COUGHLIN COURIER

MARCH, 2005

Drug withdrawals spark confusion, controversy

Uncertainty about the safety of certain prescription drugs continues to plague regulators and underwriters.

In an almost unprecedented move, Health Canada has stripped Shire Biochem Inc. of its right to sell Adderall XR®, a medication for the treatment of hyperactive children, after the drug was linked to the death or serious injury of 32 people in the United States.

The government agency forced the withdrawal of the drug from the market when Shire refused to remove it voluntarily. The regulator alleges that the drug may increase the risk of debilitating stroke in young people. Shire asserts that the drug is safe and that the number of adverse reactions recorded is small compared to the prescriptions issued. More than 64,000 prescriptions for the medication were issued in Canada in 2004, according to reports published in the *Globe and Mail*.

It was the first time since 1999 that Health Canada had forced the withdrawal of a drug from the market. There are over 5,000 prescription medications available in Canada. Drugs that are similar to Adderall XR®, such as methylphenidate, known by the brand name of Ritalin®, continue to be available on the market.

As well, Federal Health Minister Ujjal Dosanjh has promised to introduce measures for increased monitoring of prescription drugs for adverse reactions, and even public reviews of a drug's safety, prior to its approval for sale by Health Canada.

In an unrelated move, an advisory panel of the US Food and Drug Administration (FDA) reluctantly approved the continued sale of Cox-2 inhibitors, including Vioxx®, Celebrex® and Bextra® following three days of public hearings in February. The hearings were sparked by the voluntary withdrawal by Merck & Co. of Vioxx®, a popular arthritis medication (see December 2004 edition of the *Coughlin Courier* for background.) Vioxx® had been linked with an increased risk of heart attacks and strokes, particularly among the elderly.

A negative ruling by the FDA panel could have resulted in injunctions or withdrawals of Celebrex® and Bextra®, both of which are manufactured by Pfizer Inc. Among the data reviewed by the panel was a study of more than 7,200 people over age 40 by WellPoint Inc., the largest health benefits provider in the US, which suggested that the risk of heart attack and stroke increased by 20 per cent for Celebrex® and Vioxx® users and 50 per cent for those taking Bextra®.

The advisory panel recommended that the drugs continue to be sold, provided their packaging contain black-boxed warnings about their potential danger. Had it recommended that Celebrex® and Bextra® be withdrawn from the US market, Health Canada would likely have followed suit.

Vioxx® users in the US may still have to sign consent forms acknowledging the drug's risks before receiving a prescription.

Meanwhile, Health Canada says it will make its own decision regarding the drugs. Merck will have to file an

► *continued on* ***page 3***

Xolair® requires pre-approval

Prescriptions received by Coughlin for Xolair®, a medication for the treatment of asthma, will require a prescription and a doctor's certificate confirming the diagnosis before claims may be reimbursed.

This new and highly specialized medication is not designed for "off-therapy" uses such as the treatment of seasonal allergies or experimental use.

The estimated cost of the drug exceeds $10,000 per year compared to approximately $1,500 per year for current asthma treatments. ■

Decline of defined benefit plans a *'worry'*, Superintendent says

The declining use of defined benefit pension plans may be leaving retirees without enough money to live on, says Superintendent of Financial Institutions Nicholas Le Pan.

According to the federal regulator of banks, trust and insurance companies, credit unions and other institutions, the number of people covered by defined benefit pensions, which pay a prescribed monthly payment on retirement, declined by four per cent from 1993 to 2003. That drop has the OSFI head worried that over-regulation is encouraging plan sponsors to move to less complicated defined contribution plans, which pay a lump sum at retirement to provide an income based on existing pension income market rates.

"*It's an issue that is important for policy makers to reflect on,*" Mr. Le Pan says.

The Superintendent joins Bank of Canada Governor David Dodge in expressing concern that the combination of longer life expectancies and the pending retirement of the baby boom generation, the largest segment of the population, will leave many retirees without an adequate income in the years to come. Without knowing in advance what their pension income will amount to, many boomers may not find out until age 65 that they have not saved enough for retirement.

Mr. Le Pan noted that, while the predictable nature of defined benefit plans is popular with workers, the complexity of navigating Canada's complex federal and provincial regulatory regimes is too cumbersome for many employers.

"*The cost of navigating Canada's regulatory system outweighs that incentive,*" he said.

The rapid growth of defined contribution plans appears to confirm Mr. Le Pan's concerns. The number of people covered by the plans has rocketed by 81 per cent over the past decade.

While the Superintendent's concerns highlight a potentially difficult issue for the future, today's pension environment is a volatile one, featuring everything from Supreme Court rulings on the distribution of pension surpluses on partial wind-up, same-sex survivor rights and pension splitting on divorce or separation of common-law couples. That uncertainty is unlikely to encourage employers to continue to dedicate the resources needed to track and manage the assets necessary to guarantee each worker a pre-determined income after age 65. ■

Manitoba PBA in for overhaul

The province of Manitoba is planning its first major overhaul of its Pensions Benefits Act in 20 years.

The new act incorporates changes first recommended by the Pension Commission of Manitoba in March 2003. Among them are:

- permitting one-time transfers of up to 50 per cent of the balance in individual locked-in retirement plans, such as LIFs and LRIFs, to creditor-proof registered retirement saving plans that may not be locked-in;
- allowing pension plans to offer optional benefits such as enriched early retirement benefits and cost of living allowances;
- making it easier for pension plans to offer disability and pre-retirement death benefits;
- encouraging phased retirement plans that would allow older workers to receive a pension income from their employers while still working for them on a part-time basis;
- requiring joint trustee plans to have representation from non-active members and beneficiaries, including retirees;
- allowing active members, retirees and non-active beneficiaries to have a voice in the disposition of plan surpluses;
- mandating increased pensions for those who defer retirement;
- allowing common-law partners to apply to divide pensions on separation;
- permitting non-Canadians to unlock and withdraw pensions; and
- immediate and full vesting of pensions.

Details of the proposals can be seen at www.gov.mb.ca under *News releases* for December 6, 2004. ■

Quebec drug plan loses millions

Quebec's publicly funded drug care program is wasting tens of millions of dollars in overpayments and lax management, Quebec Provincial Auditor Renaud Lachance says.

In a report filed in December 2004, Mr. Lachance noted that drug plan costs rose 125 per cent since the introduction of the provincial pharmacare program in 1997, largely a result of poor controls by the Régie de l'assurance maladie du Québec (RAMQ), the agency mandated to oversee the provincial plan.

In random audits of just six of the 1,600 pharmacies accredited under the drug plan, government auditors uncovered $512,000 in overbilling. In another study, auditors found pharmacies had charged more than double the amount allowed to fill pill dispensers for elderly, costing the province an extra $60 million over four years. The auditors also found that 43 per cent of people between the ages of 18 and 25 who claimed to qualify for free prescriptions as students were not registered with the Ministry of Education, a potential loss of almost $1 million.

The leakage wasn't confined to pharmacies and students, the provincial auditor reported. Audits indicate that 500 health professionals filed false claims with the government drug program, according to the Lachance report. In addition, failure to force doctors to adhere to generic substitution policies cost the province an additional $43 million, Mr. Lachance said.

The report goes on to suggest tighter overall controls and audits of at least half of the province's pharmacies each year.

Quebec Health and Social Services Minister Philippe Couillard plans to introduce a new drug policy in 2005. ■

It's OK to take contribution holidays when allowed, Tribunal says

The Ontario Financial Services Tribunal has ruled that employers may take contribution holidays when a pension plan has a surplus.

The ruling follows a decade-long dispute that arose when Kerry Canada Inc. purchased DCA Canada in 1994. The DCA pension plan dated to 1954 and was originally a defined benefit plan that received contributions from both the employer and its employees. A 1965 plan amendment relieved the employer from making contributions when actuarially feasible. From 1985 onwards, the employer used that proviso to take contribution holidays.

However, when the new employer, Kerry, converted the pension to a defined contribution plan in 1999, employees asked the Ontario Superintendent of Financial Institutions (OSFI) to order the company to reimburse the plan for missed contributions from 1985.

OSFI refused the employees' request. The employees then appealed to the Tribunal.

In its ruling, the Tribunal held that "*a surplus can be notionally applied against a contribution obligation, so long as the plan does not prohibit it.*" Since the 1965 amendments allowed the employer to only make contributions as required actuarially and since the employer had taken contribution holidays since 1985 without undermining the plan's ability to meet its obligations, the company was in its rights to take contribution holidays, the Tribunal said.

The employee group plans to appeal the Tribunal's ruling. ■

Nova Scotia drug plan also under fire

Quebec isn't the only province to face criticism for its management of its prescription drug program.

Nova Scotia's auditor general says that province's Health Department lacks a long-term prescription drug strategy. Drug costs there have increased by 21 per cent over the past three years while the province's insured health services remain "inadequate" according to Auditor General Roy Salmon.

"*There are no documented objectives and performance measurements for the program,*" he noted. "*Even modest price reductions could be significant and warrant further study.*"

Mr. Salmon recommends the appointment of a third party provider to manage the program and that the appointed provider have a clearly defined role and performance requirements. ■

Drug withdrawals spark confusion, controversy

▸ *continued from* ***cover***

application with the agency to resume sales of Vioxx® in Canada. Coughlin has also asked Merck to refund clients who purchased Vioxx®.

For plan sponsors, the withdrawal of Adderall XR® and Vioxx® by government health authorities means that these medications can no longer be accepted for claims by plan administrators, such as Coughlin & Associates Ltd. or insurance companies. The same will apply if Celebrex® and Bextra® are also removed from the market. Group insurance contracts only provide coverage for prescription drugs approved for sale by Health Canada.

If you have any questions about your group's drug coverage, contact your Coughlin & Associates Ltd. consultant. ■

Eliminating one plan maximum cost city millions

The managers of the City of Hamilton Police Service benefit plan have learned the hard way that it pays to have plan maximums.

According to the *Hamilton Spectator*, the cost for orthotics for the city's 719 police officers, 359 civilian staff and their dependants rose to $1.1 million in 2003 after the plan maximum for the special shoe inserts was removed. The $1 million-plus bill represented a *10-fold increase* in costs from 2000.

Compounding the problem are some questionable sales practices by unscrupulous orthotic suppliers. Although not limited to Hamilton, audits by the Canadian Health Care Anti-Fraud Association of plans with no limits for orthotics have found abuses such as $40 shoe inserts being sold for $500 and labelled as custom-made. The practice, however, is not necessarily widespread. The investigators have found that a small number of suppliers are dispensing a large number of orthotics, using prescriptions written by a select number of doctors. This could suggest possible kickbacks or other questionable practices, the anti-fraud group says.

Meanwhile, the Hamilton Police plan re-imposed a benefit ceiling on orthotics in 2004.

For plan sponsors, the lessons from the Hamilton Police and other plans seem clear: The elimination of coverage maximums may be a *good* thing to do for plan members, but it might not be the *right* thing to do in the long run. If you do eliminate coverage maximums, be sure to have stringent audit mechanisms in place to monitor potential abuse by unscrupulous suppliers. ■

PPN update

The Drug Store Pharmacy at 1972 Parkdale Avenue in Brockville has joined the Coughlin & Associates Ltd. Preferred Provider Network. Their phone number is 613-342-3723.

The Drug Store Pharmacy at 685 River Road, Gloucester, will join the Coughlin PPN on March 17. They can be reached at 613-822-9878.

Metcalfe Pharmacy at 8206 Victoria Street in Metcalfe has become a member of the PPN. Their telephone number is 613-821-1224. ■

Dental fee increases

Following are the dental fee increases for 2005 by province, as published by their respective provincial dental associations:

Province	Increase
British Columbia	3.37%*
Alberta	4.0**
Saskatchewan	4.11
Manitoba	3.49***
Ontario	2.6*
Quebec	2.8
New Brunswick	3.0
Prince Edward Island	2.1
Nova Scotia	3.26
Newfoundland & Labrador	3.2
Yukon, Northwest Territories & Nunavut	TBA April

* Fee changes vary considerably by procedure code. Quoted increase represents an average.

** CLHIA estimate.

*** Areas above the 53rd parallel will experience an increase of 5.0 per cent. ■

Lack of mental health strategy costly, embarrassing

A lack of a national mental health care strategy is a "tremendous embarrassment" that the federal government will have to face in the next 12 months, say Senators Wilbert Keon and Michael Kirby.

The senators co-chair the Senate committee on mental health and will host a series of public meetings on the issue throughout 2005. Senator Keon is a well-known Ottawa heart surgeon and community activist. Senator Kirby is the author of a November 2003 report that contained proposals for the reform of the Canadian health care system.

"*One in five people in this country is going to suffer some kind of episode of mental illness,*" Senator Kirby says. "*If you start adding all the affected family members together, that makes one hell of a constituency…How could the government resist it?*"

The senators hope to consolidate the nation's patchwork system of federal, provincial and municipal programs into a consolidated national plan.

The senators' initiative is backed by insurance industry and Statistics Canada data that suggest that mental illness accounts for the bulk of disability claims. For example:

- in 2002, 50 per cent of disability claims had a mental illness component;
- 25 per cent of drug costs involve anti-depressants;
- 50 per cent of all disabling depressions recur;
- one in 10 people take "mental health days" from work to cope with stress and emotional fatigue; and
- 50 per cent of disabled employees never return to work.

Addressing the cause of the bulk of disabilities could generate savings for both insurers and plan sponsors. ■

For some CEOs, '*You're fired*' means good news

A New York University (NYU) study of compensation packages of 164 terminating Fortune 500 CEOs shows some startling differences between those whose terminations were planned by their organizations and those who were forced out.

According to the NYU data, if you're a Fortune 500 CEO, you're more likely to exit at a younger age and with a lot more money by being forced out. The data gives a whole new meaning to Donald Trump's famous phrase: "*You're fired!*"

Fortune 500 CEO mean compensation at termination 1996-2002
(All dollar figures are in $US millions)

	Planned exit	Involuntary exit
Age	63	56
Years in office	10	6
Compensation prior year	$7.70	$9.50
Three-year excess compensation	$5.50	$10.5
Lump sum payments	$0.96	$1.28
Non-compete clauses/consulting contracts	$0.31	$1.16
Pension augmentation	$0.57	$2.05
Forfeiture of stock options	$(0.03)	$(0.69)
Employment contract payoff	$0.15	$3.24
Value of shares and options at end of prior year	$95.4	$83.1
Actuarial value of pension, end of prior year	$7.60	$3.20

FAST FACTS

More than three-quarters of Canadians have less than three months worth of savings in the bank, according to an October 2004 Ipsos-Reid poll. Almost half, 42 per cent, say they have no "rainy day" money saved. ■

With the withdrawal of routine eye examinations from Ontario Health Insurance Plan's coverage for people age 20 to 64, many plan sponsors have received questions from employees with medical conditions that could potentially affect their vision. According to Ontario's Ministry of Health and Long-Term Care, people with the following medical conditions will continue to be covered for annual eye examinations by physicians or optometrists: diabetes mellitus; glaucoma; cataract; retinal disease; amblyopia; corneal disease; visual field defects; and strabismus. ■

In an effort to reduce rising drug care costs, Toyota's American operations will require its 40,000 employees to use only Toyota-owned pharmacies for prescription drugs. The automaker hopes to reduce retail pharmacy use by 25 per cent and save 15 to 95 per cent per prescription, depending on the medication. The company does not plan to introduce a similar program in Canada. ■

Effective March 1, 2005, Ontario employers are prohibited from requiring employees to work more than 48 hours per week without their written consent. More information on Bill 63 can be found at www.gov.on.ca under the Employment Standards Act. ■

Medical bills account for half of all personal bankruptcies in the United States, according to a study released by Harvard University. Harvard researchers found that most of those bankrupted by medical problems originally had private health insurance coverage but were not prepared for the unexpected, such as a job loss or treatment costs reaching coverage maximums. Medical bankruptcies affect over two million Americans each year. ■

A survey of over 3,000 Canadian employees indicates that 43 per cent consider their company a good place to work, according to the January 26 edition of the *Globe and Mail*. This compares to 55 per cent two years ago. A lack of training and reduced employee recognition are cited as the major reasons for the decline. ■

A Public Health Agency of Canada (PHAC) survey of more than 31,000 Canadians who work for companies employing more than 500 people indicates that workers spend an average of $164 per year on prescription drugs for their own personal use. However, while 44 per cent said they did not use any prescription medications within the past year, 19 per cent reported spending $300 or more on drugs. Who paid? For 80 per cent of respondents, their employers' drug plans picked up 100 per cent of the tab. ■

Employees in larger organizations like the 31,000 surveyed by the PHAC also account for a great deal of activity within the health care system. According to the PHAC, the average Canadian working for an organization with 500 or more employees can be expected to generate the following:

- 3.2 visits per year to a physician;
- 3.0 visits to other health care professionals such as chiropractors, physiotherapists etc;
- 1.0 outpatient visit per year for medical tests or other procedures;
- 0.9 visit to a mental health professional; and
- 0.4 visit to a hospital emergency department. ■

For the first time in over a century, the life expectancy of Americans is expected to *decline* in the next 50 years, thanks to the high rate of obesity. In a study due to be released at the end of March, Dr. Jay Olshansky of the University of Illinois, predicts that the dramatic increase in obesity among young people "*is a storm that is approaching.*" More than 30 per cent of Americans are classed as medically obese compared to 15 per cent of Canadians (however, half of Canadians are classed as overweight.) Being obese can multiply the risk of heart disease, diabetes and other illnesses. Since 1900, the average life expectancy of Americans has increased steadily from age 47 to age 78. A decline in the average lifespan could spark serious debate on the state of American health care, nutrition, insurance coverage and other social issues. ■