

the Zlotnik, Lamb  
& Company  
employee  
benefits update

[an employee benefits newsletter for clients and friends]

Spring 2003

*Our goal as benefit consultants is to provide our clients with the most cost effective and efficient system of providing Employee Benefits to their company.*

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*"Financial advice is only as good as the person you ask."*



Employee Benefits

## The Future of Prescription Drugs

New advances in pharmaceutical technologies have led to a new generation of prescription drugs. While these drugs are often quite effective, they can also be very costly.

There are several new drugs available that run into the tens of thousands of dollars per year. Remicade, for example, is a treatment for Crohn's disease, which can cost \$65,000 per year. When employers originally implemented extended health care plans, no one could have imagined the cost of certain prescription drugs would climb to where a single claim could affect a company's overall plan costs.

What does a company with 30 employees do when they learn a \$65,000 per year drug will keep one of their employees healthy and at work? How can an extended health plan remitting \$15,000 - \$20,000 per year in premiums afford to pay recurring claims of \$65,000 or more from one employee?


Since most insurance companies underwrite extended health care benefits on an experience rated basis, insurance companies would look for major increases to premiums.

In an attempt to protect against this situation, employers must look at designing or altering extended health care plans to meet both the needs of the employees, but also continuing to keep the plan viable for the company. This is often difficult as employees have come to accept that employer sponsored plans will cover all of their medical expenses when it comes to prescription drugs.



With rapid increases taking place in extended health premiums, employers have been taking on most of the amplified costs. Deductibles, for example, have not increased much at all since the \$25 single and \$50 deductible was first introduced in the early 1970's. At that time the average extended health rate was between \$1 - \$3 per month and the deductible required the employee to pay for 6-7 prescriptions to satisfy the deductible. Now the average cost of a prescription is approximately \$37, so the deductible for most employees is fulfilled the first time they use the plan.

The days of 100% reimbursement plans may soon end, and a plan that *shares* the risk with employees may replace it. Such plans may include 70% reimbursement for expenses in Canada, with 100% emergency coverage for travelling employees.

Implementing a plan such as the one mentioned is a cost-effective way of limiting the financial liability while continuing to provide employees with quality coverage. 



By : Bob Olson

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At your service

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**DID YOU KNOW?**

The dispensing fee pharmacies charge can vary greatly depending on where you go? Although some employees do not pay much attention to these charges since the plan covers 100% of costs, it can significantly affect your claims experience. Below is a comparison of 2002 average dispensing fees from different pharmacies.

Costco	5.17
Real Canadian	5.50
Save-on-Foods	6.39
London Drugs	7.04
Safeway	7.12
Independent	7.82
Shoppers Drug	8.28

Source: BCE Emergis eHealth

**British Columbia's Fair Pharmacare Program**

The BC Government has announced that means testing will be used as part of the new Pharmacare program which goes into effect May 1, 2003. Because all of our clients are sponsors of private health and prescription drug plans, this new program will affect your benefit plan as you may be paying more of your plan members' prescription drug costs.



**PLAN DESCRIPTION**

BC's new *Fair Pharmacare* plan affords financial assistance for eligible prescription drugs to BC families, based on their net income. British Columbians with the lowest incomes will receive immediate financial assistance under the new plan.

Similar to the past, BC families will pay their full prescription costs until they reach their new deductible. Once the deductible is reached, Pharmacare will assist families in paying their eligible drug costs for the remainder of the year. After May 1, 2003, the deductible is established based on the family net income and a temporary deductible will be determined as soon as the individual's registration is processed. A letter confirming the deductible will then be sent once the family net income information is verified with Canada Customs and Revenue Agency.

**HOW DOES THIS AFFECT MY PLAN?**

Insurers are currently formulating cost implications of this change, but we are expecting most extended health premiums to increase between 5% - 7% because of the changes.

Companies should encourage all employees to register for the new plan, since expenses that should be paid for by the government may affect the claims experience of the plan.

As more information becomes available on the position of the insurers we will keep you informed.

By: Ross Gibson

Fair Pharmacare Program			
Net Annual Family Income	Family Deductible	Portion Pharmacare Pays (once deductible reached)	Family Maximum (after which 100% of costs are covered)
Less than \$15,000	None – Government assists you with your drug costs immediately	70% of prescription drug costs	Equal to 2% of your net income
Between \$15,000 and \$30,000	Equal to 2% of your net income	70% of prescription drug costs	Equal to 3% of your net income
Over \$30,000	Equal to 3% of your net income	70% of prescription drug costs	Equal to 4% of your net income

