

# THE INSIDE STORY<sup>®</sup>

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## Ontario drug reform – *where we are today*

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On April 7, 2010, the government of Ontario announced their comprehensive drug system reform initiative, including lowering the cost of generic drugs for both public *and* private plans and eliminating professional allowances to make Ontario's drug system more accountable. The Ontario government estimates it will save more than \$500-million annually as a result of these changes. To compensate pharmacy owners for the professional services pharmacists provide to Ontarians, an additional \$100 million will be provided for programs like MedsCheck, bringing the total for programs like these to \$150 million. New dedicated funding will also be provided for rural pharmacy services and long-term care pharmacy services.

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# Highlights of the proposed regulation amendments

The table below outlines some of the proposed regulations to amend Regulation 935 under the Drug Interchangeability and Dispensing Fee Act (DIDFA) and Ontario Regulation 201/96 under the Ontario Drug Benefit Act (ODBA). *Please note:* the elimination of professional allowances has been tabled separately as part of the Budget Bill. Legislation, if passed, will eliminate professional allowances. In the interim, the proposed regulations will control professional allowances.



	Public plan Ontario Drug Benefit (ODB)	Private plans Group/individual benefit plans and cash-paying customers
<b>Generic drug pricing</b>	<ul style="list-style-type: none"> <li>■ Currently regulated at 50% of the brand price</li> <li>■ Reduced to 25% of brand price on May 15, 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Currently unregulated</li> <li>■ ODB listed generics reduced to:                             <ul style="list-style-type: none"> <li>– 50% of brand price on May 15, 2010</li> <li>– 35% of the brand price on April 1, 2011</li> <li>– 25% of the brand price on April 1, 2012</li> </ul> </li> <li>■ Some exceptions may be noted</li> <li>■ Non-ODB listed generics not addressed in proposed regulations</li> </ul>
<b>Professional allowances</b>	<ul style="list-style-type: none"> <li>■ Currently regulated at 20%</li> <li>■ Reduced to 5% on May 15, 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Currently unregulated</li> <li>■ Reduced to:                             <ul style="list-style-type: none"> <li>– 50% on May 15, 2010</li> <li>– 35% on April 1, 2011</li> <li>– 25% on April 1, 2012</li> </ul> </li> </ul>
<b>Categories of pharmacy</b>	<ul style="list-style-type: none"> <li>■ Pharmacy operators classified as a Category 1, 2, 3 or 4 pharmacy (based on the geographic area served by the pharmacy and the number of pharmacies in that area) for the purpose of determining applicable mark-up and dispensing fee increases</li> <li>■ Pharmacies in rural and under-serviced areas of the province would be classified as Category 2, 3 or 4 pharmacies</li> </ul>	<ul style="list-style-type: none"> <li>■ Not applicable</li> </ul>
<b>Drug cost markups</b>	<ul style="list-style-type: none"> <li>■ Currently regulated at 8%</li> <li>■ Remain at 8% for a Category 1 pharmacy</li> <li>■ Increased to 10% for a Category 2, 3 or 4 pharmacy</li> <li>■ Decreased to 5% if the pharmacy has not purchased at least 75% of the products it supplies under the Act from a comprehensive wholesaler</li> <li>■ Capped at a maximum of \$125</li> </ul>	<ul style="list-style-type: none"> <li>■ Remain unregulated</li> </ul>
<b>Dispensing fees</b>	<ul style="list-style-type: none"> <li>■ Currently at \$7</li> <li>■ Increased on May 15, 2010 to:                             <ul style="list-style-type: none"> <li>– \$8 for a Category 1 pharmacy</li> <li>– \$9 for a Category 2 pharmacy</li> <li>– \$10 for a Category 3 pharmacy</li> <li>– \$11 for a Category 4 pharmacy</li> </ul> </li> <li>■ Increased 2.5% for the next five years, beginning April 1, 2011</li> </ul>	<ul style="list-style-type: none"> <li>■ Remain unregulated</li> </ul>

# Impact on plan sponsors

Here is some commentary on why a cost impact analysis of the proposed amendments is premature at this point:

- **Possible changes to the proposed amendments** – The DIDFA and the ODBA require a 30-day consultation period from the date of the publication of the notice during which the public may submit written comments on the proposed regulations. The content, structure, and form of the proposed regulations may be changed following the consultation process at the discretion of the Lieutenant Governor in Council who has the final decision on the content of any final regulations. The final amending regulations may, therefore, be different from those proposed.
- **Not all generic drugs will be affected** – Due to the complexity of the proposed amendments, variations in generic drug pricing will likely result. For example:
  - Some generics are already at 50% of the brand price, or lower than 50%.
  - Single source generics (older generics where the brand equivalent is no longer on the market, and for which only one generic version exists) may either be able to keep their current pricing, or not be forced to reduce prices as significantly.
  - It is unclear whether generics are being reduced to 50% of the current brand price, or the price of the brand when the generic came to market. The brand price may have increased over the last while.
- **Stakeholder reaction to the proposed amendments** – It's too early to predict how other constituents – drug manufacturers and wholesalers, pharmacists and physicians, other provincial governments, private insurers and carriers, plan sponsors and plan advisors, plan members and patients – will react to these changes.

## Our commitment to you

Once the amended regulations are finalized and ODB publishes the revised generic drug price list, we will complete an analysis of potential savings which we expect to vary by plan sponsor. For now, it's 'wait and see'.

# WHAT'S NEW

## Alberta Drug Reform Update: Delay in proposed changes to Alberta's seniors' drug plan

As reported by the government of Alberta in a March 31, 2010 media release, "Proposed changes to Alberta's seniors' drug plan scheduled to take effect on July 1, 2010 have been delayed in order to address necessary legislative and regulatory changes and align with other government programs for seniors."

In the meantime, all Albertans 65 years and older and their dependents are eligible for coverage. The existing program will continue to cover prescription drugs with a 30% co-pay up to a maximum of \$25 per prescription. In addition to prescription drugs, the program will also continue to cover ambulance services, clinical psychological services, and home nursing care.

For more information, please visit the government of Alberta website at [health.alberta.ca](http://health.alberta.ca).



# WHAT'S NEW

## Cuban travel requirements: confirmation of travel insurance policy required



Effective May 1, 2010, the Republic of Cuba is requiring all travellers, foreigners and Cuban overseas residents to possess a travel insurance policy (covering medical expenses) that has been issued by an insurance entity recognized in Cuba.

Green Shield Canada's emergency out-of-country travel coverage is

administered by Mondial Assistance, a provider which is recognized by the Republic of Cuba's government. If a plan member has active emergency out-of-country travel coverage through Green Shield Canada, they will not have to purchase any additional coverage. However, they will need to provide documentation to prove their coverage.

When travelling to Cuba, plan members with emergency out-of-country travel benefits should carry with them:

1. **Provincial Health Card**
2. **Proof of insurance** – The GSC ID card is all that is needed.
3. **Proof of a contractual relationship with a recognized**

**provider** – A letter confirming this relationship is available at <http://www.greenshield.ca/English/PlanMembers/Health+Resources/>.

These three documents are sufficient to allow Green Shield Canada plan members into Cuba without the need of additional insurance. It is possible that plan members will hear varying opinions on what documents are required to prove coverage. For the time being, we recommend that plan members carry all three documents with them.



## Effective April 1, 2010: Saskatchewan de-listing chiropractic coverage

We were recently notified that as of April 1, 2010, Saskatchewan Health will no longer be paying for chiropractic services. Prior to April 1, 2010, Saskatchewan Health paid \$16.25 for the initial visit and a per visit maximum of \$12.25 for subse-

quent visits (no annual maximum). Plan sponsors will have to decide how the \$16.25 or \$12.25 will be incorporated into the benefit plan – will you pay from first dollar or will your plan members be required to pay a co-pay of \$16.25 or \$12.25?

A contract amendment will be sent to our plan sponsors by May 14 and your decision is required by May 21. In the interim, Green Shield Canada will be paying eligible chiropractic claims from first dollar.

## 2010 Territorial Dental Fee Increase Update

The provincial dental fee increases are now available for the Northwest Territories, Nunavut and Yukon:

NT = 2.47%  
NU = 2.53%  
YK = 1.93%

The straight average increase (i.e., not weighted) for all provinces is 2.94%.

# New Harmonized Sales Tax in Ontario and British Columbia: Here's what we know so far...

As of July 1, 2010, a federally administered Harmonized Sales Tax (HST) will take effect in Ontario

(13%) and British Columbia (12%) that will apply to most purchases and transactions. The Place of Supply Rules that determine how to apply GST/HST have also changed for charges relating to services rendered. These rules will require that HST is applied based on the address that is billed rather than where the service is performed.

*Although the HST rules are not final yet and discussions are ongoing with industry associations, we do know that the impact of the HST on your transactions with us will depend on your funding arrangement. Here's a preview of what's to come based on your specific funding arrangement, assuming there are no more changes before July 1, 2010:*



	Funding arrangement		
	Rated	Administrative Services Only (ASO) without Stop Loss Coverage	Administrative Services Only (ASO) with Stop Loss Coverage
<b>Billing Changes to Tax Calculation</b>	None	Yes	Yes
<b>Harmonized Sales Tax (HST)</b>	Will not apply to premiums	<ul style="list-style-type: none"> <li>■ Will not apply to claims costs</li> <li>■ Will apply to administration fees</li> </ul>	Will not apply to claims costs or administration fees
<b>Retail Sales Tax (RST) – Ontario Only</b>	Will continue to apply to premiums, based on employee's province of employment	<ul style="list-style-type: none"> <li>■ Will not apply to administration fees</li> <li>■ Will continue to apply to claim costs, based on employee's province of employment</li> </ul>	<ul style="list-style-type: none"> <li>■ Will not apply to administration fees</li> <li>■ Will continue to apply to claim costs, based on employee's province of employment</li> </ul>
<b>Net Impact</b>	Neutral	Potentially reduced costs because the HST paid on administration fees may be claimed as an Input Tax Credit (currently only the GST can be claimed and the RST paid on administration fees is a cost)	<ul style="list-style-type: none"> <li>■ Savings in Ontario because no RST will be paid on administration fees</li> <li>■ Neutral for BC</li> </ul>

## Input Tax Credits

If you are a GST/HST registrant, you may recover the GST/HST you pay on purchases and expenses by claiming Input Tax Credits (ITCs) on your GST/HST return.

## Go figure...

The Retail Sales Tax (RST) is also referred to as the Provincial Sales Tax (PST). In Ontario, it is also referred to as the Ontario Sales Tax (OST) or Ontario Retail Sales Tax (ORST).

## HST rate depends on plan sponsor location, thanks to new Place of Supply Rules for Services

Place of Supply Rules Before July 1, 2010	Place of Supply Rules After July 1, 2010
<ul style="list-style-type: none"> <li>■ Are currently based on the supplier's location (i.e., Green Shield Canada)</li> </ul>	<ul style="list-style-type: none"> <li>■ Will be based on the customer's billing address (i.e., plan sponsor)</li> </ul>
<ul style="list-style-type: none"> <li>■ For example, for all plan sponsors: Green Shield Canada currently bills 5% GST because we (as the supplier) are located in Ontario.</li> </ul>	<ul style="list-style-type: none"> <li>■ For example, for a plan sponsor located in Nova Scotia: Green Shield Canada will bill 15% HST because the plan sponsor is located in Nova Scotia.</li> <li>■ The following HST rates will apply depending on your location:                             <ul style="list-style-type: none"> <li>– British Columbia 12%</li> <li>– Ontario 13%</li> <li>– New Brunswick 13%</li> <li>– Nova Scotia 15%</li> <li>– Newfoundland 13%</li> <li>– Other provinces: 5% GST</li> </ul> </li> </ul>

### Are you ready?

As July 1, 2010 approaches and the government sheds more light on the HST situation, we will update you if anything changes. In the meantime, we are testing our systems to make sure that when the HST rules are finalized, we're ready—why not give your tax advisor a call to make sure you're ready too?

For more information on Place of Supply Rules, please visit the Canada Revenue Agency website at <http://www.cra-arc.gc.ca/E/pub/gm/b-103/b-103-e.pdf>

# NEWS & EVENTS

### "e-service" at your...service

Our Plan Member Online Services allows your plan members to get their money back faster. When they sign up for Direct Deposit, claims payments are deposited directly into their bank account, so they can get their money back faster. It's simple - all they have to do is register for Plan Member Online Services (using their unique Green Shield Canada ID number) and sign up for Direct Deposit.

### Winner of the draw for a 'night out on the town'



Congratulations to **Glory Gnanakumar**, of Winnipeg, Manitoba, the winner of Green Shield Canada's monthly draw for gift certificates for a 'night out on the town'. Through this contest, one name will be drawn each month from plan members who have registered for Plan Member Online Services for that month. To learn more, visit [greenshield.ca](http://greenshield.ca).



London	1-800-265-4429	Vancouver	1-800-665-1494
Toronto	1-800-268-6613	Windsor	1-800-265-5615
Customer Service	1-888-711-1119	Montreal	1-800-268-6613

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