GroupNews

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Eckler's *GroupNews* monthly newsletter provides commentary on news and issues affecting Canadian group benefit plans. Here's what you'll read on the following pages:

CRA releases draft Income Tax Folio on health and welfare trusts: The Canada Revenue Agency's draft folio — which will replace the income tax interpretation bulletin *Health and Welfare Trusts for Employees* — is open for review and comment until October 27, 2015.

Proposed* Ontario Drug Benefit Act *changes introduced: The proposed amendments, set to take effect October 1, 2015, include changes to pharmacy dispensing fees and dispensing practices.

Provinces expand availability of hepatitis C drugs: *GroupNews* looks at the growth of provincial coverage for new hepatitis C treatments.

Study highlights the high cost of smoking, inactivity and obesity: New data published in the *Canadian Journal of Public Health* measures the economic impact of key chronic disease risk factors.

Benefit Plan Management

CRA releases draft Income Tax Folio on health and welfare trusts

The Canada Revenue Agency (CRA) has released a draft of Income Tax Folio S2-F1-C1: ***Health and Welfare Trusts*** (HWT folio), which is open for review and comment until October 27, 2015. Folios were introduced in 2014, and will eventually replace all current income tax interpretation bulletins (IT bulletins) and income tax technical news (ITTNs).

While still in draft, this particular folio replaced IT85R2, *Health and Welfare Trusts for Employees*, effective July 27, 2015. Much of the information in the HWT folio essentially replicates the content found in IT85R2, including such topics as the establishment, administration and tax implications of a health and welfare trust (HWT). However, the HWT folio has greatly expanded on these topics, and includes new topics. The information included in the folio comes from IT rulings and ITTNs on issues relating to HWTs, as well as questions answered in various Registered Pension Plan Practitioners' Forums. A brief description of employee life and health trusts is also included; such trusts did not exist when IT85R2 was published.

A HWT is not currently defined in the *Income Tax Act* or its regulations. It is described as a trust arrangement established by an employer for the purpose of providing health and welfare benefits to its employees. In a HWT, trustees receive contributions from the employer (and sometimes also from employees) to provide certain health and welfare benefits agreed to by employers and employees. HWTs may only administer the following, either alone or in combination:

- group sickness or accident insurance plans,
- private health services plans, and
- group term life insurance policies.

There is no formal registration procedure for HWTs, and no requirement that a HWT trust agreement be submitted to CRA for approval.

Drug News

Proposed* Ontario Drug Benefit Act *changes introduced

The Ontario Ministry of Health and Long-Term Care (Ministry) recently published proposed amendments to Ontario Regulation 201/96 under the *Ontario Drug Benefit Act*. This follows the government's announcement in the ***2015 Ontario Budget***, that it will move to control spending by changing the way drugs are purchased, dispensed and billed under the Ontario Drug Benefit program. For more information on the Budget, please refer to Eckler's April 2015 *Special Notice*, ***2015 Ontario Budget: Moving Forward on ORPP and Pension Reform***.

The amendments, set to take effect October 1, 2015, include changing pharmacy dispensing fees and dispensing practices as follows:

- Reduce the mark-up percentage fee from 8% to 6% for high cost drugs (those equal to or higher than $1,000 per claim);
- Establish a limit of five dispensing fees billed per year, per patient for certain chronic care medications, where patients have been on the same medication for years;
- Require patients to try more than one generic drug before the brand product is reimbursed by the Ontario Drug Benefit program as a 'no substitution' claim; and
- Reduce dispensing fees paid to pharmacies for supplying listed drug products to residents of long-term care homes.

Provinces expand availability of hepatitis C drugs

Nova Scotia, Saskatchewan, British Columbia and Manitoba are the latest provinces to announce the addition of Holkira Pak, used in the treatment of hepatitis C, to their list of eligible drugs. The ***Public Health Agency of Canada*** estimates that 242,500 Canadians suffer from hepatitis C, a slow-progressing infection that often leads to scarring, cirrhosis and/or cancer of the liver.

The incidence of this disease has resulted in considerable attention being paid to the cost of newly available treatments. Holkira Pak and Sovaldi each have an average treatment cost of approximately $55,000 per patient, while Harvoni comes at an average per-patient cost of $110,000. Treatment length (and cost) varies depending on the patient and the medication used. A ***study*** published in the *Canadian Journal of Gastroenterology and Hepatology* in 2014 estimated that the lifetime costs for a hypothetical male hepatitis C patient between 35 and 39 years of age range from $51,946 with no fibrosis — an accumulation of scar tissue in the liver often seen in hepatitis C patients — to $327,608, assuming the patient had a liver transplant in 2013.

As shown in the table below, hepatitis C drug availability is not consistent across all provinces and territories; however, all provinces offer coverage of at least some drugs, and all require special authorization or acceptance into exceptional access programs in order to obtain coverage.

Province	Boceprevir	Harvoni	Holkira Pak	peg-inferon and ribavirin	Simeprevir (Sofosbuvir)	Sovaldi	Telaprevir
Alberta	√	√		√		√	
British Columbia	√	√	√	√	√	√	
Manitoba	√	√	√	√		√	
New Brunswick	√	√		√		√	
Newfoundland				√			√
Northwest Territories	√			√			√
Nova Scotia	√	√	v	√		√	
Nunavut	√			√			√
Ontario	√	√	√	√	√	√	
Prince Edward Island	√			√			
Quebec	√	√	√	√	√	√	
Saskatchewan	√	√	√	√	√	√	
Yukon	√	√	√	√		√	

Source: *CATIE*

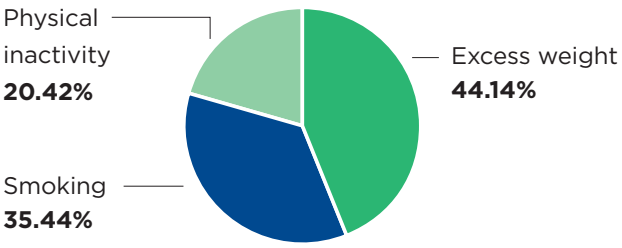
The impact on plan sponsors depends on whether the provincial/territorial drug program is the first or second payer for the cost of the treatment, and if the sponsor's plan pays any portion of drugs partially covered by the government plan. For example, ***Manitoba Pharmacare*** provides first payer coverage for hepatitis C drugs approved under Part 3 (Exception Drug Status), with employer or private insurance potentially covering the costs not paid by Pharmacare (such as the annual deductible). In contrast, Ontario provides second payer coverage through the Exceptional Access Program for residents meeting certain eligibility criteria.

Research

Study highlights the high cost of smoking, inactivity and obesity

Smoking, excess weight and physical inactivity are among the top five chronic disease risk factors in Canada. A recent ***study*** published in the *Canadian Journal of Public Health* estimates that these three risk factors alone cost the Canadian economy $52.8 billion in 2013. This figure includes direct costs such as hospital care, physician services, drugs and research, as well as indirect costs including short- and long-term disability and premature mortality.

The percentage of the total economic burden attributable to each risk factor in 2013 was as follows:



Comparing this data to data from the Economic Burden of Illness in Canada ***online tool*** measured between 1998 and 2008 shows a decrease in the economic burden attributable to smoking of 13.4%. This decline is due to a decrease in the number of smokers in Canada — the ***2011 Canadian Tobacco Use Monitoring Survey*** reported that the percentage of citizens aged 15 and over that were current smokers declined from 25% in 1999 to 17% in 2011. While the cost of smoking has declined, the economic impact of the other two factors has increased by 11.7%. The data suggests that, in addition to continued support of smoking cessation programs, employers wishing to improve employee health (and reduce health related costs) should consider implementing wellness programs focusing on increasing physical activity and managing excess weight.

This publication has been prepared by the GroupNews *editorial board for general information and does not constitute professional advice. Current editorial board members are:* ***Karen DeBortoli***, ***Andrew Tsoi-A-Sue***, ***Ellen Whelan***, ***Charlene Milton***, ***Cissy Kwok***, *and* ***Philippe Laplante***. *All* GroupNews *issues are available on* ***eckler.ca***. *To view or download any of these issues, you can use this link:* ***eckler.ca/group-news***, *or simply click on Newsletters from the Eckler main page, and choose* GroupNews *when you are directed to the Thought Leadership page. The Eckler website has a robust search engine, which you can use to locate all* GroupNews *issues containing a specific term or word.*

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