



Supreme Court opens door to private health care coverage

The debate on the delivery of health care in Canada -- and who ultimately should pay for it -- took a new twist in June. The Supreme Court of Canada struck down Quebec's laws preventing the use of private health insurance to pay for services provided under the public health care system.

The case dates back to 1997 when patient George Zeliotis had to wait over a year for hip replacement surgery through the public health care system. At the same time, his doctor, Jacques Chaouilli, was prevented from providing emergency services on a private basis. (See the July 2003 and June 2004 editions of the *Coughlin Courier* for background.) Both contended that Quebec's health care regulations prevented them from offering and receiving private care and that the resulting delays violated Mr. Zeliotis' right to *life, liberty and security of the person* under both the Quebec and Canadian Charters of Rights and Freedoms.

In a tight 4-3 decision, the Court agreed.

"...In the case of certain surgical procedures, the delays that are the necessary result of waiting lists increase the patient's risk of mortality or the risk that his or her injuries will become irreparable," the Court ruled.

While acknowledging the necessity of preserving the public health care system, the justices were not

convinced that the system could not be adequately protected by "a wide range of measures that are less drastic and less intrusive than a ban on private insurance."

"The prohibition against private health care insurance and its consequences of denying people vital health care result in physical and psychological suffering," (and therefore violates the Charters), said Chief Justice C.J. McLachlin.

While the ruling is confined to Quebec, similar legal challenges are expected in other provinces. Some provinces, such as Ontario, say they are committed to a single publicly funded health care system. Others, such as British Columbia and Alberta, appear ready to embrace more private-based health plans. Meanwhile, three Atlantic provinces as well as Saskatchewan allow their residents to obtain private insurance for publicly available services under certain conditions.

The prospect of Canada's health system devolving into a patchwork of unconnected provincial plans each with their own mix of public and private coverages is real.

Meanwhile, plan sponsors everywhere, particularly those in Quebec or those with Quebec employees, should review their group contracts to ensure that they specifically exclude covering services provided by medicare. However, it should be stressed that

this may not provide any protection against employees using private medical services to quickly alleviate "physical and psychological suffering" resulting from long waiting lists and claiming the expenses through their group medical coverage.

► *continued on page 2*

We're willing to pay, poll says

A majority of Canadians say they are willing to pay their own medical costs to avoid long waiting lists.

According to a June 20-25, 2005 poll of 1,263 people conducted by Pollara, 63 per cent of respondents said they were willing to "pay out of pocket" to gain faster medical service. The survey also said that 55 per cent supported the Supreme Court decision allowing private health insurance to cover public health services if those services cannot be accessed in a timely fashion.

As well, 73 per cent said they believed the ruling would lead to the creation of a two-tier health care system.

The poll is considered accurate by plus or minus three points, 19 times out of 20. ■

Same-sex marriage becomes law

Canada has become the third nation in the world, following Belgium and the Netherlands, to recognize same-sex marriage. In a 158-133 vote, the House of Commons ended a two-year debate that crossed party lines and resulted in same-sex marriages receiving the same legal recognition at the federal level as heterosexual marriages.

The bill still has to be approved by the Senate. However, no major delays or changes are expected.

For plan sponsors, the passage of the law will mean that same sex partners should be able to qualify to receive spousal survivor benefits available in pensions, annuities, group RRSPs, life insurance, the Canada Pension Plan and other benefits. As well, the actuarial calculations used to establish mortality assumptions in joint life insurance and other products will have to be modified to accommodate situations involving partnerships of two men or two women in addition to traditional heterosexual partnerships.

For groups located in jurisdictions other than Alberta, Newfoundland, Nunavut and the Northwest Territories, the new federal law will amount to a formality since the courts in those provinces and territories, along with the Supreme Court of Canada, had already recognized same-sex unions.

With the passage of the controversial law, it is assumed that the same rights will be extended to same sex couples in the areas of divorce and other family law matters. New regulations for procedures involving same sex divorce and related issues should be expected in the relatively near future. ■

Ontario, New Brunswick to end mandatory retirement

Ontario and New Brunswick will join Alberta, Manitoba, Quebec, Prince Edward Island and the three territories in abolishing mandatory retirement at age 65.

Both provinces introduced bills this past June to eliminate the forced retirement of individuals at age 65, except in cases where it is necessary for the performance of essential duties.

Under the proposed legislation, there is no upper age limit for which an individual can be employed. If passed, the new law will extend to collective agreements as well as individual employment arrangements.

Other age-based labour regulations, including the workers' compensation rules and pension terms, remain in effect.

While the new laws have been packaged as a human rights reform eliminating age discrimination, they have not been welcomed in all quarters.

According to Canadian Union of Public Employees (CUPE) President Sid Ryan, the legislation represents an attack on workers' pension benefits.

"Ordinary workers are demanding to get out of their jobs sooner with better pensions," he says. "Ending mandatory retirement creates risks for workers of all ages. There have already been noises at the federal level about raising the eligibility for CPP to age 70. Workers in their 50s and early 60s should be asking what the effect will be on them." ■

Supreme Court opens door to private health care coverage

► *continued from cover*

How the ruling will apply on a day-to-day level for Quebec plan sponsors and members also remains unclear.

Will the Quebec government reimburse private providers for an individual's medical expenses when waiting lists are too long or, will these costs remain solely with the individual and his/her insurance plan? In July 2005, the province asked the Supreme Court to defer the effective date of its judgement for 18 months so that details like these can be ironed out. The tax implications of such arrangements may also have to be reviewed once these procedures are codified.

Should the ruling ultimately open the door to a mixed public-private health care system, plan sponsors may want to consider establishing health care spending accounts for their employees to help them purchase private health care services. Contact your Coughlin & Associates Ltd. consultant for more information on health care spending accounts.

The Supreme Court ruling is a mixed blessing at best. In the short term, it will likely fuel more debate on Canada's health care system and greater involvement of insurers and plan sponsors in its ultimate solution. In the long term, the availability of faster medical procedures and shorter waiting lists could reduce weekly indemnity and long-term disability cases involving surgery or major medical procedures and, therefore, partially offset the impact of increased claims.

Watch for more information on this issue as it becomes available. ■

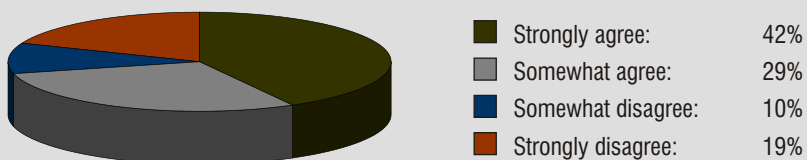
Employees willing to share benefits costs, forego cash

The majority of employees are willing to pay a portion of their health care costs -- and even forego cash bonuses of as much as \$11,000 -- in order to maintain their benefits programs, according to a national survey.

An Ipsos-Reid poll of 1,500 employees across Canada conducted for Sanofi-Aventis, a Laval-based pharmaceutical company, suggests that Canadian employees are aware of the rising costs of health care and are willing to make sacrifices to maintain benefits coverage.

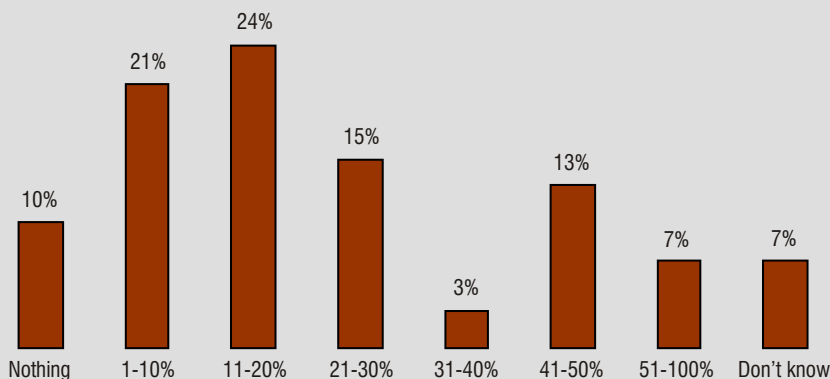
Examples of these attitudes were seen in two questions. The first asked if they would be willing to pay a small fee, such as \$5, for visits to emergency rooms, doctors' offices, hospitals or other medical facilities. The response: 71 per cent indicated agreement with the concept. While some expressed concern about a user-fee being introduced to the medicare system, most agreed that a small fee would help alleviate costs or change behaviours enough to relieve the strain on the health care system.

"I would be willing to pay \$5 for things like a visit to the emergency room, the doctor's office or a day in the hospital if it meant that money would be used toward services like home care, nursing care, costly drugs, mental health counselling or palliative care."



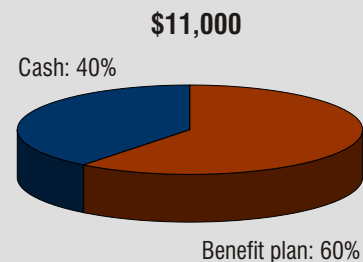
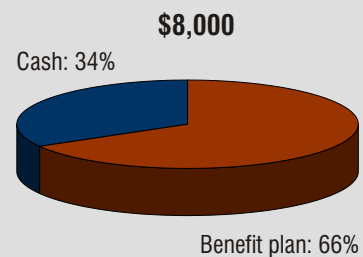
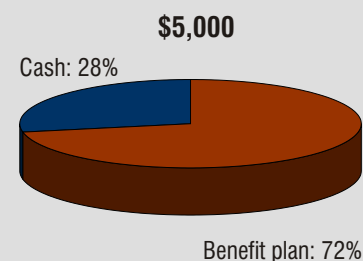
For plan sponsors, the Sanofi-Aventis survey's second question on co-pay arrangements appeared to confirm that the majority of employees are willing to pay a portion of their health claims. According to the results, 45 per cent of those surveyed were willing to pay between one and 20 per cent of their claim costs. An additional 15 per cent were willing to pay between 21 and 30 per cent. Only 10 per cent indicated an unwillingness to pay any costs. According to the Sanofi-Aventis poll report, these results are "good news for employers who are trying to build on the notion that plan costs are a shared responsibility..."

"Overall, what percentage of your employee health benefit claims would you be willing to pay?"



While these results indicate a willingness to share in the costs, they do not necessarily mean that workers are willing to go it alone when it comes to paying for benefits themselves, even if cash were made available to do so. When asked if they would be willing to give up health care benefits coverage for cash, the vast majority of respondents said "No", even when offered as much as \$11,000 per year. For plan sponsors, the overwhelming endorsement of structured benefits plans over simple cash should be a warning against rushing into some US-style flexible benefits arrangements that exchange coverage for money.

"Would you rather have an extra \$5,000/\$8,000/\$11,000 cash per year or your employee health benefit plan?"



Employees willing to share benefits costs, forego cash ► continued from page 3

The rationale for the endorsement of benefit plans over cash also mirrored the conservative messages that the insurance industry has promoted for many years: peace of mind, safety, and the potential long-term value of benefits. For adventurous plan sponsors willing to introduce cash-based flexible benefit arrangements, these results suggest that they could face major employee education and attitude challenges should they launch such programs.

"Why did you choose your employee health benefit plan over the cash?"

Benefit plan is/could be worth more than the amount offered:	26%
Just in case/never know what is going to happen:	23%
For safety/security/peace of mind:	20%
Health care coverage is more important to me/my family:	14%
Cash is spent easily/will be spent on other things:	12%
Medical care costs are expensive:	10%
Other/other financial:	9%
Have medical condition/problems:	6%
Better long term:	4%
It is better:	4%
Pro health care/health care is a necessity:	4%
We have good coverage:	3%

The 1,500 surveyed employees were unequivocal about which benefits were most important to them. When asked to name the benefits they would be most willing to remove from their plans, paramedical coverage topped the list while drug coverage and both short and long-term disability coverage remained at a virtual tie for the "do not touch" label. Other core coverages, such as life insurance and dental coverage were also heavily favoured, even over paid sick days. For plan sponsors contemplating plan changes, these results and the conservative nature of earlier responses, paint a clear picture: employees seem to favour structured plans consisting of traditional programs that include drug and disability coverage -- and possibly life insurance and dental care as well. Other coverages may be expendable, if push comes to shove.

"Health benefit plans are based on the cost of the benefits they include. Which one component of your employee health benefit plan would you be willing to have taken away if your employer was unwilling or unable to pay for coverage?"

Paramedical practitioners like physiotherapists, chiropractors, private duty nurses, massage therapists:	27%
Semi-private hospital coverage:	21%
Paid days off for absence:	15%
Vision care:	11%
Life insurance:	9%
Dental plan:	7%
Short-term disability:	3%
Long-term disability:	3%
Drug plan:	2%

► continued on page 5

Sanofi-Aventis survey at a glance

Number surveyed: 1,500 group plan members across Canada.

Pollster: Ipsos-Reid

Accuracy: Plus or minus 2.5 per cent, 19 times out of 20.

Respondent profile:

Female: 52%.
Male: 48%.

Public sector workers: 55%.
Private sector workers: 44%.

Age:
18-34: 30%;
35-54: 40%;
55+: 30%.

Non-union: 57%.
Union: 44%.

Full-time employees: 75%

Single coverage: 32%.
Family coverage: 67%.

Earn:
less than \$30,000 annually: 9%.
\$30,000 to \$59,999: 34%.
\$60,000 to \$99,999: 32%.
\$100,000+: 20%.

Live in:
BC, 13%;
Alberta, 10%;
Saskatchewan/Manitoba, 7%;
Ontario, 38%;
Quebec, 25%;
Atlantic, 8%.

English spoken: 76%.
French spoken: 24%.

Benefit plan size:
Fewer than 250 lives: 26%.
250-999 lives: 12%.
1,000-4,999 lives: 17%.
5,000-9,999 lives: 15%.
10,000+ lives: 18%.

Can't get no satisfaction...

Plan sponsors can't be blamed for singing the popular Rolling Stones song. According to the Sanofi-Aventis poll, employee satisfaction with their employer-sponsored benefits has been in a steady decline since 1999.

Employer health plan meets needs extremely well:

1999:	73%
2000:	68%
2001:	66%
2002:	65%
2003:	61%
2004:	58%
2005:	56%

Employer health plan meets needs somewhat well:

1999:	23%
2000:	27%
2001:	28%
2002:	30%
2003:	31%
2004:	36%
2005:	39%

Employees willing to share benefits costs, forego cash ► continued from page 4

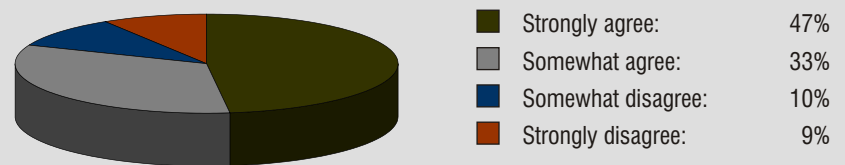
Drug coverage not only tops the list as the most important employee benefit, the type of drug coverage required is also critical, according to the survey. Not surprisingly, "High cost drugs" topped the list of must-have coverages. However, even the type of medication was worth mentioning, with cholesterol lowering medicines, obesity drugs and smoking cessation products receiving strong endorsements from respondents. This data could prove useful the next time drug coverage inclusions and exclusions are reviewed.

"Please indicate whether you think each of the following should be covered..."

Cholesterol lowering drugs:	67%
High cost drugs:	60%
Smoking cessation medications:	49%
Obesity medications:	40%
Health supplements/natural medicines:	28%
Non-prescription drugs:	13%

While the Sanofi-Aventis poll provides an array of information for plan sponsors, not all of its data is necessarily straight-forward. An example was seen in a question on who should pick-up the costs of health coverages when they are reduced or removed from government plans. While 47 per cent of respondents said they strongly agreed with the idea that their employee benefits plan should automatically include coverage for the lost services, the survey provides no link to its earlier questions indicating that individuals are willing to share a portion of their benefits costs. Would employees be willing to pay the extra costs that would result from their plans having to absorb a government-provided service? Recent history in Ontario suggests otherwise. The 2004 elimination of physiotherapy and eye examination coverage by the provincial medicare plan resulted in howls of protest across the province, despite the fact that both the cost involved and coverage provided were relatively modest. The willingness to share the costs of government downloading could have a limit.

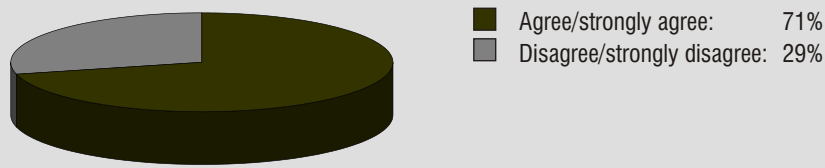
"When governments reduce or eliminate coverage from provincial health care plans, my employee health benefit plan should then start including coverage for these services."



Employees' willingness to share risk was again put to the test when asked who should be responsible for establishing the minimum standards or requirements for their employer-sponsored benefits. In total, 71 per cent said the government should set such standards, not their employer or union. While they may be willing to accept some responsibility for their benefit plans, it appears they still want some assurance of government-mandated standards. "It may also suggest that employees are nervous about their continued entitlement to benefits," Sanofi-Aventis added.

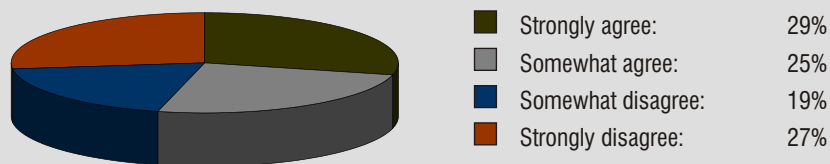
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"The government should set minimum standards and requirements for employer-sponsored health benefit plans."



Should everyone pay the same for their benefits plan? The answer from the Sanofi-Aventis survey was "No." Based on the results, it seems clear that employees may be willing to accept premium regimes based on lifestyle, health history or other factors. Although how such regimes could be incorporated into group underwriting arrangements remains unanswered, the message seems clear: those who live less healthy lifestyles should pay more.

"The cost of employee health plans should be higher for employees who smoke, don't exercise or are seriously overweight."



"Do you think employees should pay less for employee health benefit coverage if they..."

Do not smoke:	70%
Are below a certain income:	66%
Live a healthy lifestyle:	60%
Take medications for things like high blood pressure and high cholesterol exactly as prescribed:	58%
Exercise on a regular basis	55%
Are not obese	46%

It should be noted that the survey did not indicate if those surveyed would be open to premium structures that would require those in older age categories or those with poor health, family histories of medical conditions, or other risk factors to pay more.

The rising awareness of benefits and their associated costs is a result of a combination of factors, says Coughlin's Senior Vice-President Mark Hogan.

"Members and employees are playing 'catch-up'," he says. "In the past, many groups focused on wage increases over benefits or pensions. Now, they want to direct their attention to areas that have been neglected."

Changing demographics and increased media attention are also playing a role, he notes.

"With the aging of the baby boom population, which is by far the largest segment of the workforce, the focus is beginning to shift to benefits and pensions as people become more aware of health and retirement issues as they age. Plus, through coverage of health care issues in the media and advertising for drugs on US television, people are far more aware of the costs of health care and their need for coverage." ■

Health care facts: How Canada compares

	Health spending per capita \$US	% GNP spent on health care	% Public sector spending	Physicians per 1,000 people	Nurses per 1,000 people
US	\$5,635	15.0%	44.4%	2.3	7.9
Canada	\$3,003	9.9%	69.9%	2.1	9.8
Germany	\$2,996	11.1%	78.2%	3.4	9.7
Sweden	\$2,954	9.2%	85.3%	3.3	10.2
France	\$2,903	10.1%	76.3%	3.4	7.3
UK	\$2,231	7.7%	83.4%	2.2	9.7
Japan	\$2,139	7.9%	81.5%	2.0	7.8
Czech Rep.	\$1,298	7.5%	90.1%	3.5	9.4

(Source: *The Globe & Mail*, June 10, 2005)



Mortgage insurance?

Buy from a licensed insurance professional

If you have a mortgage, you should have life insurance to cover that obligation.

While most banks and mortgage lenders offer insurance programs to cover mortgages, Coughlin & Associates Ltd.'s individual insurance services consultant can develop a mortgage insurance plan customized expressly for *you*.

Here are a few reasons why you should use our Individual Services Department for your mortgage insurance instead of a bank.

CHOICE: With bank plans, you are forced to buy coverage from the bank's insurer. That doesn't necessarily mean you get the best price or product for your money. Coughlin's individual services consultant is not tied to any one product or company. He can search the market for you to find the best rate among several, even dozens, of different companies.

COVERAGE: Bank plan coverage usually *decreases* as you pay-off the mortgage while the premium remains *unchanged*. We can ensure that your coverage remains intact for as long as *you* want. Why pay to have less coverage as time goes by?

PRICE: Most bank products feature "one size fits all" underwriting. Our independent insurance professional can design a program offering preferred rates for non-smokers and those who live more healthy lifestyles.

PORTABILITY: Changing your address or bank can mean trouble with traditional bank plans. You may have to re-apply for the new insurance coverage based on the costs at your new age. Independent arrangements developed through Coughlin can allow you to keep your coverage intact no matter where -- or how often -- you move.

BENEFICIARY: Bank plans work on a simple formula: You die, they get the money. With a personal life insurance program from Coughlin's Individual Services Department,

your insurance proceeds go directly to the beneficiary *you* name, tax-free. Let your loved ones, not the bank, decide how your money should be used.

LONG-TERM COVERAGE: With banks' mortgage insurance plans, coverage ends with the mortgage. But what about your other needs such as estate planning, debt coverage or your children's education? We can design a plan that can stay in place after your mortgage is paid off.

CONVERSION: Most bank plans don't allow you to convert their coverage to a permanent insurance plan. Your Coughlin individual services consultant can ensure that your mortgage insurance coverage can be converted to a permanent plan, even if your health changes.

A LICENSED PROFESSIONAL: Coughlin's individual services consultant is a licensed insurance professional who has passed a series of provincially regulated programs and exams to provide expert advice to you. **He is licensed to provide insurance services in the provinces of Ontario, Quebec, Manitoba and British Columbia.** While a bank mortgage specialist may be an authority on mortgages, he or she may have little or no training, or professional qualifications, to provide insurance advice. Doesn't it make sense to use a qualified insurance professional to develop your mortgage insurance plan?

For more information on mortgage insurance, or to make an appointment, contact Coughlin & Associates Ltd.'s Individual Insurance Services Department at:

In the National Capital region: 613-231-2266, Extension 253 or 244
Toll-free: 1-888-613-1234, Extension 253 or 244

For Canadians, it's more like Eh?-state planning

Most Canadians are ignoring estate planning and other important family financial issues, according to an Investors Group survey.

In a recent *Globe and Mail* article on the survey, 43 per cent of respondents said they have not discussed funeral arrangements with their parents while 73 per cent have not met with their parents or siblings to discuss parental wills or other estate distribution issues. The irony is that most are aware that taxes and competing family interests could complicate or delay the receiving of their inheritance, the June 29, 2005 article said.

Despite the reluctance to discuss the issue, 60 per cent of survey respondents indicated they believe they will inherit money from their parents; 41 per cent are counting on that inheritance to form part of their own retirement savings.

Fear of appearing greedy, difficulty discussing estate planning issues, and unsolved family problems were cited as the main reasons for Canadians' reluctance to settle such matters ahead of time, the article said.

The survey was conducted by Decima Research and involved 1,000 Canadians age 18 and older. ■

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Government introduces wage earner protection bill

The federal government has introduced a bill that will allow employees of bankrupt companies to make wage claims directly to the Ministry of Labour and Housing.

Under the new legislation, employees could receive a quick payment of up to six months of unpaid wages and vacation pay when their employers have gone bankrupt rather than having to file claims through bankruptcy courts.

Also under Bill C-55, unremitted pension plan contributions will have priority status ahead of secured creditors. As well, no restructuring plan can be approved by the courts unless it includes payment of outstanding unremitted pension contributions.

Approximately 11,000 companies filed for bankruptcy protection in 2004, Industry Canada reports. ■

FAST FACTS

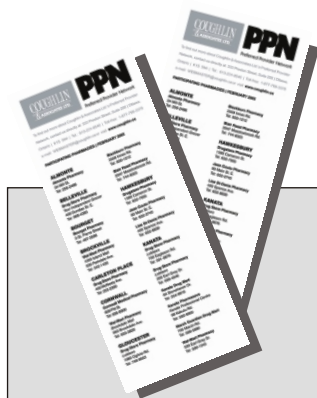
Effective July 1, 2005, Alberta will allow secondary insurance plans to cover a patient's portion of chiropractic and podiatry fees from first payment instead of waiting for the Alberta Health Insurance Plan annual maximum to be exhausted. The Alberta plan pays a maximum \$200 for chiropractic services and \$250 for podiatry services. ■

The monthly deductible for the Quebec Public Prescription Drug Insurance Plan was increased July 1 from \$10.25 to \$11.90. ■

For the first time since 1994, contributions to trustee pension plans exceeded benefits paid out. According to Statistics Canada, \$30.3 billion was contributed by employers and employees to trustee plans in 2004 compared to \$29.8 billion in payments. Approximately 4.5 million Canadians are members of trustee pension plans. ■

The number of patients receiving organ transplants has increased by 22 per cent over the past decade, the Canadian Institute for Health Information says. A total of 1,795 people received transplants in 2004 compared to 1,473 in 1994. Over the decade, the average age of deceased donors increased from 36 in 1994 to 43 today. The waiting list of those needing an organ transplant totalled 4,004 people at the end of last year. ■

The Patent Medicines Prices Review Board reports that total sales of all drugs in Canada increased by 5.3 per cent in 2004 to \$15.9 billion. The increase was the lowest recorded since 1997. ■



PPN update

The Drug Store Pharmacy at 680 O'Brien Road, Renfrew, Ontario has joined the Coughlin & Associates Ltd. Preferred Provider Network. Their phone number is 613-433-8217.

Health care facts II: How Canada compares

Which health care system is cheaper: a market-based, private system like that of the United States or a government controlled public system like Canada's? In terms of costs, Canada's is far more cost-efficient, despite the fact that the amount Canada spends per person on health care is only 60 per cent of that spent by Americans (see page 6.)

The following is a comparison of costs for various medical services and procedures, as published in *Archives of Internal Medicine* and based on a joint Canada-US study headed by Dr. Mark Eisenberg of the General Jewish Hospital of Montreal. (All dollar figures are in US dollars.)

Procedure/service	Cost in Canada	Cost in US
Heart by-pass surgery	\$10,373.00	\$20,673.00
Basic blood test	\$7.22	\$21.61
Catheterization	\$306.86	\$511.70
Operating room per hour	\$313.76	\$397.05
Surgical bed per day	\$360.10	\$561.53
Intensive care bed per day	\$1,123.50	\$1,121.81