MDM INSURANCE SERVICES INC.

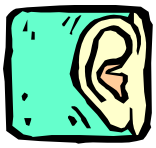
THE GUARDIAN

BENEFIT NEWS & VIEWS OCTOBER 2001

Welcome to the 3rd edition of The Guardian. This newsletter is designed to inform you of current topics and trends relevant to your employee benefit plan. The newsletter contains sections for both claims and administration issues. Please share this newsletter with others in your company (owner, benefits administrator, human resources managers, etc.).

Claims Issues

Further OHIP Cutbacks



The government announced, in late June, that many evaluations of hearing ability and consultations to fit and adjust hearing aids will no longer be paid for under the provincial health care plan.

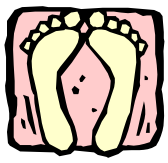
About one person in 10 suffers from hearing impairment, which is especially common as people age.

The de-listing of these services was to start July 1, but was postponed until August 14.

The cuts directly affect about 400 audiologists - non-doctors who test people's hearing and sell hearing aids. The government expects to save $7.7-million a year through two cuts under the Ontario Health Insurance Plan. Under one cut, it will no longer pay audiologists a fee of about $140 for selecting and prescribing a hearing aid. Under the other, it will no longer pay a range of fees for diagnostic hearing tests done by audiologists unless they work directly under qualified physicians who interpret the results. These fees generally run from $40 to $100.

The services of an audiologist are not covered by your employee benefit plan and as such, these de-listed services will not be eligible for reimbursement.

Podiatrists and Chiropodists - What is the Difference?



Many people are confused by these two titles particularly since they are governed by the same act in Ontario. Podiatry is a regulated health profession in B.C., Alberta, Ontario, Quebec, Manitoba, and Saskatchewan.

The main difference is *education.* Podiatrists are trained as physicians of the foot and receive the equivalent training of family physicians. Following a pre-requisite bachelor of science degree, podiatrists attend a college of podiatric medicine (in the U.S.) and are granted a Doctor of Podiatric Medicine (DPM) degree. Chiropodists attend a three year program (increased from a two year program) following high school.

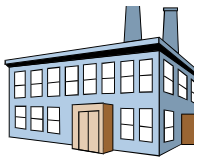
Podiatrists are trained in bone surgery of the foot, chiropodists are not permitted to perform such surgery.

The chiropody program is unique to Ontario. According to provincial legislation, chiropodists are not permitted to practice in B.C., Alberta, or Quebec. Manitoba and Saskatchewan are enacting legislation which will permit only podiatrists to practice in those jurisdictions.

The services of a podiatrist, much like those of chiropractors, are OHIP eligible expenses. Chiropodists' services are not covered by OHIP.

The services of a chiropodist are eligible expenses if your plan provides coverage for podiatrists.

Absent Employees: The Employer's Role



As the employer you can provide important information with respect to employees who are absent from the workplace due to illness/disability.

Through Early Intervention, Weekly Indemnity and Long Term Disability claim adjudication, information is gathered from several sources. One of those sources and often the most informative source is the employer. Knowing the claimant and working with them on a daily basis, employers can provide valuable knowledge that may not necessarily be provided on a claim form.

It is important employers realize that their input with respect to claims is essential. It is important for employers to advise: the sequence of events that occurred prior to the employee's absence, recent performance on the job, any recent change in job duties or location, recent performance reviews, conflict with co-workers or supervisors, history of absence, other current jobs/employers, your interpretation of the reason for the employee's absence, and any other observations or information that can be provided.

It is important for employers to know that they have an obligation to the absent employee to provide him/her with any light duty or modified work that can be offered. This will ensure that your employee, if capable, can return to work in a timely manner.

By including all relevant information from all sources, we can ensure that we are adjudicating your employee's claim fairly, considering all details of his/her absence. If additional information can be provided to our adjudicators, a telephone call to the office or faxed documentation is appreciated.

Administration Issues

Employer's Liability

An employee has applied for disability benefits and the application is pending. You don't think the individual will ever be able to return to work for your company. What do you do? Do you terminate employment and employee benefits? In this situation, do you know what is your potential liability to the terminated employee? If you as an employer find yourself in this situation, you would be well-advised to consult with your legal counsel and know your obligations under the provincial Labour Standards Act and/or Human Rights Legislation.

Most group insurance policies include a group life insurance benefit. Generally the group life insurance contract includes both a waiver of premium for total disability and a conversion provision.

When a disabled employee qualifies for the life waiver of premium, group life coverage continues without payment of premium while the employee remains disabled according to the terms of the contract. This means that the insurance company remains liable for group life insurance benefits once the waiver has been approved.

The group conversion privilege permits employees losing their group life coverage for reasons such as termination of employment, to convert the group life insurance amount (within certain contractual limits) to an individual plan of insurance without providing health evidence. Group life benefits continue for 31 days after termination during which time the individual must exercise his/her conversion privilege. The employee is responsible for premium payments for the individual plan. It's always a good practice to notify terminating employees of their group conversion privilege. Employers who fail to do so may become the "insurer" of the group life benefits during the common-law notice period.

Co-ordination of Benefits

Co-ordination of benefits (COB) is an insurance industry term used to define how eligible expenses are divided between insurance companies in the instance where both spouses have benefit plans.

With the introduction of pay direct drug cards, it becomes very tempting to process all family member's prescriptions on the drug card to save the inconvenience of paying up front, filling out forms, and waiting for reimbursement. The result is that claims costs increase dramatically and ultimately, premium rates increase.

The Canadian insurance industry follows these COB rules when more than one insurance company is involved in claims payment:

- ✓ The insured employee's claims should be submitted to their own insurance company first, then to their spouse's plan.
- ✓ Children's claims go first to the insurance company of the parent who has the earliest birth date in the year (year of birth is not a factor). For example, one spouse's birth date is January 22 and the other's is October 31. Claims for the children go first to the insurer of the spouse with the birth date of January 22.
- ✓ When submitting the initial claim to the first insurance company, take photocopies of all receipts, claim forms, and other relevant documents for submission to the second insurer.
- ✓ When submitting to the second insurer, include a completed claim form and a copy of the other insurer's explanation of benefits (EOB).

Improper use of co-ordination of benefits could have a negative impact on your extended health care and dental plans. **By encouraging your employees to follow these COB rules, claims expenses will be allocated properly among insurance companies.** If your plan has a drug card, following the COB rules will reduce your claims.

New Enrolment Form Reminder

Just a reminder that we have a new enrolment form that will make plan administration easier. The new form contains instructions for proper completion on the reverse. Hopefully these handy directions will help reduce the number of employee errors.

The following is a review of the most common errors and omissions received on enrolment forms:

- enrolment form was not completed in ink (pencil is invalid);
- employee did not provide their province of residence, date of birth, or name a valid beneficiary;
- dependent dates of birth were not given when the plan design provides for dependent life, extended health care, and/or dental benefits;
- employee did not sign or date enrolment form or it was not witnessed;
- employee has indicated they wish to waive extended health care and/or dental, but has also indicated they wish to co-ordinate benefits with their spouse's plan (which causes uncertainty about what coverage is actually being applied for).

The Plan Administrator is responsible for completing the employee's date of hire, the occupation, number of hours worked, and salary or wages of the employee. The Plan Administrator must sign and date the card as well.

Remember, enrolment forms are only used when adding a new employee to the plan. All changes to an existing employee's coverage should be recorded on a Group Policy Change Form.

To obtain a supply of these new forms, contact our office.