Public healthcare: a thing of the past?

A two-tiered healthcare system is a not-so-distant possibility for all Canadians. In the form of a court ruling, private healthcare has officially arrived in Canada and is quite possibly here to stay. The Supreme Court of Canada’s decision in Chaoulli and Zeliotis vs. Quebec—allowing Quebecers access to private healthcare through private insurance—has benefits consultants perplexed as to what this could mean for plan sponsors not only in Quebec, but also in the rest of the country.

Francois Picard, a partner in the benefits consulting practice of Morneau Sobeco in Montreal, argues that employers will need time to digest the Court’s decision, but thinks they could very well change their plans to accommodate this ruling. “With this decision, we may see some private plans start to open up,” he says. “They will start more openly to offer [coverage for] special surgeries that were only covered before by public plans.”

Joseph Ricciuti, national director of Watson Wyatt Worldwide’s group and healthcare practice in Toronto, says it is imperative Canadian plan sponsors revisit their contract wording and bargaining agreements to prepare for possible changes brought on by the ruling. “We need to get some education around consumer-driven healthcare,” says Ricciuti. “Employers will have to communicate [to members], ‘it’s a shared responsibility, and we cannot absorb the full brunt of this decision.’”

Admittedly, Ricciuti says there is much debate around the privatization of healthcare in Canada, but argues the healthcare system is currently unsustainable. “You need a new measure of funding,” he says.

With mounting healthcare costs, Picard too suggests that Canadians need to face reality, learning from other countries that have already implemented privately-funded healthcare systems. “We cannot afford to have a public plan where you don’t have to pay a cent when you want to access services,” says Picard. “If you look at other countries…Great Britain opened the door to get access to private care. Canada is really alone compared to Cuba, Northern Korea. All of those countries are not prohibiting people from getting access to private care if they want to pay for it. But, if you want to get surgery and it’s $20,000, not everybody will be able to pay.”

For the extended version, go to the News section of www.benefitscanada.com.

—Chandra Price

“My guess is they’re [plan sponsors] not prepared for this ruling.”

—Joseph Ricciuti, national director of Watson Wyatt Worldwide’s group and healthcare practice, on the Chaoulli and Zeliotis ruling.
The Chaoulli verdict
Last month, Canadians were waiting for the Chaoulli case to be handed down by the Supreme Court. What they got was a confirmation of their fears about the accessibility of healthcare. BENEFITS CANADA spoke to Hewitt Associates’ senior benefits consultant Tim Clarke about the ruling.

What is your take on the Supreme Court ruling?
The focus here is on wait times. It specifically says in one paragraph of the ruling that this is not about parallel healthcare systems, this is about acceptable wait times...but it is still giving priority to the public system.

Does it mean a two-tiered system?
If Quebec were able to provide services within acceptable wait times, however that’s defined, essentially this ruling goes away. The most likely scenario is the public system will step up and meet the time commitment and it will be a win-win for everybody.

How should employers or plan sponsors be thinking about this?
This just reinforces one more potential reason why you should be making sure you know what’s exactly in your contracts and how they’re set up. They (plan sponsors) should definitely keep an eye on how this legislation develops in Quebec.

Who is most affected by the ruling?
It becomes more of an issue for the healthcare system as a whole than it does for employers.

What about other provinces moving in the same direction?
I think what we’re going to be looking at is: are there other cases that are working their way through the court system that are similar in nature? We need to keep aware that are a number of similar challenges to timely healthcare.

—Joel Kranc

BOOK REPORT

Canadian Income Funds
By Peter Beck and Simon Romano

According to co-author Peter Beck, this book started following a chance conversation with a stranger who proclaimed he was puzzled by income trusts.

Beck, president of direct trading firm SwiftTrade Inc., and Simon Romano, a partner at Stikeman Elliott LLP, provide an overview of income and business trusts in Canadian Income Funds. The book covers not just the mechanics of income fund investing, but also addresses other key issues such as the limited liability issue in Ontario and whether or not income funds can sustain the momentum of the past few years.

However, it’s no puff piece: four of the 12 chapters deal with managing risks, some of which are common to all investments while others are inherent to the income fund structure. The last part of the book features more than 80 pages of income trust profiles, including the address and underlying business as well as several years’ worth of yield history (where applicable) for each.

The authors claim income trusts are “often perceived to be like a very high-yielding government bond.” With misinformation such as this out there, perhaps this book is timely indeed.

—James Lewis

SRI RISES IN CANADA

Canada’s corporate socially responsible reporting has put it in third place globally, a KPMG study has found. According to the International Survey of Corporate Social Responsibility Reporting 2005, 41% of Canadian firms issue a corporate responsibility report separately from their corporate report; 80% of companies issue these reports in Japan and 71% of U.K. firms do the same. “The increase of corporate responsibility reporting in Canada over the last three years is clearly a response to the emphasis being placed on issues such as the environment, economics and risk management,” said Wayne Chodzicki, national industry leader of KPMG’s Energy and Natural Resources Practice in Toronto. He says corporate responsibility reporting has evolved into social, ethical and environmental reporting.

—Anna Sharratt

VOLATILITY

The future of the post-Chaoulli Quebec healthcare system?
Last May, Michelle Courchesne, Quebec Minister of Employment and Social Solidarity in Montreal and the minister responsible for the Régie des rentes du Québec (the Quebec Pension Board), announced that a major consultation would be held on the review of the funding rules for defined benefit (DB) supplemental pension plans. The purpose of Bill 102, An Act respecting the funding of certain pension plans, is to bring in some “temporary measures” in order to ease the existing legal requirements for plan funding. Pension industry stakeholders have been consulted in recent months on the proposed permanent measures that the Régie des rentes is recommending to the government as a way of solving the current funding problems.

If they are adopted, they will affect all DB plans registered with the Régie des rentes du Québec, with the exception of government plans administered by CARRA (The Commission administrative des régimes de retraite et d’assurances) and the Supplemental Pension Plan for the employees of the Quebec construction industry. Plans of which some Quebecers are members, but which are registered with an oversight agency other than the Régie, are not affected by these measures.

The main observations made by the Régie about the current situation are:
• the plans are a heavy financial burden to businesses;
• requirements to ensure solvency are causing problems (amortization over five years);
• risk management is not always adequate;
• the existing legal framework provides no incentive for employers to fund their plans beyond the strict legal minimum; and
• professional actuarial standards do not provide sufficient detail about the rules that must be followed for choosing the actuarial assumptions underpinning plan funding.

In light of these observations, the Régie has drawn up eight measures designed to bring about a permanent improvement in benefit security and allow greater flexibility in plan funding. These measures are in addition to the temporary measures set out in Bill 102:
1. The valuation of plans should be based on solvency plus a provision for adverse deviations.
2. Guarantees should be used to
avoid amortizing a solvency deficit.

3. Certain solvency deficits should be reamortized.

4. The cost of improvements should be funded.

5. The commission should be given to the Canadian Institute of Actuaries.

6. There should be an advance agreement on allocation of surplus assets upon termination.

7. Contribution holidays should be limited to one year.

8. Solvency deficits should be consolidated.

The bill will likely be tabled this December and passed next spring.

For an extended version of this article, please go to www.benefitscanada.com.

Alexandre Daudelin is associate editor of AVANTAGES, a sister publication of BENEFITS CANADA.
alexandre.daudelin@avantages.rogers.com

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• Want to keep up-to-date on pensions and benefits current events? Sign-up for BENEFITS CANADA’s weekly e-mail newsletter by clicking ‘yes’ beside the e-newsletter on the online registration page, which can be found by clicking on ‘Register’ on the top left corner of the homepage. To catch up on news you may have missed, go to our newsletter archive for past issues.

• Healthcare in Quebec and possibly the rest of Canada will change forever based on the Supreme Court of Canada’s ruling in favour of Chaoulli and Zeliotis vs. Quebec. Find out more in BENEFITS CANADA’s new key juncture located in the Benefits Zone of The Resource Centre.

• The second article in a series written by Harry Marmer, senior vice-president of institutional investment services at Franklin Templeton Institutional, can be accessed by clicking on the new Web features link located on the left navigation bar of www.benefitscanada.com.

• Looking for a new career in the pensions and benefits industry? BENEFITS CANADA has a career page with job postings for the best of the best! Look for the ‘Career’ button on the left navigation bar on the homepage.

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99% took some kind of action as a result of reading Benefits Canada

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<td>Initiated review of suppliers</td>
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<td>Advertiser/supplier be included on a short list</td>
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Source: Starch Research March 2005