COUGHLIN COURIER

NOVEMBER, 2004

Retiree benefits facing a big chill

Along with the foreshadowing of winter, this autumn saw a release of more dire warnings on the viability of both government-sponsored and private benefit plans.

In early September, US Federal Reserve Chairman Alan Greenspan repeated earlier warnings that the US will face "abrupt and painful" choices if it does not move quickly to curtail its Social Security and Medicare benefits.

According to the 77-year-old chairman, the US has "*promised retirees more than our economy can deliver*" and that social programs will have to "*be recalibrated so that pending retirees have time to adjust through other channels.*"

Despite the fact that the qualification age to receive US Social Security retirement benefits is gradually increasing from age 65 to 67, Mr. Greenspan advocates a major increase in the retirement qualification age.

Meanwhile, private benefit programs in Canada are facing future retirement liabilities amounting to tens of billions of dollars.

According to the August 23, 2004 edition of The Globe and Mail, a survey of 71 of Canada's largest companies indicates that the cost of benefits for retirees increased from $14 billion in 2002 to $16 billion in 2003. At that pace and with the pending retirement of the baby boom generation, employers will face huge liabilities within 20 years.

What's worse, according to experts, since most employee benefit programs operate on a "*pay as you go*" basis, the pending mountain of plan costs is hidden or unplanned for and will likely catch both plan sponsors and their members by surprise. Regulators don't require plan sponsors to set aside money to fund future benefit promises, as is done with pension plans.

The solution for private plans may be to borrow from Mr. Greenspan's recommendations: begin to fund future benefit entitlements for retirees now and/or restrict benefit entitlements by capping benefits or adjusting age limits and other qualifications.

With both government and private benefit plans facing a major financial crunch within the next few years, workers everywhere may be forced to re-examine their retirement plans. ■

Employers may have to pay new Ontario health premium

A labor arbitrator has ruled that Ontario employers may be required to pay that province's new health care premium levy if their previous collective agreements contained such clauses.

The arbitrator ruled on a case involving a nursing home that had a dormant clause in its collective agreement stating that it would pay employees' health care premiums. The clause dated back over two decades but had never been removed or revised in subsequent contract negotiations.

Individual premiums for provincial health care services were eliminated in Ontario 15 years ago and were re-introduced this spring by the province's new Liberal government. The new annual health care levy ranges up to $900 per person, based on income.

In the October 6, 2004 judgement, the arbitrator rejected the employer's contention that the levy was simply a new tax and not an Ontario Health Insurance Plan (OHIP) premium.

For plan sponsors in Ontario, the ruling could result in increased demands for employers to cover employees' health care premiums, based on dormant but still valid commitments of decades-old collective agreements. ■

Vioxx® withdrawal raises safety, treatment concerns

Health Canada has announced the withdrawal of Vioxx®, one of the country's most popular arthritis medications, from the Canadian market.

The withdrawal of the drug by its manufacturer, Merck & Co., follows an 18-month clinical trial that linked Vioxx® to increased incidents of heart attacks and strokes among repeat users of the medication. Merck voluntarily withdrew the drug when the trial's data was released.

The withdrawal rocked the pharmaceutical industry. Canadian sales of Vioxx® amounted to over $194 million a year, placing it among the top 10 selling drugs in the country.

Introduced in 1999, Vioxx® and its major competitor, Pfizer Pharmaceutical's Celebrex®, were touted as near wonder drugs for their ability to provide relief from acute pain without the inflammation and gastro-intestinal discomfort and bleeding associated with other pain relievers (see the December 1999 and February 2000 editions of the *Coughlin Courier* for more information on Celebrex®.) Promoted as being virtually free of known side effects, the major concern expressed about these non-steroidal anti-inflammatory drugs (NSAID) was their cost, which at almost $40 for a 30-day prescription, easily outpaced traditional ASA-based arthritis medications like Aspirin®.

Both Vioxx® and Celebrex® became a new class of drug known as a cyclo-oxygenase-2 inhibitors (COX-2) and quickly became standard bearers of today's new medications: far more costly but far more effective than the drugs they were designed to replace. More than 3.4 million prescriptions for Vioxx® were filled in Canada last year.

While Celebrex® and other COX-2 inhibitors produced by other manufacturers remain on the market, the voluntary withdrawal of Vioxx® by Merck is expected to raise concerns about the potential safety of all drugs in that class. According to reports published in the October 6 edition of *The Globe & Mail*, the ability of COX-2 inhibitors to suppress the release of agents that lead to inflammation may also cause effects such as hardening of the arteries, clotting and high blood pressure. This potential will be studied intensely by medical authorities and the US Food and Drug Administration.

For plan sponsors, the withdrawal of approval by Health Canada will mean that claims involving Vioxx® can no longer be endorsed or processed by plan administrators. An increase in the number of claims involving Celebrex® and related medications should be expected. However, if a withdrawal or embargo on Celebrex® or other COX-2 inhibitors occurs, claims for these medications would also be frozen.

With more than four million Canadians diagnosed with arthritis and muscoskeletal diseases, some drug plans could see their expenses reduced as plan members with the disease return to using less expensive ASA-based medications. ■

Manitoba Pharmacare reclassifies COX-2 drugs

In an unrelated development, Manitoba Pharmacare will change the benefit status of COX-2 medications from Part 2 to Part 3 in that province's drug formulary, effective November 1, 2004.

Under Part 3 regulations, a special exception drug status (EDS) letter from a patient's physician is required before the provincial drug plan will cover the medication. To qualify for coverage under the provincial plan, patients must be diagnosed with one or more of the following risk factors: a previous ulcer; risk of stomach bleeding; be older than age 65; or be undertaking warfarin (blooding thinning) or long-term prednisone (oral steroid) therapy. Those who do not meet these criteria will not be eligible for coverage under the province's drug plan.

According to ESI Canada, a major pharmacy benefit manager, the reclassification could increase the cost of group drug plans in the province by an estimated 3.2 per cent as patients denied coverage under the provincial plan turn to private drug plans to be second payers. ■

The Coughlin Courier is published by Coughlin & Associates Ltd.

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Compassionate care definitions vary

While compassionate care leave has been available federally throughout 2004, not every province or territory has passed legislation amending their labour codes to permit employees leave to care for seriously ill family members. To date, British Columbia, Alberta, Newfoundland & Labrador and the Northwest Territories have not passed compassionate legislation.

But what does *family member* mean?

It depends on where you live. Like so many other things in Canada, the definition of family member varies by province. The following outlines these definitions as they apply to the new compassionate care program. Knowing definitions could mean the difference between a member legally qualifying for the leave of absence or his/her having to make alternate arrangements during a family illness or emergency.

Federal

- spouse;
- common-law partner;
- parent;
- spouse or common-law partner of a parent;
- child;
- child of a spouse or common-law partner.

British Columbia

Has not passed compassionate leave legislation.

Yukon

- spouse;
- common-law partner (must have co-habited with the employee for a minimum of 12 months before date in question);
- parent;
- step-parent;
- brother or sister;
- parent of spouse;
- grandparent;
- grandchild;
- child;
- son-in-law or daughter-in-law;
- any relative residing permanently with the employee.

Alberta

Has not passed compassionate leave legislation.

Northwest Territories

Has not passed compassionate leave legislation.

Saskatchewan

- spouse;
- common-law partner (must have co-habited with the employee for a minimum of two years or be in a relationship of permanence by being parents of a child);
- parent;
- grandparent;
- sister or brother of employee;
- sister or brother of employee's spouse;
- spouse or common-law partner of a parent;
- child;
- child of a spouse or common-law partner.

Nunavut

- spouse;
- common-law partner;
- parent;
- spouse or common-law partner of a parent;
- child;
- child of a spouse or common-law partner.

Manitoba

- spouse;
- common-law partner;
- parent;
- spouse or common-law partner of a parent;
- child;
- child of a spouse or common-law partner.

Ontario

- spouse (including same-sex spouse);
- parent;
- step-parent;
- foster parent of the employee;
- child, step-child, or foster child of employee;
- child, step-child, or foster child of employee's spouse.

Quebec

- spouse;
- parent;
- brother or sister;
- grandparent;
- child;
- child of employee's spouse.

Prince Edward Island

- spouse;
- common-law spouse;
- parent;
- brother or sister;
- child.

New Brunswick

- married spouse;
- common-law spouse (common-law is defined as: *a relationship between persons who, though not married to one another and whether or not a blood relationship exists, demonstrate an intention to extend to another the mutual affection and support normally associated with those relationships first mentioned);*
- parent;
- grandparent;
- grandchild;
- brother or sister;
- child.

Nova Scotia

- spouse;
- common-law partner;
- parent;
- spouse or common-law partner of a parent;
- child;
- child of employee's spouse or common-law partner.

Newfoundland & Labrador

Has not passed compassionate leave legislation.

Nova Scotia pharmacy fee changes

Following a new three-year agreement between the Nova Scotia Department of Health and the Pharmacy Association of Nova Scotia, professional fees in that province have been changed as follows:

- Effective September 28, 2004, the professional fee will increase to $9.83 for prescriptions with a drug ingredient cost of up to $135. Prescriptions with a drug cost of more than $135 will be charged $14.74.
- Effective April 1, 2005 to March 31, 2006, the drug cost threshold will change to $140. The fees will be $10.12 and $15.18 respectively.
- Effective April 1, 2006 to March 31, 2007, the drug cost threshold will move to $145. The respective professional fees will be $10.42 and $15.64. ■

Nova Scotia: a no grow-in zone

Plan administrators in Nova Scotia may no longer have to provide grow-in benefits during full or partial wind-ups of pension plans.

An October 7, 2004 amendment to that province's Pensions Benefits Act would remove the bridge benefit for all members of full or partially wound up defined benefit pension plans that provide early retirement benefits and whose age and service equal or exceed 55.

Grow-in benefits are considered a top-up of pensions that already encourage early retirement, the province says.

Grow-in provisions usually provide an additional benefit to older members of a pension plan whose age and combined years of service exceed a pre-determined number such as 55 or 60. The benefits often mitigate or cushion the impact of a plan wind-up on the members of the workforce who would be most negatively affected by the dissolution of the pension plan or the closing of a company.

"*The change will reduce the contributions required to provide for the liabilities associated with this early retirement benefit,*" says Nova Scotia Minister of Environment and Labour Kerry Morash. "*Grow-in is an extra top-up benefit that, in fact, has the potential to affect very few people.*" ■

FAST FACTS

Effective October 1, 2004, Old Age Security benefits increased by 1.1 per cent to $471.76 per month. ■

Effective May 18, 2004, employers in Ontario will have to pay the Employer Health Tax (EHT) on all stock option benefits. The move reverses the May 2, 2000 legislation eliminating the EHT on such options. The EHT is calculated based on the remuneration paid to employees, including items such as loans to employees, group life insurance and automobile benefits. ■

Alberta residents age 65 and older no longer have to pay health care premiums, effective October 1, 2004. Approximately 18,000 seniors in that province qualify for the rate reduction. Individual premiums for the Alberta plan are $528 per year while the annual rate for family coverage is $1,056. ■

According to Statistics Canada, assets in trusteed pension plans totalled $653 billion as of March 31, 2004, a 22.9 per cent increase over the same period in 2003 and the highest reported level since 2000. More than 4.5 million Canadians belong to trusteed pension plans. ■

One in eight hospital patients suffer serious complications following illness or surgery, the Canadian Medical Association (CMA) says. Almost half of the adverse events reported involve misuse of drugs while another third involve complications resulting from surgery, the CMA reports. Infection, diagnostic errors and reactions to anesthesia accounted for most of the remaining events reported. For plan sponsors, this data could serve as a warning to expect recurrences of weekly indemnity, long-term disability or other drug or medical claims after the initial claim submission. ■

No matter where you go, people think their health care system is in crisis. An international survey of 20,000 people by Environics Research found most people had the same view on the status of their country's health care network. For example, only 26 per cent of Canadians approved of their government's handling of health care -- the same level as reported in Japan, Nigeria and Mexico. Roughly 54 per cent of Canadians, American, Germans and Britons felt the problem resulted from poor management rather than underfunding. Of the 23 countries surveyed, only three, the Netherlands, Spain and China, received passing grades from the majority of survey respondents.■

PPN update

Westboro Pharmacy is now located at 421 Richmond Road in Ottawa. Their telephone number remains 722-7647.

The **Wal-Mart Pharmacy in Renfrew** has moved to 980 O'Brien Road. Their telephone number remains 432-0845.

The correct address for the **Drug Store Pharmacy in Trenton** is 293 Dundas St. E.