MAUT – *APBM* Newsletter

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McGILL ASSOCIATION OF UNIVERSITY TEACHERS
ASSOCIATION DES PROFESSEUR(E)S ET BIBLIOTHECAIRES DE McGILL

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In This Issue

Editor's Remarks

The effects of 'de-mutualization' of our life insurance may not seem of much interest to most of you, although there is the prospect of a lump-sum cash payment. Nonetheless, do read the remarks of MAUT President Bruce Shore below. Regardless of the amounts of money involved immediately, it appears that we are in the position that the University may wish to reclaim money that was already implicitly paid to us—and which has already been taxed in our hands, just as are other forms of income that we receive. Principle and precedent, as well as immediate sums of money, are obviously at stake; your MAUT representatives, along with those of non-academic staff, are taking this matter very seriously.

In the next contribution Mike Smith, VP Internal, addresses the costs of our medical and dental plans at some length. Costs are heading—let me just check the documents here—ah, up. You will soon be noticing this effect if you participate in these plans, as most of us do. While there is no easy solution to the problem of higher drug costs, Mike has been investigating the situation, and weighing our options, carefully.

Attached to this newsletter you will also find a copy of a form requesting a statement from the Régie des rentes du Québec (the Quebec analogue of the Canada Pension Plan, or 'QPP'). By sending this form to the Régie, you can obtain a statement of all credited contributions to your 'account'. Of course, this is not a pension which pays out benefits based on the performance of an individual investment account which you directly own. Nonetheless, your eventual benefits do depend upon contributions made in your name to the Canada or Quebec Pension Plans. David Crawford (Library) helpfully pointed out the web-availability of this form to your Editor, and suggested that MAUT members might be interested in using it. (David has printed it out for us, so a visit to the web site is not essential). Anyone might benefit from checking that their records are correct; your Editor has done so and can verify that they will indeed send a statement of your various contributions, by year. Contributions made to the CPP in another province should show up; recall that contributions are transferred between CPP and QPP when employees move (their employment, not residence) to or from Quebec. In particular, those of you expecting to retire within, oh, five years [how long do you think it will take to convince the QPP that they've made a mistake?] should probably send this in right away.

The Régie's English web site is at http://www.rrq.gouv.qc.ca/an/english.htm if you'd like to investigate further. Forms with which to apply for a pension, and so on, can also be found there.

Our Fall General Meeting is on 7 December (11:30 for 12:00) in the Faculty Club.

— *John Galbraith* ■

Reminder

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Fall General Meeting

Thursday, December 7
Buffet Lunch 11:30 am
Meeting 12:00 pm
Faculty Club Dining Room

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De-mutualization Update

In recent months several mutual life insurance companies in Canada have "de-mutualized." This includes the holder (Sun Life) of the life insurance policy for all McGill employees. In the process, policy holders then received a choice of stock or cash. As the policy holder of record, McGill has opted for cash and, to the best of our knowledge at present, received a lump-sum payment of approximately three million dollars. This amount remains to be confirmed. Also serious is the question of what is to be done with these funds.

All three McGill staff associations, MAUT, MUNASA, and MUNACA, have taken the position that the funds belong entirely to the employees of McGill. The three presidents have written a joint letter to this effect to the administration. MAUT has received an initial indication that the administration might argue that some of this money should remain with the University. McGill policy states clearly that benefits are the property of the employee. Furthermore, we have paid income tax on these benefits, so Revenue Quebec and Revenue Canada also believe that the total contributions are the property of the employees.

This question has arisen across Canada. At some universities, formal negotiations have begun about the return of these de-mutualization benefits to the employees. We have not formally initiated such discussions so we cannot yet anticipate the outcome at McGill. This discussion will be initiated imminently. In the interim, CAUT has undertaken to get legal advice that will support our position that 100% of the returned funds should come to the employees. CAUT is also contemplating a class-action suit against the insurance companies for distributing the money to the employers rather than the employees. MAUT Council, on November 15th, 2000, agreed to conditionally support the cost of a CAUT legal opinion on ownership of the funds but not, at this time, the costs of legal action. We are first checking whether or not the Quebec federation of faculty associations (FQPPU) is contemplating action using its in-house legal staff and whether the CAUT investigation will adequately address our situation within the Quebec legal system (since most Quebec universities only belong to FQPPU). Sharing in the legal costs would provide a legal opinion at much lower cost than if we did so on our own.

– Bruce M. Shore, President
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Health and Dental Plan Contribution Rate Increases

Facts and Possibilities

Let's start with the bad news. The Staff Benefits Advisory Committee (of which I'm a member) recently agreed to monthly contribution rate increases in our health and dental insurance plans. Those increases are described in the table below. You can see that they are large.

Monthly Contribution Rate Increases

	SINGLE	FAMILY
THE HEALTH PLAN		
Current	$39.00	$77.00
Modified	$49.00	$96.00
Increase	25.6%	25.0%
THE DENTAL PLAN		
Current	$30.00	$65.00
Modified	$32.00	$70.00
Increase	6.7%	7.7%

The most important question is: What should we do in response to such large increases? But before answering that question I think that it's useful to describe our plans and to identify the sources of the increases - the first since January 1st, 1995.

The Plans

For most expenditures, the pools of people at risk in each plan are McGill employees. We pay an insurance company – Maritime Life – to manage the plans on our behalf. In other words, for most expenditures we're self-insured. But expenditures over $25,000 are assigned to a larger pool that includes non McGill employees.

By Quebec law the health plan covers all full-time McGill employees (academic and non academic). It also covers some part-time employees. The dental plan, however, is optional. It's open to all full- and some part-time employees. People can opt into it at periodic intervals. They can also opt out of it. But if they opt out of it they can never re-enter it. This latter provision is to limit negative selection into the plan. We would not wish to have someone opting out of the plan, then opting into it right after their dentist told them that they needed, say, $10,000 of orthodontic work! About 90% of McGill employees have opted into the plan.

Why such large increases in the Health Plan?

The increase includes the following components. i) Over recent years claims have increased relative to contributions. ii) This has led to an accumulated deficit that needs to be repaid. iii) The increase allows for a margin of error. Consider these in turn.

i) The increase in claims is explained as follows.

◆ The largest part of the reimbursements under the health plan is for therapeutic drugs (estimated at almost 60% of total reimbursements in 2000 for all plan members - including retirees; estimated at about 74% for active - that is, employed - plan members). Drug costs have been increasing rapidly and the insurance industry expects them to continue to increase. This is in part because of increases in drug prices but also, probably more importantly, because effective drugs are available for a wider range of problems. Moreover, improvements in medical care mean that illnesses that would have led rather promptly to death in the past now no longer do so. AIDS is one of the better-known examples of this. I notice in this morning's newspaper that there a new drug to treat Lou Gehrig's disease has just been improved in Canada. On average, it extends the life of sufferers by three months. Improved medical care, then, often involves prolonged and expensive drug

"The largest part of the reimbursements under the health plan is for therapeutic drugs."

MAUT *APBM* Newsletter

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treatments. So our rate increase in part rests on the assumption of an increase of about 15% in plan expenditures over the next several years, the bulk of that accounted for by rising drug costs.

◆ In 1997 the Government of Quebec introduced its own drug insurance plan. Unfortunately for us, and the rest of the privately insured population, in doing so it off-loaded the responsibility for a large number of out-patient prescriptions. That is to say, prior to the introduction of its plan, the cost of drugs for patients receiving, for example, cancer treatments, multiple sclerosis treatments, and hormone therapy was covered by the Government. After the introduction of the Quebec Government plan expenditures on those drugs had to be covered by private plans.

> *Dental plan claims are expected to continue to rise into the forseeable future*

ii) Claims in excess of contributions over recent years have produced a deficit of about $700,000. This debt is held by Maritime Life. They charge us interest on it, and those interest payments are deducted from our premium payments. We have to pay back the debt. The rate increase assumes that we pay it back over two years. To do so, 5% of next year's contributions will be directed towards deficit recovery.

iii) There's a cushion built into next year's rate increase: total payments have been increased by a further 2% of last year's plan expenditures to reduce the likelihood of a deficit produced by higher than forecast claims.

Why such large increases in the Dental Plan?

The percentage increases for the dental plan are large, though they look relatively small compared to the health plan increases. These increases are based on the following: i) a rise in claims estimated at 8% of last year's expenditures; ii) a levy of 10% of total premiums to repay an accumulated deficit of about $1,000,000; iii) and, as in the health plan, an amount equal to 2% of last year's expenditures to cover any expenditures above those forecast.

The problem here is claims. They've exceeded premiums in recent years and are expected to continue to rise into the foreseeable future. The increase in claims seems to originate in two things. First, to reduce claims in the long run, in 1998/99 we increased to 100% the coverage of preventive dental treatment. This has had the short run effect of increasing claims. Second there has been a large rise in the sorts of expenditures on dental surgery that might be expected within an insured population with an increasing average age.

What might be done?

The part of the large increases for next year required to repay plan deficits is, in my view, unavoidable. Members' welfare is not improved where parts of their premiums are diverted to pay for interest on the accumulated deficit. Nor do I think it makes much sense to worry about the 2% of expenditures levied to cover claims in excess of those forecast. Over several years the plan has not, I gather, been designed to build up a reserve that might be used to damp the effects of year to year variations in claims. The 2% in question provides for some, moderate, amount of damping of the effects of forecast error next. If the 2% isn't needed, it will be used to accelerate the elimination of the deficit.

So this brings us back to the sources of the rising costs associated with, above all, drug expenditures in the health plan, and surgery expenditures in the dental plan

◆ Part of the increase has been produced by the availability to our members of improved (but expensive) medical care. This could reasonably be viewed as a good thing. Those among us who have the misfortune of developing a dreadful disease confront better prospects today than they did ten or fifteen years ago.

◆ There might be some room to modify plan commitments. A large range of so-called life-style drugs is currently arriving on the market. There has been some reticence to include them in the drugs that we cover. In fact, the plan administrators chose not to list Viagra on this ground. However, apparently for historical reasons, we do cover birth control pills, which might be classified as a life-style drug. There may be other "legacy-drugs" (so to speak) whose inclusion within the plan could be reconsidered. We certainly should carefully review the list of drugs we cover. Note, however, that Quebec legislation prevents us from delisting drugs that are covered by the Province's own drug insurance plan. Thus, while we do not cover Viagra we do cover one or more other drugs designed to deal with erectile dysfunction. We are obliged to do so because they are covered under the Quebec government's plan.

◆ It obviously makes sense to carefully scrutinize the overall costs of the administration of the plan and to compare them with alternatives. In fact, the Staff Benefits Advisory Committee has already done so. In 1998 the plan administrators switched service providers (from Sun Life to Aetna, which became Maritime Life) after putting out to tender the insurance management contract. This is rather recent. It suggests that it is unlikely that the market will provide us with anything *much* better - by which I mean less costly - than what we already have.

◆ However, we need to continue to monitor the relative costs of our plan. At its most recent meeting, the Staff Benefits Advisory Committee considered the following ways of doing this. First, we can compare the benefits of the plan with what would be offered by the Quebec government drugs plan. Under the Quebec plan, drug coverage for a single person costs $350, with the requirement that the first 25% of drug expenses be paid by the person covered. There is, apparently, some real likelihood that the government will increase the premium, since its plan is in deficit. For a single person our plan will cost $588 (after the most recent increases), and covers hospitalization, paramedical treatment, and a number of other expenses. Second, we can compare the premium attached to our plan with the premium charged for health insurance at other universities. The problem here is that premium differences tell us little unless they are considered in relation to the coverage provided by the plan, and the claims record of those covered by it. Third, to deal with the problem of comparing the various combinations of premiums and benefits under different plans we could hire a consultant to produce a report. The problem with this option is that it tends to involve fairly large expenditures in consulting fees.

Conclusion

In the current state of knowledge, the planned health and dental premium increases for next year seem to me to be unavoidable. But, at the same time, we need to carefully consider alternate routes to cost control. The Staff Benefits Advisory Committee is currently attempting to determine cost effective ways of doing that, by considering some combination of the issues outlined above. Ideas from members of staff are welcome!

– Michael Smith
Vice-President (Internal)

Pension Benefits

Send the form attached to this Newsletter to the *Régie des rentes du Québec* for a statement of all credited contributions to your 'account'

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Chair-Elect: Christine Oliver (Library Technical Services)	4777
Secretary - Treasurer: Deanna Cowan (Health Sciences Library)	09669
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2. Section Nominating Committee	
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Pat Riva (Library Technical Services)	4790
Elaine Yarosky (Humanities & Social Sciences Library)	4785

3. Professional Issues Committee	
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Sharon Rankin (Libraries Systems Office)	4703
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ASPSC representative: Jodie Parker-Hebert	4782
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