



STAFF REPORT ACTION REQUIRED

Review of the Management/Non-union Employees, Accountability Officers and Elected Officials Benefits Plan

Date:	March 25, 2014
To:	Employee and Labour Relations Committee
From:	City Manager & Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\ppeb\EL14002ppeb (AFS19074)

SUMMARY

This report presents the results of discussions undertaken with the City's benefits carrier, Manulife Financial, to explore initiatives to further manage drug costs within the context of the City's traditional benefit plans. Additionally, this report summarizes the success of the City's benefits cost containment initiatives implemented over the past five (5) years.

Since 2009, the City has taken many positive steps to identify and implement initiatives that have enabled the City to significantly reduce its actual benefit plan costs year-over-year and achieve much better results than currently being achieved in the industry on average. While the Canadian Industry Average continues to reflect increases in 2013 for both health (12% increase) and dental (8% increase), the City experienced decreases in 2013 for active employees and retirees of -6.5% for health and -4.0% for dental.

In addition, the concerted effort over the last five (5) years to reduce benefit costs is also having a positive impact on the post-retirement portion of the City's long term employee benefit liabilities. Post-retirement benefit liabilities have decreased by \$169.0 million, or 19.7% since 2011.

Continuing to build on these successes, the City will be implementing in the latter part of 2014 a Preferred Provider Network (PPN) of pharmacies that employees and retirees can voluntarily access for prescription drugs. Additionally, City staff will continue to partner with industry experts and Manulife Financial (the City's benefits carrier) in monitoring benefit trends and costs in 2014 and 2015 (both within the City and across the industry) to help identify further areas for improvement and emerging best practices. Staff will report back to the Employee & Labour Relations Committee by Q3 2015.

RECOMMENDATIONS

The City Manager and the Deputy City Manager and Chief Financial Officer recommend that:

1. Executive Committee receive this report for information.

Financial Impact

There are no financial implications associated with this report.

Table 1, below, compares the City's benefit costs from 2011 to 2013. In 2013, the City spent approximately \$202.5 million, as compared to \$206.5 million in 2011, or a decrease of \$4.0 million. These benefit costs include Health, Dental, Group Life Insurance and Long Term Disability (including administrative fees and taxes) for all Active employees and Retirees (approximately 25,156 active employees and 9,637 retirees).

Active Employees: Based on a number of cost containment initiatives (including both administrative as well as plan design changes) implemented for active employees, the City achieved an overall decrease of \$7.3 million (or -4.0%) since 2011.

Retirees: The cost of retiree benefits has increased by \$3.3 million (13.5%).

Overall: The City has achieved a decrease in its total benefit costs of \$4.0 million (or -1.9%) since 2011.

Table 1
Benefits Costs for Active Employees & Retirees (after administration fees & taxes)
By Benefit Type: 2011 to 2013

	2011	2013	Change 2011-2013	Percentage Change
	(\$ millions)			
Health	\$93.3	\$82.9	(\$10.4)	(11.2%)
Dental	\$46.5	\$41.5	(\$5.0)	(10.8%)
Sub-total (Health & Dental)	\$139.8	\$124.4	(\$15.4)	(11.0%)
LTD	\$31.0	\$39.5	\$8.5	27.4%
Life Premiums Insurance ^{*1}	\$11.4	\$11.0	(\$0.4)	(3.5%)
Sub-total (LTD & Insurance)	\$42.4	\$50.5	\$8.1	19.1%
Total: Active Employees	\$182.2	\$174.9	(\$7.3)	(4.0%)
Retirees	\$24.3	\$27.6	\$3.3	13.5%
Grand Total	\$206.5	\$202.5	(\$4.0)	(1.9%)

*1: Includes Group Life Insurance (GLI), Accidental Death & Dismemberment (AD&D), Line of Duty of Death (LODD)

In addition to the cost containment initiatives implemented in the benefit plan design, the City has also taken steps to reduce the administrative fees with the benefits carrier and to reduce the long term liabilities associated with the sick leave benefits and post retirement benefits. Table 2, below, provides a summary of the overall cost savings and liability reductions achieved over the last few years.

Table 2
Summary of Overall Cost Savings and Liability Reduction

	Cost Savings	Liability Reduction
Benefit Plan – Cost Containment Initiatives (since 2011)	(\$4.0)	
Benefit Carrier – Administration Fees ^{*1} (City, TTC and Toronto Police Services)	(\$54.1) ^{*1}	
Illness or Injury Plan (IIP) ^{*2} Implementation		(\$174.1)
Post-Retirement Benefits		(\$169.0)
Sub-Total	(\$58.1)	(\$343.1)
Total Savings & Liability Reduction	(\$401.2)	

*1: Savings of \$21.6 million for 2012 to 2013, plus additional savings of \$32.5 million for 2014 to 2016 (inclusive). See Council report GM3.8, May 17, 18, 19 2011 Council Meeting; <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM3.8>

*2: See E&LR Report, EL20.5. Employee & Labour Relations Committee meeting May 19, 2010: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EL20.5>

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting held on December 16, 17 and 18, 2013, City Council considered a report from the City Manager summarizing the results of a comprehensive review of the City’s benefits plan for non-union employees, accountability officers and elected officials (re: EX36.20 “Non-Union Employees, Accountability Officers and Elected Officials Benefits Plan”). In its consideration of this matter, Council:

- a) authorized staff to enter into agreements with pharmacists (persons issued a certificate of accreditation to operate a pharmacy pursuant to the *Drug and Pharmacies Regulation Act*) selected based on criteria as determined by the Director, Pension, Payroll and Employee Benefits and the Executive Director, Human Resources, in consultation with the City Solicitor’s Office, for the purpose of implementing a Preferred Provider Network of pharmacists with a focus on reducing the administrative costs associated with dispensing drugs, for implementation in 2014; and,

- b) requested the Director, Pension, Payroll and Employee Benefits to undertake discussions with the City's benefits carrier, Manulife Financial, to identify and evaluate initiatives to further manage drug costs within the context of the existing traditional benefit plan and to report back to the Employee and Labour Relations Committee with recommendations in the first half of 2014.

Following is the link to the Council decision and staff report:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX36.20>

ISSUE BACKGROUND

Employee benefits are an integral part of employees' total compensation package provided by the City of Toronto to attract and retain a diverse and highly skilled staff. As such, the City is committed to providing a fair and comprehensive plan that is fiscally responsible to the taxpayers of Toronto while continuing to follow industry standards and best practices.

Prior to 2009, the benefit costs for all active employees and retirees had been increasing at a rate of approximately 10% per year. Since that time staff has made a concerted effort to contain the rising cost of benefits through administrative and plan design changes, including cost containment initiatives negotiated through the collective bargaining process. In 2009, for the first time since amalgamation, there were no benefits enhancements negotiated with the Unions or provided to the management / non-union employees, and there was a dental cost containment change implemented in the Local 79 and Local 416 benefit plans (i.e., change dental recall period from six (6) to nine (9) months). In 2012, cost containment initiatives were negotiated through the 2012 collective bargaining process and implemented for CUPE Local 79 and TCEU Local 416. These same changes were subsequently implemented for management/non-union employees, accountability officers and elected officials effective January 1, 2013. These cost containment measures included:

- Dispensing fee cap at \$9.00;
- Changes to paramedical benefits;
- Maximum per year for physiotherapy;
- One year lag Ontario Dental Association (ODA) fee guide (non-union employees, CUPE Local 79 and TCEU Local 416)
- Dental Recall period for routine exams moved from six (6) to nine (9) months.

Further, in 2013 the TPFPA Local 3888's (Fire Fighters) Arbitration Award provided a \$9.00 drug dispensing fee cap that was implemented effective July 2013.

Comparison to the Industry Average

As a result of the above cost containment measures, when compared with the industry overall, the City has made remarkable progress in containing and reducing its benefit costs. While the City's health and dental costs have decreased in 2012 and 2013, the Canadian Industry Average continues to reflect increases in both areas, with health costs increasing by 12% in 2013 and dental by 8% in 2013. Appendix 1, attached, provides a comparison

of benefits costs for active employees and retirees, by benefit type, for the years 2011 to 2013 inclusive.

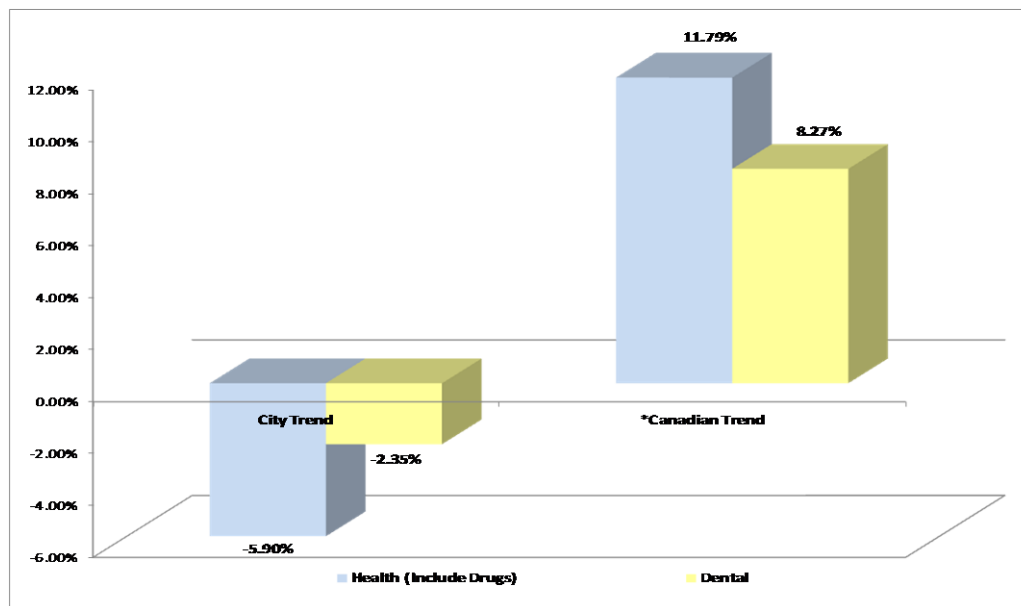
Tables 3 and 4 below illustrates that in comparison to the industry trend in 2013 for both health and dental costs, the City is doing extremely well in terms of containing its benefit plan costs.

Table 3
2012 – 2013 Health & Dental Benefit Costs (Active Employees) Comparison
City of Toronto vs. Industry Average**

	2012 vs. 2013		
	Percentage (Decrease) / Increase in Costs		City of Toronto vs. Industry Average
	City of Toronto	Industry Average	
Health Benefit	(5.9%)	11.8%	(17.7%)
Dental Benefit	(2.4%)	8.3%	(10.6%)

***2012 vs. 2013 Industry average percentage increase in costs: Canadian Health Care Trend Survey Results 2013/Buck Consultants*

Table 4
Annual Trend for City's Health & Dental (Active Only) in Comparison With the Canadian Industry Trend



Post Retirement Benefits

In addition, the concerted effort over the last five (5) years to reduce benefit costs is also having a positive impact on the post-retirement portion of the City's long term employee benefit liabilities. As Table 5 below indicates, post-retirement benefit liabilities decreased by \$169.0 million, or 19.7% since 2011.

Table 5
Impact of Cost Containment Initiatives on Post-Retirement Benefit Liabilities (Gross)
2011 – 2013

	2011	2013	Change 2011 - 2013	Percentage Change
Post-Retirement Benefits	\$857	\$688	(\$169)	(19.7%)

The reduction to the post-retirement liability is a result of a number of factors including:

- reduced drug costs for retirees;
- reduced administrative fees due to a new benefits contract for years 2012 to 2016;
- the recently negotiated cost containment changes with Local 416 and Local 79 and the similar changes that have been implemented in the management / non-union benefit plan;
- change in the discount rate; and
- the elimination of the grand-parented post-65 retiree benefit plan for the former North York and former City of Toronto fire fighters and the introduction of a new 10 year health care spending account.

Results of Cost Containment Initiatives on Health, Drugs and Dental Benefits for Active Employees

As a result of the above cost containment measures, health, drugs and dental benefit costs for active employees decreased in both 2012 and again in 2013. Since 2011, the total decrease in health, drugs and dental costs has been \$15.4 million, or -11.0%. Table 6 below reflects these changes to health, drugs and dental benefit costs by employee group.

Table 6
Impact of Cost Containment Initiatives for Active Employees
(Health, Drugs and Dental Costs, after administration fee and taxes)
2011 – 2013

	2011	2013	Change 2011 - 2013	Percentage Change
Non Union ^{*1}	\$22.1	\$20.1	(\$2.0)	(9.1%)
L79	\$72.9	\$63.7	(\$9.2)	(12.5%)
L416	\$28.7	\$24.1	(\$4.6)	(16.0%)
L3888 (Fire) ^{*2}	\$16.1	\$16.5	\$0.4	3.1%
Total	\$139.8	\$124.4	(\$15.4)	(11.0%)

**1: Includes non-union employees, accountability officers and elected officials.*

**2: As a result of an Arbitrator's Award, some cost containment measures were implemented for Local 3888, effective July 19, 2013.*

Breakdown of Health/Drugs & Dental Costs by Employee Group for 2011 - 2013
(Active Employees Only)

Tables 7 and 8 below provide a further breakdown of the health and drug costs (Table 7) and dental costs (Table 8) by employee group.

As reflected in Table 7, the health costs (after administration fees and taxes) have decreased by a total of \$10.4 million (or -11.2%) since 2011.

In the case of management/non-union benefits, health costs have decreased by \$1.4 million (or -9.9%), since 2011. Since the cost containment initiatives were implemented effective January 2013, virtually all of the decrease resulted between 2012 and 2013.

Table 7
Health and Drug Benefit Costs (after administration fees & taxes)
2011 – 2013

	2011	2013	Change 2011 - 2013	Percentage Change
Non Union* ¹	\$14.1	\$12.7	(\$1.4)	(9.9%)
L79	\$49.9	\$43.2	(\$6.7)	(13.4%)
L416	\$18.8	\$16.1	(\$2.7)	(14.4%)
L3888 (Fire)	\$10.5	\$10.9	\$0.4	3.8%
Total	\$93.3	\$82.9	(\$10.4)	(11.2%)

1: Includes non-union employees, accountability officers and elected officials.

Table 8 provides a breakdown of the dental costs by employee group and identifies that the total dental costs have decreased by \$5.0 million, or -10.8%, since 2011.

In the case of management/non-union employees the dental costs have decreased by \$0.6 million (or -7.5%). Again, as with the health costs, since the cost containment initiatives were implemented effective January 2013, the majority of the decrease resulted between 2012 and 2013.

Table 8
Dental Benefit Costs (after administration fees & taxes)
2011 – 2013

	2011	2013	Change 2011 - 2013	Percentage Change
Non Union* ¹	\$8.0	\$7.4	(\$0.6)	(7.5%)
L79	\$23.0	\$20.5	(\$2.5)	(10.9%)
L416	\$9.9	\$8.0	(\$1.9)	(19.2%)
L3888 (Fire)	\$5.6	\$5.6	\$0.0	0.0%
Total	\$46.5	\$41.5	(\$5.0)	(10.8%)

1: Includes non-union employees, accountability officers and elected officials.

The City is continuing to experience an increase in LTD costs based on the growing number of employees who are suffering from long-term illnesses. Over the last year, staff from Pension, Payroll and Employee Benefits (PPEB), Human Resources, Employee & Labour Relations, Legal Services and the Auditor General's Office have been working together, in consultation with Manulife Financial to identify opportunities and best practices to help contain the rising costs. This review has included a comprehensive review by Manulife of the City's LTD claims to identify opportunities for return to work; a review by Manulife of the City's LTD contract and practices to identify areas where the City is not in line with Manulife's administrative practices; implemented changes to administrative practices that did not conflict with the collective agreements; and, identified items to be negotiated in future collective bargaining. These efforts have resulted in some containment of the 2013 increase and the efforts to improve the management of LTD claims is continuing in 2014.

COMMENTS

The cost containment initiatives that have been implemented over the last few years, in addition to previously implemented changes, are helping achieve the City's objectives of containing annual benefit costs and reducing long term employee benefit liabilities. In an effort to continue to control and enhance the management of these costs, staff continually work with industry experts and the City's benefits carrier to identify and understand trends, best practices and opportunities to improve.

To this end, at its meeting held on December 16, 17 and 18, 2013, City Council approved the implementation of a Preferred Provider Network (PPN) of pharmacists in 2014, with a focus on continuing to reduce the administrative costs associated with dispensing drugs. Additionally, Council requested staff to undertake discussions with the City's benefits carrier, Manulife Financial, to identify and evaluate initiatives to further manage drug costs within the context of the City's existing traditional benefit plan.

a) Preferred Provider Networks (PPN) Implemented on a Voluntary Basis:

Staff are currently working with the City Solicitor's Office and the City's benefits carrier to develop the framework for an expression of interest to retain pharmacists for the City's PPN, and to develop appropriate terms and conditions for agreements with interested pharmacies. The City's benefits carrier is also in the process of establishing a PPN that the City may also be able to leverage.

A PPN is a network of pharmacies for which employees/retirees could voluntarily go to for the dispensing of drugs covered under the City of Toronto benefit plans. The City would actively encourage employees and retirees to get their prescription drugs dispensed through these pharmacies, through various newsletters, information posted on the City's intranet site and other appropriate outreach initiatives. There would be no negative impact to employees in utilizing the PPN.

In order to join the City's PPN, pharmacies would agree to pre-established criteria determined by the City aimed at reducing the costs associated with dispensing drugs to City employees and retirees. Examples of this criteria would include:

- drug dispensing fee maximums;
- mark-up on ingredient cost maximums;
- limiting the dispensing of maintenance drugs to a three (3) month cycle, etc.

Employees and retirees would utilize the PPN on a voluntary basis. However, the City would strongly encourage staff to utilize the PPN's as it provides a cost effective way to achieve savings within the benefit plans while not impacting the coverage provided to employees and retirees.

It is anticipated that the PPN will be implemented by Q4 2014, which will assist the City in achieving further drug savings in 2015 and future years. Staff will monitor its success in terms of participation by both the pharmacies and the employees/retirees. If the PPN proves successful in continuing to contain drug costs, staff will evaluate expanding the PPN to cover other health services, such as vision care, orthotics, orthopaedic shoes, etc.

b) Drug Plan Management Initiatives:

The largest cost driver under the City's benefit plans is the cost of drugs. Drug costs represent approximately 35% of the City's total benefit costs. However, as with the health and dental costs, the efforts taken by the City over last five (5) years have contained the cost of drugs, with reductions realized in the last two (2) years.

Table 9 below provides a breakdown of the drug costs by employee group. Since 2011 the total drug costs have decreased by \$5.5 million (or -11.3%).

In the case of the management/non-union benefit plan, the drug costs have decreased by \$0.9 million (or -11.5%) since 2011.

Table 9
Drug Costs for Active Employees (after administration fees & taxes)
2011 - 2013

	2011	2013	Change 2011 - 2013	Percentage Change
Non Union*1	\$7.8	\$6.9	(\$0.9)	(11.5%)
L79	\$24.1	\$21.4	(\$2.7)	(11.2%)
L416	\$11.7	\$9.9	(\$1.8)	(15.4%)
L3888 (Fire)	\$5.1	\$5.0	(\$0.1)	(2.0%)
Total	\$48.7	\$43.2	(\$5.5)	(11.3%)

*1: Includes non-union employees, accountability officers and elected officials.

The reduction in the City's drug costs over the past couple of years are remarkable given that Canadian industry trends reflect increases in drug costs over the same time period. While these reductions are due in part to legislative changes made by the provincial government to control generic drug pricing, other factors behind this positive trend are the

management initiatives and plan design changes implemented by the City over the last few years. Specifically, the initiatives related to containing drug costs include:

- Reimbursement for Generic Drugs only (unless Physician indicates "no substitution");
- Cap on mark-up of drug costs of 10%;
- Co-ordination of Benefits requirements;
- Dispensing Fee cap at \$9.00.

City staff have met with the City's benefits carrier, Manulife Financial, to review and discuss additional drug management options.

Appendix II, attached, provides a list of options that were reviewed, and categorized based on the aggressiveness of the option as Standard, Moderate and Advanced. As identified in the last column of Appendix II, the City has implemented all of the available standard options, and the majority of the moderate options. The moderate option under Pricing Controls (Variance and Dollar Limit Mark-up) will be implemented on voluntary basis as part of the PPN that will be implemented towards the end of 2014.

In addition to reviewing drug plan management strategies, staff have reviewed the administrative practices and standards of the City's benefits policies with Manulife Financial to ensure that the plans remain in-line with current industry standards and Manulife's best practice guidelines.

As demonstrated by the above information and Appendix II, the City has implemented many of the drug management options with very positive results: drug costs have been contained (and actually reduced) over the last few years, while still maintaining a benefits plan that is consistent with the City's philosophy and overall benefits strategy (i.e., providing employees with a fair and comprehensive benefit plan that is fiscally sustainable).

The next level of drug plan management reflect options that are much more aggressive in relation to dispensing drugs that are the most cost effective, provide equal efficacy, while not jeopardizing patient health outcomes. Additionally, these advanced options are far less utilized and tested across the industry. The City's benefits carrier has indicated that many of the advanced options are relatively new and very few of their clients have moved towards these options at this time. Specifically, there are no public sector clients that have implemented the advanced options.

Based on the tremendous success of the controls and initiatives that have already been implemented at the City, coupled with the fact that the City's drug costs are contained and are actually decreasing, staff are not recommending any of the advanced drug management options at this time.

It is recognized that the emergence of specialty / biologic drugs will likely counteract the drug savings that the City has begun realizing over the next few years. Biologic drugs are

therapeutic agents used to increase or optimize immune responses. They are much more expensive to produce and are used to treat many chronic conditions (e.g. arthritis, cancer, auto immune disorders). However, time is needed to monitor and understand emerging trends and cost patterns. As such, City staff will continue to monitor drug costs, including the usage of biological drugs, and will continue working with the City's benefits carrier and industry experts to monitor benefit trends and costs in 2014 and 2015 (both within the City and across the industry) to help identify further areas for improvement and emerging best practices. Staff will report back to the Employee & Labour Relations Committee by Q3 2015.

Conclusion

The City has been pro-active in implementing initiatives and plan design changes in order to reduce costs while still maintaining a comprehensive benefit plan for all employees. Staff will continue to monitor costs and trends and the administrative practices and standards of the City's benefits policies with Manulife Financial to ensure that the plans remain in-line with current industry standards and Manulife's best practice guidelines.

In addition, during the roll-out of the PPN in late 2014 and early 2015, staff will undertake an education campaign, initially focused towards management/non-union employees, to increase their awareness of how they can help save benefit dollars by asking questions of their physician and pharmacist without impacting their treatment or health. These initiatives through newsletters, Monday Morning News e-mails, brochures / communication from the benefits carrier, will focus on getting employees to voluntarily consider such items as generic drugs, trial drug programs and tiered therapies when obtaining their drug medications and being conscious of how these decisions can assist in managing the overall effectiveness of the benefits plan.

CONTACT

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SIGNATURE

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City Manager

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Deputy City Manager and Chief Financial Officer

ATTACHMENT

Appendix I: Benefits Costs for Active Employees & Retirees (after administration fees & taxes); By Benefit Type: 2011 to 2013

Appendix II: Drug Plan Management Options

Appendix I

Chart A: Benefits Costs for **Active** Employees & **Retirees** (after administration fees & taxes)
By Benefit Type: 2011 to 2013

Benefit Type	2011	2012	2012 vs 2011		2013	2013 vs 2012		2013 vs 2011	
	(\$ millions)		%		(\$ millions)		%		\$M
Health	\$109.6	\$107.8	(\$1.8)	(1.6%)	\$100.8	(\$7.0)	(6.5%)	(\$8.8)	(8.0%)
Dental	\$53.6	\$52.4	(\$1.2)	(2.2%)	\$50.3	(\$2.1)	(4.0%)	(\$3.3)	(6.2%)
Sub-total (Health & Dental)	\$163.2	\$160.2	(\$3.0)	(1.8%)	\$151.1	(\$9.1)	(5.7%)	(\$12.1)	(7.4%)
LTD	\$31.0	\$36.0	\$5.0	16.1%	\$39.5	\$3.5	9.7%	\$8.5	27.4%
Life Premiums Insurance ^{*1}	\$12.3	\$11.1	(\$1.2)	(9.8%)	\$11.9	\$0.8	7.2%	(\$0.4)	(3.3%)
Grand Total	\$206.5	\$207.3	\$0.8	0.4%	\$202.5	(\$4.8)	(2.3%)	(\$4.0)	(1.9%)

Chart B: Benefits Costs for **Active** Employees (after administration fees & taxes)
By Benefit Type: 2011 to 2013

Benefit Type	2011	2012	2012 vs 2011		2013	2013 vs 2012		2013 vs 2011	
	(\$ millions)		%		(\$ millions)		%		\$M
Health	\$93.3	\$88.1	(\$5.2)	(5.6%)	\$82.9	(\$5.2)	(5.9%)	(\$10.4)	(11.2%)
Dental	\$46.5	\$42.5	(\$4.0)	(8.6%)	\$41.5	(\$1.0)	(2.4%)	(\$5.0)	(10.8%)
Sub-total (Health & Dental)	\$139.8	\$130.6	(\$9.2)	(6.6%)	\$124.4	(\$6.2)	(4.7%)	(\$15.4)	(11.0%)
LTD	\$31.0	\$36.0	\$5.0	16.1%	\$39.5	\$3.5	9.7%	\$8.5	27.4%
Life Premiums Insurance ^{*1}	\$11.4	\$10.2	(\$1.2)	(10.5%)	\$11.0	\$0.8	7.8%	(\$0.4)	(3.5%)
Grand Total	\$182.2	\$176.8	(\$5.4)	3.0%	\$174.9	(\$1.9)	(1.1%)	(\$7.3)	(4.0%)

Chart C: Benefits Costs for **Retirees** (after administration fees & taxes)
By Benefit Type: 2011 to 2013

Benefit Type	2011	2012	2012 vs 2011		2013	2013 vs 2012		2013 vs 2011	
	(\$ millions)		%		(\$ millions)		%		\$M
Health	\$16.3	\$19.7	\$3.4	20.8%	\$17.9	(\$1.8)	(9.1%)	\$1.6	9.8%
Dental	\$7.1	\$9.9	\$2.8	39.4%	\$8.8	(\$1.1)	(11.1%)	\$1.7	23.9%
Sub-total (Health & Dental)	\$23.4	\$29.6	\$6.2	26.5%	\$26.7	(\$2.9)	(9.8%)	\$3.3	14.1%
LTD									
Life Premiums Insurance ^{*1}	\$0.9	\$0.9	\$0.0	0.0%	\$0.9	\$0.0	0.0%	\$0.0	0.0%
Grand Total	\$24.3	\$30.5	\$6.2	25.5%	\$27.6	(\$2.9)	(9.5%)	\$3.3	13.5%

**1: Includes Group Life Insurance (GLI), Accidental Death & Dismemberment (AD&D), Line of Duty of Death (LODD)*

APPENDIX II

Drug Plan Management Options

Drug Cost Category	Description of Option	Implemented at the City of Toronto: Yes / No
STANDARD OPTIONS		
Dispensing Fee	Reasonable & Customary limits on pharmacy dispensing fees – variable and subject to change based on industry average (currently \$12.50)	Yes
	Dynamic maintenance – controlled dispensing amounts, based on acute vs. maintenance drugs (30days, 100days)	Yes
Formulary	Prescription plan with prior authority for some drugs – to ensure drug is being taken for an approved Health Canada indication (e.g., as opposed to for cosmetic reasons)	Yes
Generic	Voluntary	Yes
Pricing Controls	Reasonable and customary limits – limit the eligible amount to 10% above the best available price of the drug	Yes
MODERATE OPTIONS		
Dispensing Fee	Dispensing fee cap – hard cap that is not subject to change	Yes - \$9.00
Formulary	Prescription plan with step therapy (One tier managed) – more expensive medications will be considered only after employee has tried and been unsuccessful with less expensive drug.	No
Generic	Tiered generic – difference in co-insurance level depending on the generic drug dispensed within the therapeutic class	Yes, lowest cost generic, unless No substitution indicated by Physician
	Mandatory generic with appeal – only pay up to price of generic and then employee must submit appeal for the remainder.	No
Pricing Controls	Variable markup – employer limits the eligible amount to less than 10% of the best available price Dollar limit markup – limits the eligible amount to a defined dollar amount for more expensive drugs	Will be implemented on a voluntary basis with PPN in 2014
ADVANCED OPTIONS		
Dispensing Fee	Dispensing fee deductible – employee would pay for the cost of the dispensing fee	No
	Limit # of dispensing fees – only pay dispensing fees for defined number of purchases per year	No
Formulary	Two tier managed – different co-insurance levels depending on the type and nature of the drug. The coverage will be based on the Carriers list of defined drugs for treatment of the medical condition.	No
Generic	Mandatory generic – only the lowest cost generic drug is covered, with opportunity for appeal	No