Christy Insurance Agencies Ltd.

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"...The importance of communicating to employees cannot be understated…"

Best practices make perfect

"Why worry about details? You are just being overcautious. That has never happened in the 20 years I have been administering the plan, and I doubt it will ever happen in the future.

These are not acceptable reasons to ignore proper administration practices of a group insurance plan. Employees are aware of their rights, and they will challenge employers if they believe the employer has made an administrative mistake. Administrators of group insurance plans want to avoid any unforeseen administrative errors and ensure that employees have a positive experience with the benefits plan. The following list (by no means extensive) outlines a few tips for best practices that could be included in a plan administrator's routine.

Beneficiary Updates: After a marriage or divorce, the last thing on an employee's mind is updating his or her beneficiary for group insurance coverage. Employees should be reminded in writing on an annual basis to update their beneficiary, if required.

Enrollment Forms: Be sure to properly file employee enrollment forms and encourage employees to keep a copy of their form. If you need to send original copies to the insurer, keep a copy for your file.

Communication, communication, communication: The importance of communicating to employees cannot be understated. Employees need to be aware of changes to the benefits plan, new benefits or services, and renewal rate adjustments. In addition, it is good practice to provide general information on the plan so that employees are aware of the mandatory and optional participation benefits.

Continuation of Benefits: It's important to have a documented policy surrounding continuation of benefits for employees who are not actively at work (for example, maternity or paternity leaves, Workers' Compensation benefits, long-term disability, leave of absence, deferred salary leave and sick leave). The Continuation of Benefits policy should indicate what benefits will be covered during the leave, for how long and what the cost-sharing arrangement will be. It is important that employees are aware of the policy and that the insurance carrier is in agreement with the policy.

BEST PRACTICES CONT...

Review Billing Statements: After the renewal has become effective, confirm that the proper rates have been used for the billing statement. Human error can easily lead to inaccurate renewal rates being implemented. In addition, it's worthwhile to periodically review the billing statement to ensure that all employees are properly enrolled for the appropriate level of coverage.

Avoid Conversation at the Water Cooler: Encourage employees to submit any questions in writing so that you can respond to them in writing. This provides a paper trail of your discussion in the event that there is a disagreement in what was communicated. You do not want to be caught in a game of "he said, she said" over an important benefits issue.

Optional Benefits: Periodically review the enrollment in the Optional Benefits section, and be sure to communicate to employees that these benefits are available.

Non-evidence Maximum Limits: Periodically review the existing Basic Life and Disability coverage amounts to identify employees who have reached the non-evidence maximum and ensure that those employees have been given an opportunity to apply for any potential additional coverage.

Conversion: Be sure employees are aware of any opportunities to convert their coverage under the group insurance plan at the time they are terminated from the plan.

Contract Binder: Have one binder that includes a copy of all group insurance contracts, employee booklets and amendments. Keeping a summary of all plan amendments, the effective date of the amendment and the applicable rate adjustment in this binder is also a worthwhile idea.

Review Contract Details: On an annual basis review the details of your group insurance contract to ensure that your administration practices align with the contract provisions and definitions. Be sure to focus on definitions and provisions such as the definition of eligibility, earnings, dependents, waiting period, termination ages and continuation of benefits.

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"There is a lot of buzz these days concerning new visualization aids for oral cancer screening known as adjunctive screening aids."

What to expect when your employee is expecting

When it comes to the workplace and motherhood, we've come a long way, baby. A woman's job is now protected when she's on maternity leave, guaranteeing her the same position (or a comparable one) when she returns. And a combination of maternity and parental benefits are payable to the mother for a maximum of 50 weeks through employment insurance (EI).

While that's great news for new mothers, employers are left to figure out how to cope without an important team member for an extended period—many times up to a full year.

In any leave situation, communication is key, according to Jean-Marc MacKenzie, senior vice-president at Morneau Shepell Ltd. in Toronto. "You need to have effective communication with your workers leading up to this process, during the leave and then reintegration back into the workplace," he says. André Nowakowski, a partner in the labour and employment law department with Miller Thomson LLP in Toronto, agrees, adding that communication helps with business planning and the employee's own personal planning.

"Maternity leave is not simply something that you can say, 'Here's the policy. Here are the statutory requirements,'" says MacKenzie. "Employers are starting to recognize that this is a process that needs to be managed." A process that should be managed during three phases: before, during and after the leave.

Before…
As early as possible, a pregnant employee must supply a formal letter to HR indicating her intended leave start date and return-to-work date. The employer can then begin to think about coverage for her workload while she's on leave. Depending on the industry and employer, there are several options.

An employer can choose not to replace the employee (for example, the employee's role may be so specialized that it may be too difficult to find a contract replacement). Or, the employer may simply disperse the employee's duties to other employees. "Usually this is not that possible," says Christopher McHardy, a partner in the labour and employment group with McCarthy Tétrault in Vancouver, "as other people have a full-time job as it is."

The common scenario is hiring a replacement/contract worker. The replacement usually comes from one of two sources, says McHardy, a temporary agency or the marketplace. "The temp agency, in some respects, can be less of a headache because somebody else is responsible for that person, but it's usually more costly because

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"In any leave situation, communication is key…"

What to expect

you're paying a premium to the agency," he says. Typically, then, this leaves the employer to go to market to hire a contract worker with the right skill set for the position.

Another option is for the employee to continue to be involved in the workplace somehow. "If that's something the employer is interested in, then it might well offer that option to the employee," says McHardy. While this usually happens for more executive-type positions, he says, the employer and employee will have to arrange some kind of compensation for the hours the employee works.

But be careful with this, warns Nowakowski. "Any sort of working arrangement while someone is on leave has to be crystal clear that it's done with the employee's consent," he says. If the employer raises the idea of the employee working 10 hours a week while on leave, for example, is she going to feel pressured to take that work even though she wanted to be on leave? "That may get in the way of it being seen to be freely arranged, and that could expose an employer to risk," he explains.

Any work accepted during the leave needs to be considered carefully by the employee. "You can earn an additional $50 [a week] or an additional 25% of your weekly benefit, whichever is higher, before it starts to affect your EI benefits," says McHardy. "Once you earn more than $50 in a week, dollar for every dollar above that threshold is deducted from the EI benefit."

During...

Although the employee will likely be very busy adapting to motherhood during her leave, that doesn't necessarily mean she's not interested in what's happening at work. Once she settles into her baby-focused routine, she might yearn for that connection to the workplace.

Phil Sanford, a partner in McCarthy Tétrault's municipal group in Toronto, says when he started at the firm in the late-1970s, women would not typically come into the office while on maternity leave. "From my viewpoint, it was an utter and complete separation during that time period, and we weren't encouraged to communicate with people who were on mat leave. It was very bad form to interrupt them," he says. Though he admits this was likely done for the best of reasons.

But employers are changing. In 2007, McCarthy Tétrault implemented its Parental Leave Buddy Program, in which a lawyer going on leave partners with another senior lawyer of her choosing in the office. Lisa Vogt, national practice group leader of the real property and planning group with McCarthy Tétrault in Vancouver, says while most new parents all have friends they can talk to about parenting, the Parental Leave Buddy Program is really to help our lawyers stay in touch with their legal practice and the office.

The firm also provides each leave employee with a Parental Leave Toolkit, available in print and electronic forms. "It's a binder that includes all the information we think somebody going on a leave or about to have a new baby might find useful, including our parental leave and flex work policies," she says. Other information includes a list of lawyers in the firm with young children and advice from fellow lawyers who've taken leave.

Tara Piurko, a partner in the real property and planning group with McCarthy Tétrault in Toronto, has been through the Parental Leave Buddy Program twice, choosing Sanford as her buddy for both leaves. "He's a friend of mine and a partner I worked with a lot back then and still do now," she says.

But while Piurko says she did experience some anxiety when she was off, the program provided her with a positive experience. "A couple of times during my first mat leave I would simply email or call Phil and explain that I was feeling disconnected," she says. "Within the hour, I would feel completely connected again."

However, Piurko stresses that the success of a pro-

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What to expect cont...

program like this is really what the employee makes of it. She and Sanford were in contact via email or phone practically every day—and by the second week of her first leave, she was in the office to go for lunch. "My view of the program was about the job, about staying connected with the people I work with and staying connected with the files I work on, while not in the office full time," she says.

Early in her first leave, Piurko spoke to Sanford about the possibility of putting in two to three hours of work a day, two to three days a week (on a volunteer basis) toward the end of her leave. Sanford made some investigations and the deal was sealed; Piurko began the "part-time" transition at the end of October 2008. "When I came back officially in January 2009, it really felt like I hadn't gone," she said. "I hit the ground running and felt connected to the office." She did the same for her second leave, which ended in December 2010.

"It was really good in terms of transitioning back to work, getting away from the kids and getting your family used to you not being there all the time—and just getting into a routine," says Piurko.

After...

But while an employee may have stayed connected with the workplace during her leave, there are trends in the marketplace indicating that some women will not return from mat leave. How can employers mitigate this? Some offer a top-up (paying employees the difference between the EI benefits and some percentage of their salary) as a way to retain women. According to a Statistics Canada survey, in 2008, within 18 months of giving birth, 96% of women with paid benefits and a top-up returned to work for the same employer, compared with 77% with paid benefits and no top-up. Only 46% with neither benefits nor top-up returned.

Compensation is an obvious retention factor but so is an employer's flexibility. Nowakowski says there are more and more cases in which employees returning from mat leave are looking for some kind of alteration in the hours they work. For example, the employee may have to start the day later and leave later in order to accommodate daycare drop-off and pickup. "While the Ontario Employment Standards Act may not say, for example, that a change to a 9:30 a.m. start has to be granted, the Human Rights Code may require an employer to consider whether it can accommodate that type of change up to the point of undue hardship," he says.

Furthermore, as Canada faces a labour shortage in the coming years, employers' ability to convince employees to return from a mat leave by offering more family- and child-friendly work policies (e.g., accommodating different capacities such as part-time work or flex hours) will be especially important, says McHardy.

But even if a woman returns to work after her leave, it can still be a shock to the system after a lengthy time off. Some organizations, according to MacKenzie, have gone so far as to give returning employees a reorientation. "You don't need to put them through the full-blown training program, but a reorientation program with the worker to re-engage her back into the workplace so that she's aware of any changes in policy, any changes in departments, anything that's gone on," he says.

The returning employee may even require training. "If a computer program's been upgraded, if a new phone system's been put in place or a new manual's been put out—if an employee hasn't been trained or updated on that, it's not a great experience when she is still going through the transition of coming back into the workplace," says MacKenzie. "And the goal is to re-engage her and get her as productive as quickly as possible."

- While there may or may not be changes in the work-

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What to expect cont...

almost certainly be changes in the employee. The woman who left to have a baby is a very different woman when she returns—and employers need to acknowledge and, if possible, accommodate this through flex hours, for example.

Another concern involves transitioning other employees back to working with the person returning from leave. What happens if your replacement worker is a star? "Everyone loves them; they perform fantastically," says McHardy. "The replacement has knocked everyone's socks off and no one wants the incumbent back."

While McHardy says it's not common, it does happen. By law, however, the employer must return an employee to her pre-leave position (or a comparable one). "Any time you're not going to return an employee to her position, there's going to have to be very good documentary backup to why that has occurred, in explaining why the position does not exist, for example, in order to establish that an exception to the requirement to return the employee exists in the circumstances," says Nowakowski.

However, that doesn't necessarily mean the replacement has to leave. "With the changing dynamics, it's not one minus one—one has to go and one has to come back," says MacKenzie. "There are opportunities with the changing environment to keep contract workers if they are successful," he says, including a parallel position in the department or another position within the organization.

Maternity leave can be a win-win situation for both employers and employees. If employers continue to implement family-and child-friendly policies, offer top-ups and offer support during an employee's absence from the workplace, we will have come an even longer way.

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Plan Sponsors not utilizing cost containment.

Ever-increasing prescription drug prices have generated much discussion about how best to control these escalating costs. However, the results of a recent Aon Hewitt *Rapid Response* survey suggest that, while there's been a lot of talk, there has been little action. Even though certain solutions have been available for some time, there are many organizations that have not taken advantage of them. In fact, in some cases, plan sponsors are not even aware of the options open to them.

If plan sponsors are slow to react, it may be because they believe no action is required, thanks to recent changes to legislation in some provinces regarding generic drug pricing. Caps on the price of generics, along with the fact that a number of frequently prescribed drugs are about to come off patent, may well mean that drug plan costs decrease without any effort on the part of plan sponsors. However, the savings will be greater for those organizations that seize the day.

The window of opportunity

With the combination of generic pricing legislation and expiring patents, many plan sponsors will be able to achieve a reduction in historical medical inflation rates with minimal action over the next couple of years. However, a passive approach to drug plan cost management will also only have short-term success, given another factor that is beginning to gain momentum—the increase in biologic drugs.

Historically, the cost of an individual traditional drug ranged from $1,000 to

"a passive approach to drug plan cost management will also only have short-term success…"

Cost Containment continued

$2,000 per year per prescription, at most. These drugs were used to treat conditions such as high cholesterol and depression, and several are about to be replaced by generics. Biologic drugs, on the other hand, often cost between $20,000 and $30,000 per year. Many are used to treat chronic conditions such as rheumatoid arthritis, multiple sclerosis, Crohn's disease or lupus, for example. Biologics with a much higher price tag—between $100,000 and $700,000—are also becoming increasingly available.

The growing biologic pipeline raises issues for plan sponsors, not the least of which is balancing overall plan affordability with the need to ensure that employees and their families have access to life-saving treatment.

Best practice solutions
The January 2011 *Rapid Response* survey updated data that was collected in November 2009. What was surprising was how little action had been taken in that 14-month period with respect to managing drug plan costs, despite all the discussion around the need to do so. While 2011's 166 respondents indicated a higher level of awareness of some of the solutions open to them, there was little change in the adoption rate of cost management strategies. This finding was true even for the basic "best practices" solutions that have been available for some time.

Probably the most startling finding was the low take-up rate of mandatory generic drug substitution: only 47% of plan sponsors indicated that they had this strategy in place, while another 30% were still considering it. Given that this solution has been around for some time and makes even more sense given the recent legislative changes, one would have expected higher adoption.

Implementation of other best practice solutions is sporadic, according to the survey results. For example, while 84% review their drug plan data at least annually and 80% have introduced a prescription drug card, only 32% utilize prior authorization processes, and only 25% of respondents have added or raised limits to their dispensing fee caps.

Leading edge solutions
Other drug cost management strategies are available today (and have been for some time, in many cases) but not in widespread use, according to survey results.

Part of the issue appears to be lack of familiarity with these approaches. For example, with respect to managed drug formularies, 14% of respondents currently have this solution in place, 45% are considering it, and 23% state that they simply don't know enough about managed formularies to be able to make a decision. Similarly, in the case of improved co-ordination of benefits with provincial plans, 27% already have this approach in place, 37% are thinking about doing so, 33% of plan sponsors need more education before they can make an informed decision.

Given the growth of both generics and biologics, regardless of what decisions plan sponsors have made in the past regarding the implementation of these cost-saving measures, it is a good idea to revisit these solutions. Plan sponsors that may have decided in the past that the cost savings from a managed formulary were not worth the potential employee reaction may find that the financial side of this balance is far more significant than in the past.

Next generation solutions
A third category of strategies are those that have only recently become available or are not yet in place but are worth considering for the future. For most employers, these are not solutions that they will be implementing right now. However, for leading innovators or companies wishing to push the envelope, the potential to implement these solutions exists today.

These solutions generally involve some elements of either price negotiation (e.g., preferred provider networks, mail-order pharmacy, direct negotiation

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COST CONTAINMENT CONTINUED

with suppliers), health management (e.g., high-cost claimant management, health coaching) or behaviour change (e.g., targeted communication, step therapy).

Only a small percentage of employers (less than 10%) are looking at these solutions right now, but as plan sponsor drug costs begin to surge upward in two to three years, the expectation is that the interest in these next generation approaches will grow quickly.

Today, it is incumbent on plan sponsors to understand what these next generation solutions are, and how they work. Even if they do not expect to implement them in the short term, an appreciation of the potential plan management strategies of the future is important.

A range of solutions

Drug plan management solutions exist. Rather than avoiding the introduction of drug cost management solutions, it is important for plan sponsors to continue to increase their awareness of the solutions open to them and evaluate them in the context of their own employees' health. There are solutions currently available that all organizations should consider in order to ensure good governance and proper drug plan management, for today and for the longer term

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