Ontario tabled its *Jobs for Today and Tomorrow: 2016 Ontario Budget* on 25 February 2016. Newly announced changes to the Ontario public drug program are of particular interest to benefit plan sponsors. Pledges to strengthen the province’s retirement security programs were also confirmed.

**Ontario Drug Benefit (ODB) program**

*Addendum: Changes outlined below regarding increased Ontario Drug Benefit (ODB) program co-payment and deductible amounts that would have come into effect on 1 August 2016, have been postponed indefinitely. Following a public review, the Ontario government announced on 4 April 2016 that increases to income thresholds will proceed as planned; however, it will “pause” on the implementation of increases to co-payments and deductibles. The government has provided no clear indication on whether these co-payment and deductible increases will proceed at some time in the future, but have pledged to continue to consult with Ontarians on the income thresholds to create an improved ODB program.*

**Deductibles and co-payments increasing 1 August 2016**

Effective 1 August 2016, the annual deductible and per prescription co-payments for seniors will increase as follows:

<table>
<thead>
<tr>
<th></th>
<th>On or before 31 July 2016</th>
<th>On or after 1 August 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual deductible</strong></td>
<td>$100.00</td>
<td>$170.00</td>
</tr>
<tr>
<td><strong>Co-payment per prescription</strong></td>
<td>$6.11</td>
<td>$7.11</td>
</tr>
</tbody>
</table>
By increasing both the deductible and the co-payment, a greater proportion of the cost of drugs for seniors will be passed along to the individual. For employers who provide post-retirement medical coverage, this change is likely to increase both the ongoing cash cost of the plan as well as the post-employment medical liabilities by approximately 5 – 10 percent.

With more individuals over the age of 65 staying in the workforce, drug plan costs for active employees will also increase. Although this will not be a material cost for most employers, it reflects a growing need for employers to review the benefits provided to older workers from both a cost and an adequacy of coverage perspective.

Income thresholds for low-income seniors changing 1 August 2016

The income-eligibility thresholds for the low-income seniors’ benefit will increase beginning 1 August 2016. Low-income seniors who receive public drug benefits will continue to pay up to a $2 co-payment per prescription with no annual deductible.

Income thresholds to qualify as a low-income senior will change as follows:

<table>
<thead>
<tr>
<th></th>
<th>On or before 31 July 2016</th>
<th>On or after 1 August 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single seniors</td>
<td>$16,018</td>
<td>$19,300</td>
</tr>
<tr>
<td>Senior couples</td>
<td>$24,175</td>
<td>$32,300</td>
</tr>
</tbody>
</table>

The increase in income thresholds will result in more seniors paying less for drugs. For employers who offer post-retirement medical plans, this may lead to some reduced costs and accounting liabilities. However, we anticipate these savings will be minimal as most seniors covered by post-retirement medical plans will likely fall above the new income thresholds.

Redesign of public drug program for 2019

As part of Ontario’s Patients First: Action Plan for Health Care, the government will introduce a redesigned public drug program by 2019. The budget states that the redesigned drug program would effectively coordinate with individuals’ private insurance benefits and increase access to medications. The government will release a vision paper and launch public consultations in spring 2016 to inform the design of the new Patients’ First Drug Program.

The scope of the changes for 2019 is unclear. Employers will want to be involved in the upcoming consultations as they play a key role in funding drug coverage for Ontarians. A recent Aon survey found that while employers recognize the need for adequate prescription drug coverage, they understand that pharmacare changes need to balance cost-effectiveness against adequate coverage. Plan sponsors will look with interest at how coordination with private insurance benefits is implemented. Aon will continue to monitor this issue closely as it may have a material impact on employer drug coverage for both seniors and working Ontarians.

Expanded health care practitioners services

Ontario is further expanding the scope of non-physician practitioners such as pharmacists and nurses, who will be able to administer a greater range of vaccines and directly prescribe some medications respectively. As provinces across Canada expand the scope of practitioners such as pharmacists, employers should monitor whether some of these services evolve into out-of-pocket expenses for their employees. If this happens, there may be increased demand for employers to cover these new expanded services.

Strengthening retirement security

The budget also affirms many of the Ontario government’s on-going measures to strengthen retirement security, including the Ontario Retirement Pension Plan (ORPP), solvency funding, target benefit plans, pooled registered pension plans (PRPPs), pension advisory committees and removing the “30 percent rule” for Ontario pension plans. These measures and other items will be more fully addressed in the next Aon Radar.
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