

Quebec Drug
Insurance Pooling
Corporation



Société de compensation
en assurance médicaments
du Québec

DRUG INSURANCE IN QUEBEC

Terms and Conditions for 2010

The Quebec Drug Insurance Pooling Corporation recommended Terms and Conditions for 2010 are derived each year after consultation with the industry. The following Directors composed the committee responsible pour the review of the terms and conditions for pooling: Ms Suzanne Caron, M. Chris Jansen, Ms Nathalie Laporte, M. Sylvain Paré, and the Executive Director, Ms Claude Di Stasio.

Presented to the Quebec Drug Insurance Pooling Corporation on October 27, 2009

PROPOSED TERMS & CONDITIONS FOR 2010

In 2009, the *Quebec Drug Insurance Pooling Corporation (Corporation)* pursued its work on an in-depth review of the terms and conditions of pooling in order to ensure terms and conditions that will be fair and respond to industry needs. An industry consultation followed in the fall of 2009. Then, taking into account comments received during this consultation, the Corporation established a two year plan for the extension of coverage to non insured plans no later than January 1, 2011.

For the year 2010, the Corporation's Board of Directors' recommendation is to maintain the actual model. However, while the number of bands is maintained, the pooling thresholds and the corresponding annual factors have been adjusted to reflect market trends.

Size of group (no. of certificates)	Threshold per certificate 2010	Annual factor <i>Without</i> dependant(s)	Annual factor <i>With</i> dependant(s)
Less than 25	\$ 4,800	\$ 128	\$ 354
Between 25 and 49	\$ 12,400	\$ 60	\$ 163
Between 50 and 124	\$ 23,000	\$ 23	\$ 63
Between 125 and 249 *	\$ 37,000	\$ 10	\$ 27
250 and over **	\$ 60,000	No explicit charge ***	No explicit charge ***

* Insured groups only – private plan coverage

** Insured groups only – RGAM coverage

*** For information purposes only: Estimated charges are \$3 for 'without' and \$8 for 'with'

All plans are subject to the following conditions:

- Given that the lowest threshold level (set at \$4,800) exceed the amount of expenses required to reach the annual out of pocket maximum, the compensation formula becomes 100% of the amount in excess of the threshold.
- The pooling parameters have been modified according to a projection of the volume of future claims using an average trend between the years 2005 and 2007 as hypothesis for inflation in drug costs. The growth ratio used for each stratum is

subject to a minimum of 10% and a maximum of 80%. This hypothesis takes into account observed variations in the occurrences of large claims over size of groups observed in the market.

- Thresholds for groups have been set, so that the rate increases for a group with poor experience following a very large claim, will be less than 20% before inflation in the cost of medications.
- The terms and conditions of pooling assume a loss index of 90%.
- A per certificate pooling approach continues to apply.

Specific conditions for plans with fewer than 250 certificates:

- Eligible medications are those covered by the private plan.
- The compensation formula, based on risk sharing, remains the so-called pyramidal formula of compensation by levels, which makes it possible to avoid the difficulties of a given stratum having to absorb an exceptional volume of large claims by sharing them across the entire pooled population using a cumulative approach by level.

Specific conditions for to plans of 250 certificates and over:

- Only the costs of medications covered by the basic plan (RGAM) are pooled.
- The participant must establish a suitable pooling charge according to its experience.
- The method of compensation, based on market share, remains unchanged.

The proposed pooling parameters for 2010 satisfy the 20% Test, as follows:

Size	Threshold 2009	Incidence* of claims above the threshold	Rate increase
Under 25	\$ 4,800	3.24%	7%
Between 25 and 49	\$12,400	0.59%	13%
Between 50 and 124	\$ 23,000	0.26%	19%
Between 125 and 249	\$ 37,000	0.06%	18%
250 and over	\$ 60,000	n.a.	n.a.

* The incidence is calculated for each threshold in considering groups of all sizes, as the number of certificates presenting a claim exceeding the threshold divided by the total number of certificates exposed to risks.