Christy Insurance Agencies Ltd.

Volume 2, Issue 4

August 2011

The Insurance Insider

Managing benefits costs requires communication and control

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"Research from the 2011 sanofi-aventis Healthcare Survey shows that 59% of employees would choose to keep their benefits plan if given the option to trade it for $10,000 in cash"

Benefits plans matter to employees. Research from the 2011 *sanofi-aventis Healthcare Survey* shows that 59% of employees would choose to keep their benefits plan if given the option to trade it for $10,000 in cash.

But as much as employers want to provide these benefits to their workforce, they are struggling to manage plan costs. This is by no means a new challenge for plan sponsors, but it's one that has progressively taken centre stage for employers everywhere.

Controlling Costs

When provincial governments first started talking about lowering the prices for generic drugs, plan sponsors and industry professionals were optimistic about the effects of these changes. However, when talk changed to action and British Columbia, Alberta, Ontario, Quebec and, most recently, Nova Scotia announced their respective drug reform legislation, reality hit. The new generic drug pricing has had minimal impact for most plan sponsors.

Shawn O'Brien, senior consultant, health and benefits, with Aon Hewitt and a member of a panel examining the impact of drug pricing reform, said that Ontario plan sponsors are starting to see savings. However, these savings aren't extraordinary, since the generic pricing caps currently apply only to drugs listed on the Ontario Drug Benefit formulary. He also noted that any savings employers might be seeing could be negated as more biologics come down the pipeline. "There will be another [cost] spike," he said, adding, "[Drug reform] isn't what we originally thought it would be."

Vic Medland, president, group insurance services, with the Ontario Teachers Insurance Plan (also a panelist at the summit), backed what O'Brien said. "There is no question that the easing for generics is helping [us], but we are at a 52% fill rate for our generic drugs, which is a bit higher than most plan sponsors," Medland explained. And he knows there is only so much that can be saved from using generic drugs. "We are looking at plan design, and it's forcing us to be a bit more creative. How do we work together to take maximum advantage of what is available to us?"

Better understanding cost drivers—and how employers are going to control current and future health benefits costs—was a running theme throughout the group benefits stream of the conference. According to the 2011 *sanofi-aventis Healthcare Survey*, 41% of plan members would prefer to pay higher premiums to maintain their current benefits in the event that their employer was unable or unwilling to pay for increased costs. And more plan members (28%, versus 23% two years ago) would be open to increased co-pays based on an individual's actual use

Managing benefit costs cont...

Crafty Communication

Creating effective benefits communications will help plan sponsors get the most value from their benefits plans. But fully implementing a strategy that meets the needs of an organization is a challenge—and, for some, even a guessing game.

Do plan members understand the programs? Are employers offering what members need? How can employers change their programs to better meet employees' needs and wants without incurring more costs? Employees should be involved in answering these questions, but getting them to pay attention and give feedback isn't as easy as it should be.

One reason could be that employees don't truly understand the messages they receive. The makeup of an organization's workforce may have changed drastically since the employer first implemented the benefits and retirement savings plans. Does the current messaging take factors such as age, language and culture into account?

In particular, plan sponsors need to keep culture in mind—not only when developing their plans, but also in plan communications, explained Chad Lewis, founder of Intercultural Focus in Boston and keynote speaker at the summit. According to Statistics Canada data, Canada has one of the highest foreign-born populations, with 19.6% born elsewhere. And, if trends continue as expected, about 22% of the Canadian population will have been born outside of Canada by 2017. "Why is this important?" Lewis asked. "Because they are your customers—but also your employees."

Communication is more than just verbal; it's nonverbal as well. Body language, presentation and even silence are all forms of communication. How people present themselves—for example, their hand gestures and the way they stand—can reveal a lot before they even say a word. The same applies to the way employers package their benefits communications. Lewis used wedding invitations as an example to show that the presentation of materials is as important as what they say. "How many people here sent their wedding invitations out on a napkin?" Obviously, there is no one style that suits all plans, but presentation matters when planning these vital tools.

How can silence be a form of communication? "Silence is not the absence of communication. When my wife gets mad at me, she gives me the silent treatment, and I know exactly what that means," Lewis joked. When plan members are silent—despite your communication efforts and opportunities for them to ask questions—does it mean they don't understand? Or do they fully understand and just have no questions? When it comes to the intricacies of pension and benefits plans, it's likely the former.

So what can plan sponsors do to better communicate with a diverse workforce? "Be aware that your employees may have different priorities," Lewis advised. "Be prepared to be able to adjust your offerings...[and have] better awareness of your own communication style and language."

One small step that plan sponsors could take to significantly improve overall communication is to examine the messages they're sending.

- Could you be offering benefits that make sense to you

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Managing benefit costs cont...

- Could your materials be ambiguous?
- Which specific words might have multiple meanings?
- How can your literature be open to interpretation?

"A picture is worth a thousand words, but a word can be worth 1,000 pictures," Lewis summarized.

As workforce dynamics change, maintaining creative benefits programs and plan designs—as well as the communication and administration that surround them—will be a challenge for plan sponsors. But it's a challenge they'll need to address in order to remain competitive and sustain their benefits offerings.

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Reconsidering Executive Group Benefits

As Canada's post-recession economy recovers, attention is returning to the challenge of shifting demographics—specifically, the impact the impending wave of baby boom retirees will have. While many organizations have taken steps to ensure a good internal pipeline of senior managers and leaders, the question arises as to whether employers will be able to hang on to "homegrown" talent. Are they training and grooming tomorrow's executives, only to lose them to competitors?

For some organizations, whether attempting to attract or retain senior staff, the solution lies in paying competitive—or even more than competitive—executive compensation. However, as salaries, along with short and long-term incentive programs, come under greater scrutiny and recent stock market performance has, in some cases, made company shares a less appealing form of compensation, certain organizations are looking at alternative means to ensure they have the key people they need to achieve competitive advantage.

Executive group benefits under review
The results of Aon Hewitt's June *Rapid Response* survey on executive group benefits indicate that the question of whether or not to offer a separate group benefits programs for executives is garnering a lot of attention. Of the 213 Canadian employers that replied, 44% have either reviewed their executive group benefit programs in the last year or plan to do so in the coming 12 months. Amongst larger companies—those with at least 250 employees—interest is particularly high, with a third having reviewed their executive benefit programs within the past year, twice as many as compared to smaller employers.

These results don't necessarily mean that executive benefit programs have gained traction, however. Half the survey respondents stated their executives participate in the same core programs as other employees, with only minor differences, while another 38% indicated that benefits programs for their executives are exactly the same as those offered to other active salaried employees. Only 7% of organizations had a completely separate executive program. With so few employers currently offering separate programs, the level of interest in reviewing this question is high, perhaps suggesting the advent of a new trend.

Eligibility and reward
If there is movement towards introducing executive group benefit programs, some of those who have already implemented them may want to take a moment to better define eligibility; 19% of those who offer a separate program have not defined who the members of

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Executive Group Benefits Cont...

the executive group are. However, one-third define eligible members as the CEO and his/her direct reports, while slightly fewer (31%) also include certain functional or line leadership positions, amounting to less than 5% of their employees.

As for what executives are exclusively receiving as part of their package, the top five benefits are as follows:

- Company car or car allowance (57%)
- Medical exam provided by a private health service (45%)
- Vacation or time-off policies (31%)
- Higher long-term disability maximums (31%)
- Club memberships (30%)

When it comes to intentions to provide executive benefits in the future (from amongst those employers that don't currently differentiate), certain trends emerge from the data. There is little interest in increasing the prevalence of "typical" executive perquisites, like car allowances and club memberships— in fact, some respondents indicated that the prevalence of these types of benefits might decrease, regardless of position. Limited growth is expected in "traditional" benefits like medical, dental and long-term disability. The greatest uptake is expected in executive programs that offer private health services and wellness benefits— medical examinations, health spending accounts, personal or wellness accounts, and additional vacation time, for example. This suggests that employers are recognizing that long working days, lengthy wait times and reductions in government health services are having an adverse effect on executives' ability to get care. It also, of course, acknowledges that healthy executives are more productive.

Effectiveness of group executive benefits
Research from Aon Hewitt's annual *Best Employers in Canada* study reveals that employee benefits are not a major driver of engagement, although they can be a deterrent to high engagement if they are not communicated and administered well. Benefit programs can, however, help to push engagement higher when appropriately tailored to meet the needs of employees. They can certainly differentiate one employer from another.

In order to attract and retain key talent, organizations should focus on engaging senior managers and executives by creating a rewarding work experience that includes, for example, learning and development options, career opportunities, increasing responsibility and interesting tasks. Engaged executives are not likely to switch employers simply because another organization covers a club membership. However, group executive benefits may be worth a second look as a means of distinguishing the total rewards package for executives.

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Repair this disconnect: EAPs and benefits communication plans

It's fair to assume that not all employees want or need the services of an employee assistance program (EAP). We understand that those employees fortunate enough to have a robust personal network to provide knowledge or guidance on either crisis or non-crisis situations may not use a company EAP.

However, please don't cancel your EAP! While some employees may not need this service, most employees would benefit, at some time in their working lives, from access to an EAP.

In fact, according to the 2011 sanofi-aventis Healthcare Survey, **EAPs are the third most common health-related benefit** in organizations. Sanofi-aventis's latest annual survey of 1,598 employees across Canada revealed that 65% of plan members said "yes" when asked if they had access to an EAP at work. And of that group, 23% said they had used it in the last year.

Link between EAP usage and benefits communication

Now, let's look at the above in relation to another sanofi-aventis survey statistic—this one on the effectiveness of benefits communication. According to the same survey, over a fifth (23%) of plan members feel their health benefit plans have "poor" or "very poor" communication. So, even though 65% of respondents said they do, indeed, have an EAP available, **some may not know they have one.** Or, they may not realize the full extent of what is available.

While it is possible there might be some confusion over terminology, i.e., the different nuances of wellness, health benefits and EAP, this still indicates a disconnect between the availability of an EAP and the understanding required to access and use it. An EAP exists to contribute to the health and well-being of employees, as well as to provide them with access to information for their general lifestyle. It is an important investment on the employer's part and demonstrates a commitment to employees' personal lives.

But if it's not effectively communicated, the EAP remains a hidden gem that employees may or may not discover.

Another disconnect

When Sanofi-aventis surveyed a group of 50 plan sponsors across Canada and asked them to rate their benefits communication, 91% of plan sponsors thought they were doing a "good" or "very good" job at communicating about benefits. Contrast that to the 23% of plan members who said benefits communication was poor or very poor. (Note: Those 50 plan sponsors were not necessarily the employers of the survey's plan member respondents.) That's quite a discrepancy between member and sponsor perception.

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EAPs disconnect cont…

Chris Bonnett, president of H3 Consulting, is a long-standing member of the sanofi-aventis Healthcare Survey advisory board. He had this to say about what these statistics reveal regarding benefits communication and EAPs:

"Although they offer other services, EAPs still focus on mental health and relationship issues, many of which are tied to the workplace. The sanofi-aventis Healthcare Survey reports over one-third (35%) of employees have struggled with workplace stress so overwhelming that it made them physically ill in the last year. One area where plan members and employers completely agree is that only a handful of employers (5% according to plan members and 4% reported by plan sponsors) are very effective in helping employees manage stress. Clearly, EAPs have an important role to play, but employees need to know they exist and how to use them."

And here is the re-connect

To make the most of an EAP investment, a plan sponsor would be wise to invest thought and planning around effective benefits communication. Doing so will help to:

- heighten awareness of the EAP;
- identify its wide range of services;
- explain how to access it; and
- reinforce its aspect of confidentiality.

I suggest a plan sponsor first talk to the EAP provider to see what communication samples it may have on hand that can be circulated or tailored to the employee population. Further, drug and disability claiming patterns, as well as absentee trends, should be examined to see if there is a specific health issue manifest in the workplace that might improve if addressed through various modes of communications and education.

Finally, and simultaneously, a sponsor must examine what communication channels currently exist in the organization that work—and which ones don't yet exist but must be created—to ensure all benefits, including EAPs, are properly and effectively communicated. Doing so will help re-connect the financial investment in benefits and EAPs to more robust physical and emotional employee health as well as fiscal well-being.

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