

Changes to the British Columbia Medical Services Plan and Pharmacare Program

The Facts: On October 17 & December 6, 2001, the provincial government of British Columbia (BC) announced changes to their Medical Services Plan (MSP) and Pharmacare Program. The government will be reallocating health-care spending in order to maintain an appropriate balance between financial pressures and patient care. The changes are as follows:

Effective November 19, 2001

- ▶ **Eye Examinations:** Routine eye examinations for BC residents between the ages of 19 to 64 will no longer be covered under the provincial MSP.
- ▶ **New Drug Listing:** The drug "Riluzole", which treats ALS or Lou Gehrig's disease, will be eligible under the Pharmacare Program, subject to the Pharmacare plan deductibles and rules.
- ▶ **Drug Delisting:** A number of drugs will be delisted from the Pharmacare formulary because of the availability of alternative drugs that treat the same conditions.
- ▶ **Blood Glucose Monitoring Strips:** Pharmacare will be setting the maximum coverage level for blood glucose monitoring strips at 7% over the wholesale mark-up cost, plus the dispensing fee.

Effective January 1, 2002

(these changes apply primarily to BC residents who do not qualify for MSP premium assistance)

- ▶ **Under age 65 Prescription Drugs:** Individuals under the age of 65 and their families will pay the first \$1,000 (currently \$800) of prescription drug costs each year, after which they pay 30%, to an overall maximum payment of \$2,000 per calendar year. The maximums are per individual or family.
- ▶ **Seniors Prescription Drugs:** All seniors 65 years and older will pay up to the first \$25 for each prescription, to a maximum expense of \$275 per year. Currently, seniors pay pharmacy dispensing fees (maximum of \$7.60 per prescription) to a maximum payment of \$200 per year.
- ▶ **Paramedical Services:** MSP will no longer cover paramedical services (i.e. physiotherapy, chiropractic, naturopathy and massage therapy). The current plan covers up to 12 visits (15 visits for seniors age 65 and older) per year, less a \$10 deductible per visit.
- ▶ **Podiatry Services:** Coverage for non-surgical podiatry will be eliminated for all B.C. residents. Surgical podiatry will continue to be covered except now a physician's referral will no longer be required for services in excess of \$150.

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K + A View

The BC government is continuing the trend of other provincial health plans of reducing Medicare costs by eliminating or reducing covered services and increasing out of pocket expenses for residents, shifting the financial pressure on to private health care plans. These changes will have a direct impact on the cost of group benefit plans operating in the province. **Is this just a sign of what is to come?**

With significantly increasing provincial health costs and the recent Federal Budget (that provided no additional health care funding), many provincial Medicare plans will continue to delist or limit services on what we fear will be an increasingly rapid and ad hoc basis. This trend also fuels concern over looming privatization of health care services or the development of a two-tiered health system similar to the U.K. Regardless of the reason, these trends are the beginning of the end to our long held Canadian mentality of entitlement to "free access" of world-class health care.

It is estimated that the recent provincial health cutbacks in B.C. could result in a 10% to 20% increase in the cost of group health benefit plans for B.C. employees.

▶ If your plan provides coverage for "eye examinations by a licensed optometrist or ophthalmologist", costs will increase as a result of these changes based on the average cost of eye exams of approximately \$50-\$55 and the number of employees / dependents utilizing this service.

▶ With respect to the increased Pharmacare deductibles for those under age 65, it is difficult to estimate the average cost impact to plan sponsors without examining individual and plan drug claiming histories. However, we can confidently state that in most cases the change will only affect persons with high claiming rates, such as disabled persons or persons with a chronic ailment.

▶ Typically, claims for paramedical services represent approximately 6%-10% of total Health claims where Medicare does not provide coverage for these services. As a result, the cost impact under group plans of the paramedical changes will likely be within this range.

It is our understanding that the provincial health plan changes made by the B.C. government are an intermediary step and that they are reviewing more drastic cutbacks. Based on comments from the BC government, it appears that they are considering implementing a new income-based Pharmacare program next year, similar to Ontario. If they proceed, it would spell the end of universal drug coverage in B.C., with private group health plans absorbing the cost of all employee drug claims, similar to the situation in Ontario. The resulting cost impact could be significant.

Although average annual industry medical inflation has been in the range of 15% over the last number of years, it may be prudent to assume health inflation of 20% in the future for budgeting purposes, as a result of this continuing trend of provincial health plan cutbacks and resulting cost-shifting.

To Do List

▶ Determine if your group health plan covers all or a portion of the new changes. Should your plan be amended to provide additional coverage?

▶ Based on your plan's experience, funding arrangement and percentage of BC employees, determine the financial impact of these changes on your health plan and whether you need to adjust your premium / deposit rates to cover anticipated claim costs.

▶ Check with your health plan insurer / provider to determine if there are any administrative or claim remittance issues connected with these changes.

▶ Ensure your B.C. employees are educated about the changes. We can assist you in drafting a short communication piece.

▶ Strategize about the future of your health care plan. Planning the future of your group plan is now more important than ever. Do you have the right controls in place that allow you to make decisions about covering previously insured provincial plan services? What will the company and employees be able to afford? What effect will this have on your business and people?

▶ Most importantly, contact your professional advisor to obtain the education and assistance you need to manage this issue and related future issues in the most effective way possible.

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