NEWSLETTER

ADVANCED BENEFITS
CONSULTING
*Partners in Managing Human Assets*

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**Summer is almost upon us. As things 'slow down' for the summer months, it may be a good time to consider some new plan management strategies.**

## Optimizing Your Expenses

### Bill 102... Do You Know It?

The Ontario government has recently introduced Bill 102, 'An Act to Amend the Drug Interchange ability and Dispensing Fee act and the Ontario Drug Benefit Act' was introduced on April 13 and is targeted for implementation in October of this year. It is a good news – bad news scenario for plan sponsors.

From the good news perspective, the **government is proposing an increase in the number of generic drugs to be deemed interchangeable with brand name drugs**. In addition, pricing on generic drugs will be restricted to 50% of the equivalent brand name drug.

On the downside, **the Act will make the Ontario Drug Benefit (ODB) Plan, a second payer for drugs for working seniors with private insurance plans**. In conjunction with the elimination of mandatory retirement, this will pose problems for Ontario plan sponsors. We will keep our eye on this Bill as it moves through the legislature.

## Customizing Your Program

### Strategic Initiatives as well as Tactical Plans

While inflation and utilization trends have slowed down in recent years, the experience of many employers has still been one of frustration as plan management strategies, however successful, are quickly eaten up by constantly increasing costs.

Changing drug definitions, coinsurance features and increased employee cost sharing has only served as a stopgap solution for many plan sponsors. The next phase in plan management **moves away from the tactical plan changes to a strategic, long-term focus that centres on employee wellness, education and health promotion.**

Tactical solutions have historically focused on managing the supply side of the equation through elimination of eligible expenses, or limiting coinsurance factors. **Strategic initiatives tend to revolve around the demand side by creating a healthier, better-educated consumer.**

Those organizations that are successful will win not only through lower rate increases to health care cost, but also by creating a more healthy and productive employee population that values the support provide by their employer.

## Thinking Outside Of the Box

**Vision with action is a daydream.**
**Action without vision is a nightmare**
- Japanese Proverb

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## Maximizing the Value of Your Plan

The increasing ingredient cost of drugs and the increase in professional fees have been identified as two of the factors driving Drug Trends in the 21st century. **In 2000, the average prescription cost was just over $30. In 2004 this had increased to $43, a 41% increase!**

Plan design strategies such as Prior Authorization, Generic Substitution have helped and should be considered if not already part of your strategy. Speculation looms that there is economic pressure on drug manufactures to call for widespread price increases in the immediate to near future.

## What To Do About Prescription Drug Cost?

Professional fees have not been a recent issue as compared to the late 80's and early 90's. Fee caps and the utilization of lower fee pharmacies have contributed to this trend.

## Smart Investing

The law of Diminishing Marginal Utility of Incomes suggests that an employee derives less additional satisfaction from each additional dollar earned. This is especially true for high-income executives. With a pay cheque that allows them to maximize their registered savings opportunity, and the marginal rate of tax at that level, executives are constantly searching for tax effective compensation solutions.

**Our analysis has also found that most executives suffer from 'reverse discrimination' when it comes to benefit programs.** Plan and non-evidence maximums, funding levels, and plan design that fails to reflect their importance to the

## Executive Pay Programs

organization are all contributing factors to this issue.

**The key factor facing corporations today, with regard to executives, is to create executive pay programs that sustain employee motivation, engagement and commitment.**

Companies that fail to do so are risking a threat to their ability to attract and retain executives who can boost long-term shareholder value.

We would welcome the opportunity to review with you some of the strategies we have developed to capitalize on this situation.

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