

# OHIP+ to Provide Youth Pharmacare Coverage

May 18, 2017

## Plan Sponsor Considerations

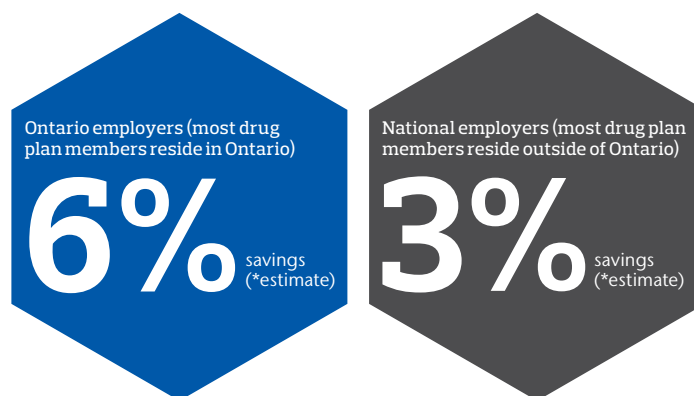
Ontario Budget 2017 included a plan to introduce a universal drug program for Ontario residents under the age of 25. For plan sponsors with Ontario members, OHIP+ is likely to generate cost savings should the initiative evolve as presented. While no additional implementation details have been provided, Aon has prepared this report to address the many questions plan sponsors have asked about OHIP+.

## Children and Youth Pharmacare (OHIP+) Program Components

- Universal coverage for all Ontario residents under age 25 with no income or secondary coverage restrictions (province is first payer)
- Coverage for drugs funded under the Ontario Drug Benefit (ODB) program, including medications listed under the Exceptional Access Program
- No deductibles
- No co-payments
- Effective January 1, 2018 (pending legislative authority and full program details)

## Projected Drug Plan Cost Savings Generated by OHIP+

On the assumption that it comes into effect, OHIP+ will lead to a reduction in private plan drug claims and carrier administrative costs and should lead to downward premium adjustments for drug plan sponsors with claimants in Ontario.



*\*Savings estimates are based on Aon sourced data for 2015/2016 total submitted drug cost in Ontario by members or dependents who are under age 25 for drugs that are listed on the ODB formulary.*

Plan sponsors can expect to see savings between 3% and 6% depending on whether the bulk of their membership is based outside of or inside of Ontario, and should begin to consider applying these figures to budgeted costs for 2018. However, budget planning exercises should be undertaken with prudence, as insurance carriers may wait to see exactly how OHIP+ influences claims experience before factoring new information into underwriting practices.

Also note that even though claims costs vary for individual employers depending on consumption patterns and employee population demography, it is clear that private drug plan sponsors will see savings

once OHIP+ comes into effect. As such, cost reductions based on experience and national versus Ontario exposure, should be examined specifically when setting budgets for 2018 and when negotiating renewals with insurance carriers. Aon will ensure that the interests of plan sponsors are represented in carrier discussions to ensure that there is no unreasonable delay in passing on savings.

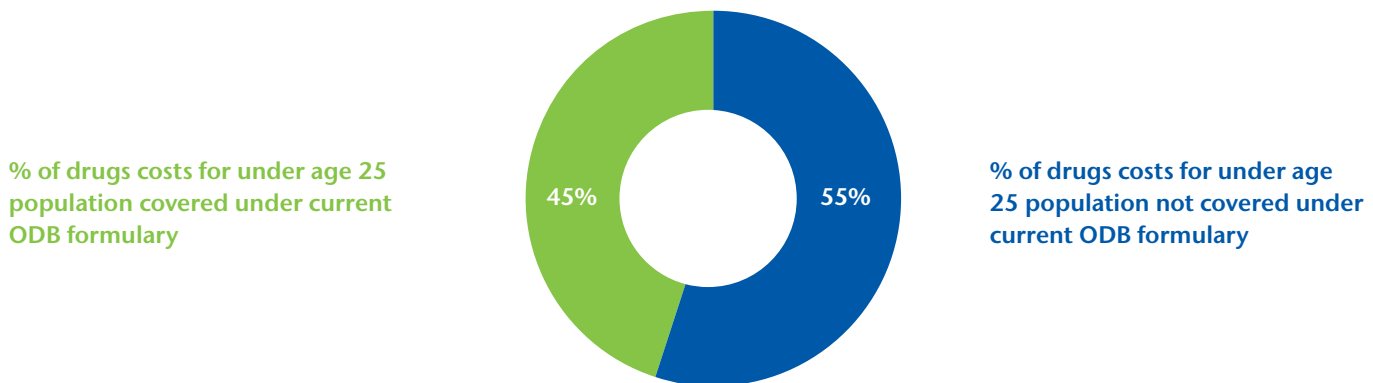
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## Ontario Drug Benefit Coverage Limitations

OHIP+ will provide coverage for drugs currently funded through the ODB program. In determining the impact of OHIP+ on private plans, employers should be cognizant of the fact that the ODB program does not cover all drugs. In fact, and of significance to plan sponsors, Aon data shows that only about 45% of total claims for the under age 25 group will be covered under the ODB in its current form. This leaves employer plans to cover the additional 55% of claims on an ongoing basis.

There may be cases where a brand name drug is prescribed by a physician and only the generic form is covered by the ODB. In this situation, and if the brand format is dispensed, the ODB would cover the cost up to generic maximum, leaving the individual or a private plan to make up the difference. Plan sponsors should be aware of these kinds of coverage exceptions when considering plan design options.

Drug claims where OHIP+ coverage would be available\*



*\*Aon book of business, 2016 claims data.*

## High Cost Claims

One assumption about the new program is that cost savings will be limited as younger populations tend to have lower overall drug costs. While there is merit to this argument, it must be remembered that children and youth may also fall victim to disease and may also be prescribed necessary high cost drugs to combat an illness or control a chronic disease that may or may not be covered by OHIP+. As such, it is probable that employers will continue to have a degree of high cost drug exposure as parents would likely maintain dependent coverage for their children for as long as possible under these exceptional circumstances.

## 2018 is Six Months Away – Start Planning Now

Detail and legislative authority for OHIP+ are pending, though implementation is slated for January 1, 2018. Between now and then, plan sponsors with populations in Ontario should begin to explore budgeting and design options to determine where savings can be realized or program innovations can be made. Aon is available to assist with strategy and help you establish a strong path forward.

## Benefit Plan Enrollment

Employers may wish to consider allowing opt-outs for employees who are eligible for drug plan coverage under OHIP+. An employee's decision to opt-out of a benefit program, in whole or in part, based solely on public drug plan coverage could eliminate benefit plan coverage in other areas and is a decision that should be taken with care. To minimize liability, employers allowing plan opt-outs should ensure that their employees understand the consequences of such a decision either way and have the information required to make good choices.

Where a flexible benefit plan is in place, adding a "25th birthday" life event would provide the opportunity for employees who have opted out of drug coverage to opt back in when the OHIP+ coverage ceases.

## Administrative Services Only (ASO) Programs

Employers offering drug plans that are administered on an ASO basis should see corresponding reductions in claims and costs once the OHIP+ program comes into effect. The expectation is that the reduced number of claims would lead to proportional reductions in the administrative processing costs borne by ASO providers, and that those savings would be passed on to plan sponsors in the form of reduced administration fees.

# Key Contacts

Should you wish additional information on this topic, please contact your local Aon Hewitt Consultant, or send an email to [H&B\\_Knowledge@aonhewitt.com](mailto:H&B_Knowledge@aonhewitt.com).

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