

Today's Objectives

- To discuss employer plans for extended health and dental care

Module 3 – Poor Health – Medical Needs
→ Poor Health Financial Security (Overview)

Recall:

- The **Three**-Legged Stool of Poor Health – Medical Needs



I – Government – Provincial Plans

II – Employer - Group Benefit Plans

III – Individual – Individual Health Insurance

****** Not everyone has access to these

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

Employer – Extended Health and Dental Care Plans

1. Background

- Many employers offer **Extended Health Care (EHC) plans and Dental Care plans** to their employees
 - They are an important part of total employee benefits package
 - In the U.S. they are even more important as employer health care plans in the U.S. provide primary health care coverage (no universal health care)
 - Studies have shown that health care plans are the most valued of all employer provided benefits
- **Our focus will be on Extended Health Care (EHC) Plans and Dental Care Plans in Canada**

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Employer – Extended Health and Dental Care Plans

1. Background

- In Canada the EHC were **established to “wrap around” coverage provided by provincial health care insurance**
 - EHC plans operate as “2nd payor” to provincial medical programs
 - EHC plan payments are “limited to medically necessary expenses not paid by provincial insurance and within the eligibility requirements of the group contract or plan document”
- **Early generation EHC**
 - Emphasized protection in the event of accidents and/or catastrophic illness as these could result in large medical bills
 - Routine medical & dental expenses were not covered
 - Over time EHC plan emphasis changed

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Employer – Extended Health and Dental Care Plans

1. Background

- **Current generation EHC and dental plans**
 - EHC & dental plans now a key part of e'ee's overall compensation
 - These plans now cover many routine expenses (dental and other) that used to be covered out of pocket by employees
 - EHC & dental plan improvements driven by large e'ee unions

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Employer – Extended Health and Dental Care Plans

2. EHC and Dental Plans ‘Attributes’

a) **Who is covered under these employer plan(s)?**

– Employees and their eligible dependents

i. Employees

- All active full-time e’ees covered and
- Many plans also cover part-time e’ees
- Retirees may also be covered (i.e., as a post-retirement benefit)

ii. Eligible dependents

- Legally married or common law-spouses
- Dependent children under age of 18 (or children who are less than 25 and in school in many cases PLUS age limit often waived for children that have severe handicap)

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2. EHC and Dental Plans ‘Attributes’

b) Terminology related to employee (e’ee) Cost Sharing **

i. Deductible

- **E’ee is required to pay the first fixed \$\$ amount of eligible incurred expenses before any reimbursement is considered**
- **Deductibles can be expressed as a flat dollar amount per claim (e.g. \$3 per drug prescription), or a flat dollar amount per calendar year (e.g. \$100 calendar year deductible means e’ee pays first \$100 of eligible expenses in a given year)**
- **Deductibles can vary depending on whether e’ee has single, couple, or family coverage (lowest for single)**

** There are other cost sharing methods (e.g. monthly premiums that e’ee pays)

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2. EHC and Dental Plans ‘Attributes’

b) Terminology related to employee (e’ee) Cost Sharing **

ii. Co-Insurance

- Used when the expense is shared between the e’er (plan) and e’ee on a pro-rata basis
- % stated is e’er’s share of cost (e.g. “80% coinsured” → the plan (e’er) pays for 80% of eligible expenses and the e’ee (claimant) pays the rest

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3. Extended Health Care (EHC) Plans

- EHC plans are also commonly referred to as:
 - Extended Health Plans, or
 - Supplementary Health Plans, or
 - Major Medical Plans
- Within an EHC there can be a separate plan for subcategories of coverage (e.g. separate plan for prescription drugs, a separate plan for hospital care, separate plan for vision care and so on) OR one big plan that has all elements included
 - Dental plans however continue to be separate

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3. Extended Health Care (EHC) Plans

- While EHCs vary in structure, categories of benefits include:
 - i. Prescription Drugs
 - ii. Hospital
 - iii. Medical Services and Supplies
 - iv. Out-of-Country Coverage
 - v. Vision Care

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3. Extended Health Care (EHC) Plans

- Categories of benefits:
 - i. Prescription Drugs
 - **About 80% of EHC plans** costs are attributed to drug plan
 - **Coverage of drugs varies considerably amongst plans** due to definition of eligible drugs, reimbursement levels, and methods used to pay claims
 - There are **two types of drug plans**:
 - Prescription Drug Plan**
 - Covers only those drugs that legally require a prescription
 - Non-prescription life sustaining drugs are usually also covered (such as insulin for diabetes)
 - Covers about 5000 to 6000 separate medications

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

- i. Prescription Drugs

- **Two types of drug plans:**

- Prescribed Plan** (more liberal plan)

- Covers any drugs dispensed by a pharmacist and prescribed by a physician (whether or not prescription is legally required)
 - Includes over-the-counter medicines
 - Covers 6000 to 7000 separate medications

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3. Extended Health Care (EHC) Plans

- Categories of benefits:
 - i. Prescription Drugs
 - **Growing prevalence of specialty drugs** (many of these are biologic drugs) for common conditions **is having significant impact on EHC drug plans**
 - These drugs are more expensive and more complex to administer (infusion or injection)
 - Recent examples – some drugs for Hepatitis C

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

- i. Prescription Drugs

- **Employee Reimbursement Under a Drug Plan**

- Non-pay Direct**

- E'ee pays the pharmacy for the drug

- E'ee files a claim with insurance co.

- Claim is adjudicated and e'ee is reimbursed amount that he/she is eligible for (explanation would indicate amount submitted, amount eligible & whether deductibles, co-insurance were applied)

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

- i. Prescription Drugs

- **Employee Reimbursement Under a Drug Plan**

- Pay Direct**

- E'ee presents a drug card at the time the prescription is filled
 - Claim is adjudicated for price and eligibility electronically
 - If eligible, payment is made directly to pharmacy
 - E'ee pays only for any cost not covered

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3. Extended Health Care (EHC) Plans

- Categories of benefits:
 - ii. Hospital
 - **EHC plans cover up to semi-private or private rooms**
 - Recall that provincial plans cover ward level accommodation (unless semi-private or private is necessary for medical reasons)
 - The # of **EHC plans that cover unlimited private hospital accommodation is decreasing**
 - But **many plans still cover the full cost for a semi-private room** for an unlimited period

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

ii. Hospital

- While **average length of hospital stays have decreased over time, average per diem charge by hospitals has increased dramatically** which has netted in an overall cost increase for EHC plans that provide hospital coverage
- Hospital costs may be subject to some form of employee cost-sharing (deductible per day or stay, co-ins. Etc.)
- Most EHC plans make payments directly to the hospital – patient seldom sees the bill
- Note that hospital benefits can be provided as a separate benefit or as part of the EHC

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

iii. Medical Services and Supplies

- There is a wide range in medical services and supplies covered by EHC plans.
- EHC plans covered reasonable and customary charges for services/supplies when “medically necessary and when prescribed, ordered or referred by a physician”

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

iii. Medical Services and Supplies

- **Medical Services and Supplies covered by EHC plans include:**

- Private Duty Nursing
- Ambulance Services
- Paramedical practitioners: Chiropractors, physiotherapists, massage therapists, physiotherapists, podiatrists
- Prosthetic appliances and 'durable medical equipment' (e.g. hearing aids, crutches, orthotics)
- Accidental dental needs

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

iii. Medical Services and Supplies

- Usually are **maximums for these benefits** in the form of deductible, co-insurance, overall annual maximums, and/or max. dollar amount every x years (e.g. hearing aids-\$500 every 5 years)
- Costs of paramedical services have gone up dramatically, especially with EHC plans with no annual benefit limit

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

iv. Emergency Out-of-Province Coverage

- Refers to both out-of-province and out-of-country coverage
- EHC plans cover additional medical costs (not covered by provincial plans) up to “reasonable and customary charges”
- There are usually limits on number of days covered for travel (e.g. 60 or 90 days) and a fixed dollar maximum
- Non-emergency medical expenses (say continuing care, testing, treatment for ongoing condition) are not typically eligible

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

v. Vision Care

- **EHC plans covers reimbursement for eye examinations not covered by provincial health plans**
- EHC plans cover **reimbursement for glasses and contact lens**
 - Maximum amounts per 12 or 24 month period, e.g. \$250 in any 24 month period
 - Contact lenses reimbursement also (higher maximums); intent is to cover costs for corrective eyewear (not fashion)

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3. Extended Health Care (EHC) Plans

- Categories of benefits:

v. Vision Care

- Laser eye surgery is generally not covered by EHC plans / *limits*
- Some plans have started to participate in a preferred provider network of vision care retailers (who offer 10-20% discounts) in the attempts to reduced out-of-pocket costs to e'ees for glasses