Today's Objectives

- To discuss employer plans for extended health and dental care

Employer – Extended Health and Dental Care Plans

3. Extended Health Care (EHC) Plans

- EHC Plan Example:
  - Visit the link below to see what EHC Benefits (plus other Benefits) are offered to Western Faculty

    (Note: also will access this webpage for other benefits)

    https://www.uwo.ca/hr/benefits/your_benefits/faculty.html

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4. Management of (EHC) Rising Costs

- While rising costs of health services have stabilized, cost increases still average rate over rates of inflation
- **EHC cost drivers**:
    i. Prescription Drug costs
    ii. Changing demographics
    iii. Government cost shifting
    iv. Obesity

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4. Management of (EHC) Rising Costs

- **EHC cost drivers**:
  - i. Prescription Drug costs
    - This is the **primary factor affecting EHC cost**
    - Increase in average pharmacy costs and drug costs
    - Drug cost increases are compounded by aging population (who require more frequent and more expensive prescription drugs)
  - ii. Changing demographics
    - Working population is aging and people are living longer
    - Combination of these factors result in higher plan utilization which impacts ongoing plan costs

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4. Management of (EHC) Rising Costs

- **EHC cost drivers**:

iii. Government cost shifting

- Provincial health plans are reducing or eliminating coverage
  - Transfer of health care responsibilities and health care costs to private (e'er) EHC plans
- Shorter hospital stays result in e'er EHC plans covering drugs and services that would otherwise be covered by government under hospital stays

iv. Obesity

- Over 50% of Canadian population is overweight
- Increasing costs from related illnesses/conditions (affect plan utilization - more claims)

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures** balance "comprehensive plan protection against the need of affordable benefits":
    i. Deductibles/Coinsurance
    ii. Drug Program Modifications
    iii. Change Management
    iv. Integrated Approach to Managing Costs
    v. Drug Utilization Review
    vi. Health Care Spending Accounts (HCSA)
    vii. Co-ordination of Benefits (COB)

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:
  i. Deductibles/Coinsurance
    - Increased cost sharing through increasing deductibles and decreasing co-insurance factor (say from 85 to 80%)
    - Some protection against unexpected large expenses
    - E.g. 80% coinsurance to $X of out of pocket expenses are incurred, then 100% coinsurance afterwards

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:

ii. Drug Program Modifications

- Several measures can be used to control and manage prescription drug costs (esp. when pay direct cards are used)

a) Generic substitution:

– Mandating generic substitution (unless physician prohibits) can save up to 60% in costs

– Can uniformly apply (generic substitution) with pay direct EHC plans

b) Lowest Cost Alternatives:

– Reimbursement is based on lowest-cost drug

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:

ii. Drug Program Modifications

- Measures to control and manage prescription drug costs

c) Therapeutic Substitutions:

– Substitution of a less expensive drug within the same therapeutic classification (but with different ingredients than prescribed drug)

d) Lifestyle Drugs:

– Some plans will exclude some/all drugs related to lifestyle (that are not considered medically necessary)

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:

ii. Drug Program Modifications

- Measures to control and manage prescription drug costs

e) Formularies:

– A formulary covers a specific list of eligible drugs

– Many plans have formularies that mirror the provincial drug formulary available to seniors

– A formulary requires regular updates (quarterly or more frequent)

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:

ii. Drug Program Modifications

- Measures to control and manage prescription drug costs

f) Three-tier Co-Payments:

– Amount reimbursed is determined by e'ee choice

» generic drugs -highest % of reimbursement

» brand name drugs with no available generic - next highest

» brand name where a generic is reimbursed

– New method in Canada, not as widely used as other noted methods

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:

iii. Change Management

- Strategy required when implement changes in drug/other benefit coverage

iv. Integrated Approach to Managing Costs

- Data is analyzed in various areas; EHC costs, disability, absences, employee assistance to get a picture of trends and a comprehensive picture of health within the organization

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:
    v. Drug Utilization Review
        - This is becoming more common
        - Pay direct providers include drug utilization reviews as part of overall drug program
        - Helps identify areas for cost control and wellness prevention initiatives

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:

  vi. Health Care Spending Accounts (HCSA)

  - Increasing in popularity
  - HCSA is an individual employee account that involves the allocation of a fixed dollar amount by the employer
  - The employee can use the money in the account to pay for any health-related service
  - Unused money at the end of a year is not reimbursed, but can be rolled over to the next year (or employer can choose not to, in which money would be forfeited)
  - HCSA's are often offered to supplement an EHC and Dental plan

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4. Management of (EHC) Rising Costs

- **Cost Containment Measures**:

  vii. Co-ordination of Benefits (COB)

  - CLHIA developed COB guidelines to eliminate overpayments by plans sponsors and maximize reimbursement to employees
  - Rules for coordinating claims (partners that each are members of e'er EHC plans)

Employer – Extended Health and Dental Care Plans

5. Dental Plans

- Dental Plans typically offered as a separate benefit (from EHC)
- Dental plans generally represent the largest component of an employer's total employee benefits costs
- **History**:
  - 1st plan offered in late 1960's, early dental plans were introduced as result of collective bargaining with unionized workers
  - Dental plans evolved in the absence of any coverage provided in gov't plans and available in the majority of e'ee benefit plans
- Canadian Dental plans have always provided explicit details for:
  - which procedures were covered and
  - how much was payable for each procedure

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5. Dental Plans

- **Major areas of coverage include**:
  i. Basic Services – diagnostic & preventative/minor restorative care
     - Includes: examinations, x-rays, fillings, cleaning, teeth extractions
  ii. Supplementary Basic Services
     - root canals, gum surgery, denture rebasing or relining
  iii. Major Services – major restorative care
     - crowns, dentures, inlays, bridges
  iv. Orthodontics
     - braces to correct misaligned teeth

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5. Dental Plans

- **Most dental plans have:**:
    i. High coinsurance (80%-100%) of basic services
        - This encourages preventive dental work
        - This usually increases costs in the years immediately following introduction of a plan
        - But reduces the need for most costly major dental work later
        - Some plans cover only basic services (esp. new plans)

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5. Dental Plans

- **Most dental plans have:**:

  ii. Lower coinsurance (50%-80%) on major services or orthodontics
    - Reduces costs (share cost of expensive dental work with ee)
    - Usually maximum $$ amount per person per yr for major services
    - Usually a lifetime maximum dollar amount per person for orthodontic
    - Some (in fact many) plans have no orthodontics

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5. Dental Plans

- **Dental Work Costs**:
  - The dental association of each province produces a suggested fee guide that lists the:
    - procedure codes (5-digit numbers)
    - fees that dentists should charge for the various dental procedures
  - Most dental plans limit payments to the maximum suggested fee for general practitioners in the current dental fee guide of the e'ee's province of residence
  - If e'ee obtains dental work that exceeds the suggested fee in the dental guide, the e'er plan will reimburse e'ee up to the suggested fee and e'ee will pay the rest

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5. Dental Plans

- **Dental Work Costs**:
  - Most dental plans ask for "***pretreatment review***"
    - when a dental procedure is expected to result in significant expenses, ee must file a statement of the proposed services and fees with insurer
    - insurer will state whether they approve the procedure and what portion of the total expenses will be covered
    - this way the ee knows up front how much of the cost will be paid by the plan and how much he/she has to pay
  - Plan may pay only for the lowest cost treatment or "**Alternate Benefits Clause**"
    - E'ee may opt for a most costly procedure, but he/she would have to pay the difference

Employer – Extended Health and Dental Care Plans

5. Dental Plans

- Dental Plan/HCSA Example:
  - Visit the link below to see what Dental Benefits (plus other Benefits) are offered to Western Faculty

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6. Management of Dental Claim Costs

- Dental plan costs have been increasing over past few decades and two areas of dramatic increase in dental claims were:
  - Regular exams and checkups
  - Periodontal services (gum surgery)
- **Cost Containment Strategies** taken include:
  i. Reducing frequency of recall exam coverage(checkups) for adults from 6 months to 9 or 12 months
  ii. Lowering coinsurance on periodontal services
  iii. Placing limits on the units of periodontal service covered per person per year
  iv. Increasing e'ee cost sharing
  v. Health Care Spending Accounts (HCSA)

Employee can use the money in this account to pay for

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6. Management of Dental Claim Costs

- **Dental Insurance is an expensive benefit**:
  - E'ees have a more direct bearing on the cost of a dental plan than on the costs of other health benefits
  - When an e'ee first joins a plan, he/she is likely to get a lot of work done on their teeth to correct past neglect
  - This is also true in situations where a dental plan is being offered to a group of e'ees for the first time

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7. Income Tax on Health Plans

- **Items of interest**:
  - If e'ee pays for any part of the health or dental plan, the premiums are not tax deductible (unless medical expense tax credit applies)
  - E'er contributions are tax deductible to the employer
  - E'er contributions are not considered income to e'ee (except in Quebec)
  - E'er contribions to a government health plan considered taxable benefit to e'ee
  - Benefits paid under a private health or dental plan is not taxable income to e'ee
  - Medical expenses paid out of pocket by the e'ee are tax deductible BUT only if they exceed 3% of the e'ee's net income (e'ee gets a medical tax credit and this could include premium paid for a plan)