

Today's Objectives

- To discuss employer plans for extended health and dental care

Module 3 – Poor Health – Medical Needs

→ Government Plans (Ch 17 of *Social Ins. & Economic Security*)

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 处方药.

- 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) *Canadian Life Health Insurance Association*
 - 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)

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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

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5. Dental Plans

- Dental Plan/HCSA Example:
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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 could use the money in this account to pay for

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→ Government Plans (Ch 17 of *Social Ins. & Economic Security*)

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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 contributions 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)