



## 2004 Ontario Budget – Impact on Benefit Plans

**A**fter several consecutive budgets with no impact on Employer Health Plans, the May 18<sup>th</sup> budget once again saw delisting of OHIP covered services. In a serious cost shifting move, the government has discontinued coverage of:

- eye exams for people over age 19 and under age 65;
- chiropractic care;
- physiotherapy, except for seniors through homecare and in long term care facilities.

The government was not specific about the effective date of the changes, but has said the change in eye exam coverage will happen this fall.

### The Cost Of Health

In conjunction with the re-introduction of a health “premium”, effective July 1, 2004, the Ontario government has transferred significant costs to both individuals and employee benefit plans. The premiums range from \$300 to \$900 annually based on income. If employees are currently sharing in the cost of the employee benefit plan, these premiums may have a significant impact on the affordability of the benefit plan. Employees at lower income levels will be required to contribute a significant portion of their earnings to the health plan (1.5% at \$20,000). While the government has positioned this as a tax, the employee will be required to allocate additional funds to provincial healthcare, which may change their preferences for employee benefit coverage reflecting their ability to pay.

### Eye Exams

Currently, OHIP covers annual eye examinations for children under age 18 and seniors and eye examinations every two years for adults under age 65. The province is downloading the cost of eye examinations for the working population to either employee benefit plans or, in many cases to the individual themselves. Average eye exams in Ontario cost \$39.00.

Some Employee Benefit plans include wording to allow payment for vision exams not covered under provincial healthcare, and generally when an annual exam is medically necessary. These plans will have seen minimal claims until now, but claims under this benefit will rise. Generally, we estimate half of the population requires vision care, so, to estimate the cost of this benefit assume 50% of the employee population plus 50% of spouses multiplied by \$39.00. The additional cost of vision exams will be significantly less than the current cost of vision care, as the exam is a small portion of the cost of eyewear.



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## Chiropractors

The delisting of chiropractors is expected to save Ontario \$104-million annually. Currently OHIP covers about \$10 per visit to a maximum of \$150 annually. With an average cost of \$30 per visit, employees are out-of-pocket \$20 per visit until OHIP is exhausted. As most employers provide coverage for this benefit after OHIP benefits are exhausted, this has a minimal impact on reducing exposure. Employees using chiropractic coverage will generally reach the policy maximum, which will continue to provide the best cost protection for the benefit plan. The benefit plan may be accessed by employees receiving this treatment earlier, but the claims will not increase.

## Physiotherapy

Ontario took steps many years ago to limit the spending on physiotherapy by discontinuing OHIP licensing to new physiotherapy practices. Currently, there is a combination of covered and non-covered physiotherapy services in the marketplace. Employee benefit plans will be exposed to additional claims as there will no longer be any OHIP covered physiotherapy services. This has significant potential to impact an employee benefit plan, particularly in catastrophic claims situations, such as car accidents. Most employer plans do not have an overall maximum on physiotherapy to limit the exposure of the group plan. Currently, OHIP covers costs of \$12 to \$24 to a maximum of 150 visits per year when services are provided in hospitals, approved clinics, doctors' offices and community care access centers. The limited availability of OHIP covered services means most benefit plans will not notice an increase in claims as a result of this change. The focus of physiotherapy and physiotherapy coverage is a return to wellness and an important component of disability management. Limiting access to physiotherapy may result in increased disability costs, drug claims and employee absences.

## Vaccinations

In a bright spot for employee benefit plans, the budget has extended coverage under the children's immunization program for chickenpox, meningitis and pneumonia. This additional coverage could save families and/or benefit plans \$600 per child. Employers could benefit from additional savings resulting from reduced absences of parents caused by these illnesses in children.

## What Should You Do?

As the effective date and the full impact of these announcements are still unknown, you should review your plan design and contract wording. Your contract should specifically include wording which prevents the plan from automatically assuming coverage for delisted items. Benefit and frequency limits under the plan should be revisited to ensure continued affordability of the plan and to ensure the plan reflects your corporate philosophies.

With the increasing cost of provincial coverage to employees, benefit plan cost sharing strategies should be revisited to ensure they are consistent with corporate goals and philosophies.

We will continue to monitor the government for proposed changes and report as needed.