Association of Administrators of English Schools of Quebec
Association des administrateurs des écoles anglaises du Québec

2016 – 04 — 19 Post card # 15-16– 010

To: **Members**

Subject: **AAESQ – CERA – Potential changes to insurance benefits survey**

In the next few days you will be receiving a two (2) question survey which may lead to changes in your benefits and consequently changes to the cost of your benefits. This topic has been discussed due to the ever rising costs of medical interventions and medication. The attached information presents the rational and background.

This survey is being distributed by each association and was approved at the Executive Committee of the AAESQ on 2016-04-14.

It is strongly recommended that you review the attached document offered in both French and English. The bilingual survey is being prepared with Google forms. Your answers to the two questions will be in a check-box format and you will also be asked to identify your school board in the same manner.

On behalf of the association I look forward to a large number of responses.

IF YOU WOULD LIKE CLARIFICATION, HAVE QUESTIONS OR WOULD LIKE TO DISCUSS THIS, PLEASE FEEL FREE TO CONTACT:

or  .

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Coalition
de l'encadrement
en matière de retraite
et d'assurance

DRUG COST CONTROL MEASURES

Consultation of Associations
and Federation members, partners of the CERA, on the integration
of two cost control measures in the drug
Group Insurance Plan for Management Personnel
of the public and parapublic sectors

This survey seeks the opinion of members of associations and federation, CERA partners on the possibility of integrating two cost control measures to the drug insurance plan for managers from the public and parapublic sectors. These measures, if accepted, could be put into effect no later than January 1st, 2018. Members are invited to answer the two survey questions before May 26th, 2016.

Status report:

The substantial increase in premiums of the health and accident plan (an increase in the annual premium of $ 1,070.16 from $ 1,191.32 in 2009 to $ 2,114.32 in 2016), is mainly due to a significant increase in the price of drugs and the arrival of biological and prevention drugs. This has led policy holder representatives and the Treasury Board Secretariat to initiate a long reflection on the possible means to try to control the situation. The CPI (intersectoral Committee) asked the firm Aon Hewitt (insurance and retirement consultants) to conduct a review of the use of drugs by our Group Insurance Plan policy holders in the fall of 2015.

Here are the key findings (the study was based on December 31, 2014 data):

- The average annual cost of claims per applicant is $ 605
- 410 applicants, or 0.7% of all applicants (55 668) have claimed more than $ 10,000 of annual spending. (According to SSQ data, 22 042 contracts are covered by the managers plan on 31/12/2015. Of these, 6646 have claimed more than $ 2,000 of eligible expenses and 2833 claimed more than $ 4,000.)
- Unique and specialty drugs account for 30% of claims and 59.3% of the amounts paid.
- On their own, specialty drugs (0.8% of claims) accounted for 25.3% of the amount paid.
- Managers have a generic substitution rate of 50.4% compared to 60.5% for Aon Hewitt groups.
- 19.3% of claims are for original or innovator drugs for which there are generics.

Proposed measures:

In its report, Aon Hewitt makes the observation that the situation faced by the Group Insurance Plan for Management Personnel is shared by all public and private group insurance plans. In conclusion, the firm proposed several measures to limit the impact of the rising cost of drugs. Policyholder representatives and those of the Treasury Board Secretariat have a consensus on two of the measures. These are the measures that are submitted for your consultation.

Measure 1: To introduce a « mandatory » generic substitution clause

Drugs are classified into three types:

Unique or Speciality:	New drug on the market for which no corresponding generic drug is available.
Innovator or Original:	Drug that is not protected by intellectual property rights or for which there are many corresponding generic drugs.
Generic :	Drug equivalent to the original drug (same drug composition, subject to the same standards of safety and efficacy) and cheaper than the original drug, because it requires less research before being placed on the market.

The generic substitution clause consists of reimbursing the innovator drug (for which there is a generic) at the cost of its cheapest generic. Thus, the pharmacist will offer the insured the generic available for every innovator drug requested and the cost that is reimbursed will be 75% (coinsurance currently in force in our contract) of the generic price. This reimbursement formula is the same as that used by the Quebec prescription drug insurance (RGAM).

For the purposes of the maximum contribution, the eligible amount is 25% of the cost of generic obtained (the differential between reimbursement at 100% and the percentage of rebate provided in the contract). If an insured person wishes to obtain the original version of a drug, not the generic, he must submit a form completed by his physician justifying why the generic substitution is not acceptable for his patient. If an insured person cannot obtain this justification, or if it is refused by SSQ for a lack of therapeutic considerations, and desires to get the innovator drug, he must pay the differential cost between the amount of innovator drug and 75% of the amount of the cheaper generic.

Illustration - mandatory generic substitution clause

Type of drug	Sumitted (1)	Admissible Amount (2)	Remboursed* (3)=(2) X 0,75	Contribution Of participant (1) – (3)	Contribution included in the maximum annual disbursement (2) – (3)
Unique	100,00 $	100,00 $	75,00 $	25,00 $	25,00 $
Innovator	100,00 $	50,00 $	37,50 $	62,50 $	12,50 $
Generic	50,00 $	50,00 $	37,50 $	12,50 $	12,50 $

* Coinsurance at 75% with no deductible

This control measure has been adopted by several groups in the public sector, particularly the unionized professionals in the Civil Service and several other union groups including the education sector.

Measure 2: Increased disbursements to $ 1,000

Under the current contract, policyholders are paying 25% of the first $ 2,000 of eligible expenses (drugs and other professional care) or $ 500, before being reimbursed 100% of their expenses. This ceiling for eligible expenses has been in effect since 1996. The proposed measure is to increase the disbursements to the equivalent of that fixed for the RAMQ or about $ 1000 (RAMQ disbursement is $ 1029 as of July 1st, 2015 and is indexed annually). Consequently, the amount of eligible expenses would be increased to $ 4,000 annually

per contract, equivalent to disbursing $ 1,000 instead of $ 500 before being entitled to reimbursement at 100%. Unlike the RAMQ, the outlay fixed at $ 1,000 would not be indexed annually.

Illustration of the increase in the maximum disbursement

Eligible claimed expenses	2 000 $	4 000 $	5 000 $	25 000 $
Annual maximum disbursement	500 $	1 000 $	1 000 $	1 000 $

Estimated recurrent savings

Aon Hewitt and SSQ Financial Group have estimated at approximately **-6.0%** (relative to the total premium for 2016) the financial impact of the combined effect of these measures on the cost of the total premium of health and accident insurance plan. Specifically, the generic substitution clause could lead to savings of around 2.2% of the total premium, whereas the increase in the disbursements could allow a drop of 3.5%. This saving will, however, be combined with the experience of the group and the inevitable increase in the cost of drugs.

Questions:

1. Do you agree with the introduction of the "**generic substitution clause**" measure in the group insurance contract of management personnel of the public and parapublic sectors?

Yes_____ No_____

Comments: _____

2. Do you agree with the introduction of the measure to **"Increase the maximum annual disbursements to $ 1,000"** in the group contract of the management personnel of the public and parapublic sectors?

Yes_____ No_____

Comments:_____