporarily cures male impotence. The Pfizer product has moved overnight to the top of the best-seller lists in the US - more quickly and in greater volume than the earlier success stories like Immitrex and the nicotine patches.

A drug that began life as a heart medication, and was withdrawn from that application, Viagra has taken on a new life. It is the first oral medication for the problem, and, at something like US\$14 per pill, it is selling beyond all expectations.

Viagra is much more convenient than earlier treatments for the problem. Implants require surgery, and injecting drugs directly into the affected area is painful. By contrast, all you need is to plan one hour ahead, and pop a pill.

Already, competitor products are being talked about. As well, some women who have gotten a pill or two for themselves (Viagra is not currently approved for female consumption) are reporting similarly successful results as the men.

At over 50,000 prescriptions a week, usually for a minimum of 10 pills, sales are already projecting over US\$500 million per year! And that's before it becomes approved for women!

As usual, the Canadian government is studying the situation. Apparently we will know by the fall whether the drug will be authorized for sale here, or whether, as is apparently already happening, we have to smuggle back our own supplies.

And, if it is approved, will it be a covered item in our Canadian drug plans? The normal rule is that, for a

[continued on back page →](#)

1.1 The Insurer Files - Much to Report

The giant news of 1997 was the acquisition of London Life (which itself had just finished acquiring the group insurance business of The Prudential), by Great-West Life. This seemed primarily to be intended to keep Royal Bank from making the purchase. London was one of the very few Canadian insurers that are publicly traded, and thus was vulnerable to this form of takeover.

The new year began with yet another takeover of consequence - Mutual Life has taken over Metropolitan Life. And, for Metropolitan staff, life is clearly not going to be a Mutual affair. Mutual expects to terminate most Metropolitan employees, and bring their policyholders onto Mutual's system.

The Royal Bank was not to be denied. They acquired the Canadian business of Mutual of Omaha (a specialty underwriter), then placed it with Westbury Life, another wholly owned insurance subsidiary. Nowhere near the same league as London Life, but at least a strategic foot in the door.

But then, Royal Bank issued an RFP to all the major group insurers for offers of service. They were looking for an insurer to administer and insure a group insurance product the Bank intends to distribute to employers of less than 50 lives. Canada Life was the successful bidder. We have not been told how the Bank intends to distribute this product, except that they will not recognize any agents, brokers or consultants.

And, after several months of progressively more intense speculation, the takeover of Crown Life by Canada Life has been confirmed. Once again, hundreds of jobs will be lost, especially in Regina, where Crown had relocated its head office, a few years ago. From the group insurance perspective, this

In This Issue

- 1.1 The Insurer Files - Much to Report
- 1.2 Viagra - A New Potential Cost for Drug Plans
- 1.3 The Federal Budget - Good News for Some Legislative Update

Legislative Update:

- 1.4 British Columbia - Pharmacare Changes
- 1.5 Ontario - Pregnancy Discrimination
- 1.6 Alberta - No Dental Fee Guide
- 1.7 Federal - Seldane & Hismanal

could be good for Canada Life. They are currently much smaller than the newly conglomerated 'big four' (Sun, Great-West, Manulife and Mutual), and much bigger than the 'second tier' (Maritime, Standard, Aetna, (each of whom are really subsidiaries of foreign insurers etc.)). This acquisition would push them towards the upper tier, as well as enhancing their western presence.

So, it seems that we have a shrinking base of insurers, especially of group programs. And, we have at least one bank jumping into the fray, and getting an insurer to go along for the ride. Such a rapid pace of change - where does it go?

There is one major clue that 'more of the same' can be expected. Sunlife, Mutual Life, Manulife and Canada Life have now all announced that they are embarking on a program of 'demutualizations'. Most Canadian insurers are mutual companies, meaning that they are owned by their

[continued on back page →](#)

1.3 The Federal Budget - Good News for Some

A late comment, but one which may be of interest to our self-employed clients and clients in the 'professions'. The only benefits-related item in the budget affected their premiums. To put such people on the same footing as owners of incorporated businesses, as of 1998, the government proposes to allow them to deduct (within limits) premiums paid for supplementary health care coverage, against business income. The individual's coverage must be no greater than the benefits provided to arm's length employees, in order for the amount to be deductible. If the person has no arm's length employees, deductible premiums will be limited to \$1,500 for the person, \$1,500 for his or her spouse, and \$750 for each child.

1.4 BC Pharmacare

Effective April 1st, 1998, British Columbia's Universal Pharmacare has increased the annual deductible by \$200 per family unit (= single person, a couple, or a couple with child(ren)), from \$600 to \$800.

This means that your insurer, in coordinating benefits with the Pharmacare program, will be considering 100% of drug costs up to the new deductible amount of \$800. Once the deductible has been satisfied, Pharmacare covers 70% of the drug costs and your insurer continues to reimburse for the remaining 30%.

Preliminary estimates by insurers suggest that this change will increase the cost of coverage for British Columbia employees on your supplementary health plan by approximately 5%. You will not likely see requests for adjustments, until the next renewal.

1.5 Ontario - Pregnancy Discrimination

The Ontario Human Rights Commission has issued its revised Policy on Discrimination because of Pregnancy. Set out below are highlights of this lengthy and important Policy. Underlying the scope of an employer's duty to accommodate pregnancy is the Commission's broad definition of 'pregnancy' itself. Pregnancy is defined to mean the process of pregnancy from conception up to the period following childbirth and including the post-delivery period. The protection under human rights legislation does not end on the day of delivery but continues, depending on the circumstances of the mother, to several weeks after delivery. The point is made that this is not necessarily restricted to 6 weeks after childbirth. Examples of discrim-

ination based on pregnancy or family status include: claiming that the cost of upgrading or retraining after she returns from maternity leave amounts to discriminating against a woman because of her family status; docking a pregnant woman's time for using the washroom more frequently; not assigning a pregnant woman to a major project or team project; denying sick leave benefits.

Discrimination against women who are, or may become, pregnant includes the failure to accommodate the special needs of these people. Special needs during the pre-natal and post-natal period can be accommodated, short of undue hardship, in a variety of ways including temporary relocation, flexible work schedule, allowing for breaks and providing a supportive environment for a woman who is breastfeeding. While Ontario has not had any decision such as the recent British Columbia decision in Poirier v. British Columbia, the Ontario Commission seems to be taking the same point of view. The Policy makes the point that accommodation may mean allowing the caregiver to bring the baby into the workplace and providing a feeding area that ensures a degree of privacy.

The point is also made that even if an employer has a universally applied and seemingly non-discriminatory policy of not providing modified work or light duties, this will be discriminatory where a pregnant woman requests light duties for the last stages of her pregnancy.

The Policy relies on the Brooks v. Safeway decision of the Supreme court of Canada to conclude that pregnancy leave should be included in employee benefit plans without having to be categorized as an illness, accident or disability. Instead, it is an absence from work for health-related reasons. A woman away for these health-

Reaching us is getting easier. We have recently installed new toll-free lines to all offices.

The new numbers are:

Vancouver
1-877-HEATH-BC
1-877-432-8422

Winnipeg
1-877-HEATH-WI
1-877-432-8494

Toronto
1-877-HEATH-TO
1-877-432-8486

Ottawa
1-877-HEATH-OT
1-877-432-8468

related reasons, at whatever stage during the pregnancy, cannot be treated differently or adversely from other employees who are also absent from work for other health-related reasons.

The Policy also relies on the Alberta Court of Queen's Bench decision in *Alberta v. Parcels*, for the conclusion that a woman should be entitled to disability benefits during that portion of the pregnancy or parental leave that she is unable to work for health reasons related to the pregnancy and childbirth. Any health-related portion of maternity leave is to be treated the same as other health-related leaves such as sick leave or disability leave. Requests for health-related absences should usually be assessed and granted on an individual basis. The Policy confirms that pregnant employees who require a leave for health-related pregnancy concerns are to follow the proof-of-claim procedures of the employer's benefit plan to establish that the health-related absence is valid. The Policy goes on to provide examples from case law of forms of discrimination and forms of accommodation, and reviews the relevant provisions of the Employment Standards Act and the Human Rights Code. Every employer in Ontario should obtain a copy of this Policy.

Reprinted from Focus on Canadian Employment and Equality Rights

16 Alberta - No 1998 Dental Fee Guide

The Alberta Dental Association has stopped publishing annual fee guides for its members. Traditionally, each provincial association has done so and, although not binding upon member dentists (it is only a Guide), it has

served as the basis for reimbursement by insurers. Not all plans are arranged on current fee guides. Some plans pay on the basis of current-less-one-year, or a fixed preceding year.

The Canadian Life and Health Insurance Association (CLHIA) and its members have determined that, for 1998, they will use the 1997 Alberta fee guide as their basis for reimbursement. This could mean that your Alberta employees may not be fully reimbursed for dental expenses claimed, even if your plan is set up to pay on a 'current' basis. It would be possible to instruct your insurer to pay on an 'as presented' basis, however this is clearly not recommended if cost containment is desired.

As 1998 unfolds, the CLHIA and its members will monitor what happens in Alberta. They currently plan to introduce a 'reasonable and customary' schedule, in time for 1999. This expression will be familiar to people who have been exposed to US benefits plans, where 'reasonable and customary' reimbursement is the norm. Effectively, all insurers in the Health Insurance Association of America (HIAA) pool all their health and dental claims data, according to post (zip) code and procedure code. The 'reasonable and customary' level is set at the 90% point. If the range of charge for setting a broken arm in Sarasota is from \$75 to \$150, claims over \$135 will be cut back to that point. (Out of interest, it is amazing to see the wide variance in cost according to geography, in the US. The same procedure can cost 3 to 5 times more, in high-cost locations, relative to low.)

Whether the US model will be followed for Alberta is not known at this point. Neither is it known whether any other provincial dental association will dispense with its fee guide. We will keep you posted.

1.7 Federal - Seldane and Hismanal

The Therapeutic Products Directorate of the Health Protection Branch has recently advised all physicians, surgeons and pharmacists of a regulatory decision to change terfenadine (Seldane) and astemizole (Hismanal) from non-prescription to prescription drug status. These two antihistamines have been on the market since the 1980's, but were placed behind the pharmacy counter in 1992, when it became evident that elevated blood pressure levels due to drug interactions were associated with rare, but potentially fatal, heart arrhythmias.

Since then, the number of drugs and/or foods that have been reported to interact with these two antihistamines is so extensive as to warrant the need to change them to prescription status. Physician and pharmacist involvement is necessary to ensure safe use of these products.

For drug plan sponsors, this means that Seldane and Hismanal will now be included for coverage in most plans, unless your insurer is specifically instructed to exclude them. Plans that follow provincial medicare formularies will not be impacted, since the antihistamines are not covered by provincial plans. Unfortunately, at this time there is insufficient data to identify the potential cost impact of including products.

We have also recently adjusted our internet e-mail addresses. Each employee has an address which is: `initial.surname@heath.ca`. Example: `r.poapst@heath.ca`. Our `www.heath.ca` website is "under construction". At the moment, it only connects you to the former Canadian Actuarial and the former Shasta websites. This too will change, soon.

11 The Insurers Files - Much to Report continued from front page

policyholders (Great-West Life is the exception). As such, ownership is very broadly based, and they are effectively insulated from takeovers by third parties. Demutualization is intended to convert the ownership of a company from policyholders to shareholders. Essentially, shares are sold to the public at large, and the policyholders who were the owners receive some of the proceeds. The reasons stated are the ability to raise capital, grow, and acquire other insurers.

Demutualization is new legislative turf. There is no road-map and there are no precedents. For insurers with operations outside Canada, demutualization is made more complex by the need to comply with the requirements of the other countries, for whom it may also be a new process, as well as Canada. In this sense, apparently Mutual Life is best placed, because it apparently has no foreign complexities.

And once the insurer has reached a point where it can issue shares, what happens? Without special rules, it becomes subject to potential takeover, by anyone, domestic or foreign.

It would be possible to have regulations requiring broad-based ownership. For instance, no single entity or person

is allowed to own more than 10% of a Canadian bank, and we believe this concept would serve the insurance industry well.

Without such a rule, the banks, for example, could become the acquirers. We are all familiar with the insurance products banks now offer on their personal loans, lines of credit, and mortgages. How did you feel when, before approving the loan, they asked you if you wanted the insurance? Like, maybe you'd better take it, to help you get approved, whether or not you needed it, or whether or not it was a good deal?

Valid or not, you sure felt vulnerable. Imagine negotiating corporate financing - how much more vulnerable would you feel, and how insignificant would it seem, to accept a suggestion, however gently put, to move your benefits and other insurances. This would be a distortion of the free marketplace, and no law, no matter how written, could stop it.

As we observe the developments over the next few months, including the desire of the banks to begin merging among themselves, we may want to consider the implications for our group and other insurance plans.

12 Viagra – A New Potential Cost for Drug Plans continued from front page

drug to be covered, it must be approved by the government (and not for experimental purposes), require a prescription, be prescribed, and be medically necessary to correct a medical condition. On that basis, we might expect that it would qualify.

However, it has been reported that, in the US, a lawsuit has been initiated against an insurer which declined a Viagra claim. We don't have the specifics, so cannot tell what the basis of the decline was.

If Viagra came to Canada, and if it were to be considered eligible under insurance plans, we would urge our clients to consider some form of limitation to protect your plan's experience, and therefore costs. Recall that Viagra does not cure the problem, not in three months nor in any longer period. You use the pill every time you seek the benefit it delivers. That is where we need to think carefully about

what form of limitation might we put on its eligibility in our plans.

You may recall that when the nicotine patch was introduced, insurers originally covered it without limit, only to see it quickly become the major cost contributor. They subsequently responded by limiting plans to a three-month supply, per person, per lifetime. Given the nature of the product, this was reasonable.

Immitrex, the CDN\$20 migraine pill, is different. It sits very high on the list of cost items, but is not subject to limits in most plans. At least, you can usually expect that the pill saves you a day of lost productivity.

A closer parallel might be fertility drugs. Most insurers standardly cover a limited number of cycles (3). If, after 3 cycles, pregnancy has not been achieved, further costs are at the expense of the individual.

It's worth thinking about.



BeneFacts is published quarterly by Heath Benefits Consulting Inc. For further information or reprints of any of the articles published in this issue, please call us at one of our offices listed below. Your enquiries and suggestions are always welcome.

Heath
BENEFITS CONSULTING INC.
www.heath.ca

Vancouver Office
403-555 West 8th Avenue
Vancouver, British Columbia V5Z 1C6
Phone: (604) 877-0428
Fax: (604) 877-0325
Toll Free: 877-HEATH-BC
(877-432-8422)

Winnipeg Office
11 Wethersfield Road
Winnipeg, Manitoba R3P 2G8
Phone: (204) 487-1300
Fax: (204) 487-0055
Toll Free: 877-HEATH-WI
(877-432-8494)

Toronto Office
305-191 The West Mall
Toronto, Ontario M9C 5K8
Phone: (416) 620-0779
Fax: (416) 620-9416
Toll Free: 877-HEATH-TO
(877-432-8486)

Ottawa Office
1203-99 Metcalfe Street
Ottawa, Ontario K1P 6L7
Phone: (613) 238-4272
Fax: (613) 238-3714
Toll Free: 877-HEATH-OT
(877-432-8468)