

July 27, 2022

Dear ELCIC Plan Members,

There is a change to your drug coverage that you need to be made aware of:

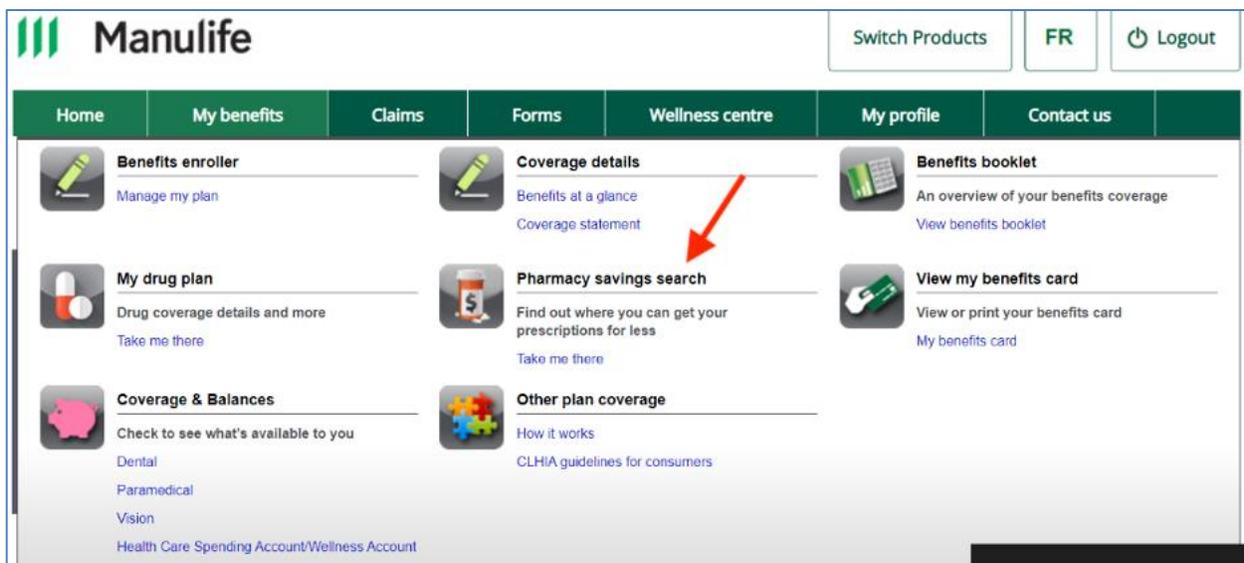
Effective June 1, 2022, Manulife made a couple of changes to our reasonable and customary (R&C) allowances for drug coverage:

1. Reducing our R&C allowances on drug ingredient costs, mark-ups, and dispensing fees in certain provinces (BC, ON, NB, NS, PEI and NL).
2. Ensuring that R&C is considered when calculating our secondary payment on private coordination of benefit (COB) claims in all provinces.

Manulife's Pharmacy Benefits Manager, Express Scripts Canada® (ESC), regularly conducts market scans and completes analysis using their own data and independent drug claims data. This is done to ensure the reasonable and customary (R&C) limits applied to drug ingredient costs, mark-ups and dispensing fees are representative of the market and are considered reasonable in the province in which the medication is dispensed. Manulife normally aligns to ESC's R&C allowances.

This is important because pharmacies can charge any mark-up or dispensing fee that is considered standard for their store or company. Applying R&C limits is part of our standard claims adjudication that helps to manage drug costs and protect plan sponsors and members from unusually high prices.

You may notice a reduction to your reimbursement at the pharmacy. If you would prefer to pay less, you can choose another pharmacy, or ask your pharmacist or doctor for other medication options. There is a way to be a smart shopper for your medications; a simple search tool on the Plan Member Site (see screen shot below) allows you to enter the name of a medication, and it will show you options in your area where you can purchase the drug for a lower cost. To find it, click on "Pharmacy savings search".



The screenshot shows the Manulife Plan Member Site interface. At the top, there is a navigation bar with the Manulife logo on the left and three buttons on the right: "Switch Products", "FR", and "Logout". Below the navigation bar is a main menu with tabs for "Home", "My benefits", "Claims", "Forms", "Wellness centre", "My profile", and "Contact us". The "My benefits" tab is selected. The main content area is divided into several sections:

- Benefits enroller**: Manage my plan
- My drug plan**: Drug coverage details and more. Take me there
- Coverage & Balances**: Check to see what's available to you. Links for Dental, Paramedical, Vision, and Health Care Spending Account/Wellness Account.
- Coverage details**: Benefits at a glance, Coverage statement
- Pharmacy savings search**: Find out where you can get your prescriptions for less. Take me there. A red arrow points to this section.
- Other plan coverage**: How it works, CLHIA guidelines for consumers
- Benefits booklet**: An overview of your benefits coverage. View benefits booklet
- View my benefits card**: View or print your benefits card. My benefits card

This is currently on the plan member site and will be coming to the app soon. The shopping is in your hands. If you are really happy with your provider of medications, then you may be more comfortable paying a small out-of-pocket difference to get the meds where you do your regular shopping or with a particular pharmacist.

I apologize for the lateness of getting this information out to you any confusion or inconvenience this change may have caused you. Initially I was unsure if your plan would be impacted, but I have now been advised that this change was for *all* our group benefit plans. It is important to note that this change is not specific to Manulife. We have been given direction by our governing body that we need to keep rising medication costs managed.

Please feel free to reach out to me to discuss how this may impact you; my contact information can be found below.

Thank you,



Angela Boys

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Updates to Drug R&C allowances – Frequently Asked Questions

1) How do these changes impact members?

Many pharmacies already charge dispensing fees and markups within Manulife's revised R&C limits, which means there should be no impact to members. Members may see a decrease in the amount they are reimbursed if they fill their drug at a pharmacy that exceeds the revised threshold. Some pharmacies may choose to pass additional drug charges on to their patients while others may absorb those charges in an effort to retain their business.

2) Are pharmacies allowed to balance bill our members the amount that exceeds our R&C allowance?

While Express Scripts Canada's (ESC) agreement does not explicitly prohibit balance billing in most provinces or territories, they require that a pharmacy's total reimbursement for an eligible drug not exceed the amount contracted for or accepted as payment from any other private payor or cash-paying customer for the covered medication. We will alert ESC of any incidents where pharmacies are charging our members differently than other customers. ESC will follow up with the pharmacy in question in the form of audits to ensure compliance with its provider agreement.

ESC is implementing new Pharmacy agreements throughout 2022, that will strengthen the balance billing language and will provide transparency on mark-up and fee allowances.

3) Will plan sponsors and members be advised in advance of these changes?

No, we typically do not advise plan sponsors or members of adjustments to R&C allowances. These changes happen regularly and are part of our standard adjudication practices. The actual R&C allowances are considered proprietary by ESC and can't be shared externally.

4) Will the pharmacies receive advance notice of these changes?

Yes, ESC will send a communication to pharmacies in the impacted provinces to advise them of the changes to their pricing allowances.

5) Are plan sponsors allowed to opt out of the new R&C allowance?

Plan sponsors using our standard R&C will be updated automatically to the new R&C allowances. Plan sponsors with custom R&C mark-up limits or pricing turned off will remain unchanged.

6) Why are these changes important?

Modifying R&C allowances is an industry standard practice and is intended to protect plan sponsors and their members against pharmacies whose billing practices exceed the norm. It ensures that our pricing is competitive and aligned with the industry. Manulife is committed to managing costs to help ensure the sustainability of the drug benefit.

7) How are these changes supported?

Our contract language supports these changes. They are also aligned with the industry and CLHIA guidelines.

8) How does applying the R&C to COB claims impact the member payment?

Here's an example of how it works:

Member claim

Submitted amount for a generic label drug: **\$30.00**

Eligible (after R&C): **\$25.00**

Primary plan in the Green Module at 70% pays **\$17.50**

Co-ordination of Benefits claim

Submitted amount: **\$30.00 - \$17.50 = \$12.50**

Eligible (after R&C): **\$25.00 - \$17.50 = \$7.50**

Second plan pays **\$7.50**

Member out-of-pocket **\$30.00 - \$17.50 - \$7.50 = \$5.00**