

THE INSURANCE INSIDER



SMALL BUSINESSES CAN BENEFIT FROM BENEFITS PROGRAMS

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“...more than three quarters of small business owners and managers in Canada believe that taking care of employees makes them work harder

The bulk of Canadian employers believe that offering benefits increases employees’ productivity and gives them a hiring advantage—but many employers aren’t implementing the necessary programs to reap those benefits.

According to Manulife Financial’s [Small Business Research Report](#), more than three-quarters (76%) of small business owners and managers in Canada believe that taking care of employees makes them work harder for the company, and 55% believe that offering competitive health benefits is a crucial element in attracting and retaining top talent. Yet despite this, 42% of small business owners surveyed do not currently offer such benefits, although almost one in three (27%) have considered it.

This data shows there is a significant level of interest and a considerable market opportunity for health and retirement benefits within Canada’s small business community. Understanding the views that small business owners have about benefits plans and how they align with their business goals is a critical success factor for advisors working in this segment.

“An advisor who understands what small business owners are going through, and the concerns they are dealing with, will be more effective when it comes time to help address those concerns,” says Marc Avaria, vice-president of group small business for Manulife Financial.

The report surveyed more than 1,000 small business owners across the country about the main challenges they face in managing and growing their companies, including attraction and retention. It explored six main themes: professional support network, employee productivity and focus, top talent retention, cost control, access to capital and revenue growth.

Key findings from the report include:

- Six in 10 (58%) Canadian small business owners and managers offer a health benefits plan while another

27% have considered it.

- While 58% of respondents report offering a health benefits plan, fewer provide or offer various types of retirement or other savings programs for their employees, such as profit sharing plans (25%), group RRSPs (20%), special executive plans (18%) or an employee pension plan (15%).
- An overwhelming majority of small business owners (86%) feel an obligation to take care of the people who work for them.
- More than one-third (36%) of Canadian small business owners and managers believe not being able to spend time on big-picture planning is a problem for them. Of those, 85% are looking for help.



ONLINE CLAIMS AND BENEFIT FRAUD

Some insurance companies now provide online claiming for non-drug benefits (electronic adjudication of drug claims has been around for years). But how has this increase in online claiming affected—positively or negatively—group insurance fraud? What impact has this new claiming channel had upon the “misuse, abuse and overuse of benefits?”

Unfortunately, fraudulent activities continue to thrive. The interest in and catalysts for insurance fraud remain the same, regardless of whether the channel is paper or Web-based. Perpetrators still view group insurance as “free money” if they can only get to it undetected. And, as the average individual becomes more comfortable with online transactions, some of them may find it more palatable and easier to submit false online claims.

Fortunately, increased use of online claiming brings a greater ability to automate the processes for red flagging, researching and tracking the misuse and abuse of benefits.

According to Diane Geddes, associate manager, health and dental quality and integrity services, at Great West Life, “Electronic online claims submission is becoming more popular with claimants and providers alike. This, in turn, has forced insurers to expand and

modify the ways in which they review data for inconsistencies. At the same time, system enhancements allow for more automated claim processing, thereby enabling our investigative teams to constantly define and refine system rules so concerning patterns and trends are spotted more quickly.”

Investigative teams adapting

Insurance teams dedicated to catching and reducing fraud have had to adapt their skill sets as a result of online claiming. Automated analysis and tracking of online claims offers insurers a higher degree of—and easier access to—collected data. This, in turn, means insurers can now drill down with greater precision for deeper data analysis. From there, they can insert additional rules to red flag questionable claims and collect evidence to support possible allegations of fraud or abuse. Of course, an insurance company’s investigative and online software development teams need to understand what they are looking for before even writing the rule. And, certainly, once the data is in front of them, they need to understand how to spot inconsistencies.

According to Geddes, “By first understanding how misinformation is sup-

plied **on paper**—as well as the norms for that type of claim—investigators can then apply that insight into how the same practice might manifest itself through patterns illustrated in the collected online data.”

New and unique developments

Perpetrators’ basic activities have remained consistent over the years: exaggerating illness or injury; obtaining multiple prescriptions; maintaining eligibility when it is no longer in effect; submitting false claims; claiming for services rendered by providers who are not registered to perform those services; billing for services that are not medically necessary, not rendered or stated as more expensive than they actually were; and billing for non-covered services disguised as covered.

But as our world has rapidly evolved, so too have new tricks. One is



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ONLINE CLAIMS AND BENEFITS FRAUD CONT...

the use of false advertising through social media. For example, one might see an ad on Facebook that says "Visit us! All services covered by insurance!" While this isn't any different than false advertisement in a poster or newspaper, it is a new channel to a much wider audience.

Another new trend is identity theft—but not in the traditional sense of stealing an identity to access an individual's assets; rather, in this context, it is to falsely pose as a service provider. With personal information more readily available than it was in the past, fraudsters may attempt to take a provider's identity and submit fake claims under the provider's name, address and provider registration number.

One health and dental benefits carrier, at least, has a process in place to help tackle these issues. Tony Petta, director of claims administration with Green Shield Canada (GSC), says GSC has a national provider registry. Because GSC's online claiming is undertaken largely by service providers (it is the service provider who submits a claim on behalf of the claimant), GSC is "able to insert more automated audit features targeted to providers," says Petta. "Not only that, but since our provider registry enables us to constantly rate and adjust a provider's status, we can more easily alter the manner in which a claim is

adjudicated. For example, a provider's status could be anywhere from 'excellent' to 'conditional' to 'failed' with many variations in between. We can even decide whether or not claims from a particular provider will always be subject to careful, individual scrutiny by simply inserting the rule 'manual adjudication only.'"

Can't evaluate success on dollars alone

It's not the size of the recovered or restituted funds that should determine the success of an insurer's efforts to manage fraud. Even small fraudulent cases nipped in the bud reflect an effective system. Catching relatively minor instances of abuse demonstrate a fraud department's success because those instances did not become greater crimes. Big police investigations and arrests may gain media attention, but insurers are particularly proud when they prevent small fraudulent activities from becoming catastrophic.

Going forward

The channel for the crime is also the mechanism for the solution. Even though fraud and abuse manifest themselves online, it is the online claiming system itself that is one of the best tools for catching fraudulent activity. According to Alex Popovic, assistant vice-president of operational and fraud risk management, finance, with Sun Life Financial, "Technology is wonderful. We invested a great deal in building technologies to detect fraud and manage abuses. Aside from our ability to accept claims online, we can also take paper claims and convert them into electronic data. Then our cross-functional team of investigators will mine that data for trends, inconsistencies and history. This has been a great advantage and tool for our investigative team."

In short, insurers continue to do their best to ensure crime does not pay.

-Esther Huberman October 2011



"Even small fraudulent cases nipped in the bud reflect an effective system."



A BREAK IN HEALTH COSTS FOR CANADIAN EMPLOYERS

After two years of increasing inflation in health benefits plan costs, Canadian employers can now expect a break, according to a survey released by Buck Consultants. Insurers have lowered their expected inflation costs for health benefits premiums (including prescription drugs, medical expenses, hospital coverage and dental care) from 15% in 2010 to 14.4% in 2011.

The 2011 [Canadian Health Care Trend Survey](#) analyzes the health cost trend assumptions that factor into the premium rate setting of 11 major Canadian insurers.

Insurers have dropped their inflation factors for prescription drugs—the fastest-increasing expense paid by group insurance plans—from 15.8% in 2010 to 14.2% in 2011.

“This is due to two impor-

tant factors,” says Michele Bossi, leader of Buck’s Canadian health and productivity consulting practice. “In 2010, several provinces implemented generic drug pricing reforms that reduce their cost. Also, the patents expired for several blockbuster pharmaceuticals (such as the top-selling cholesterol drug Lipitor) in 2010, opening the door for lower-cost generic substitutes.”

The survey shows a downward trend in dental cost inflation across the country (from 8.7% last year to 8.2% in 2011), while hospital inflation factors have seen an overall decline since the end of 2007 (from 10.6% in 2008 to 8.2% in 2011). Use of dental services—a factor that is sensitive to economic conditions—has levelled off, perhaps reflecting increased employee confidence in job retention and

availability of benefits. A continuing shift from inpatient to outpatient treatments has been reducing employers’ spend on hospital accommodation.

“This year’s survey results are welcome news for employers,” Bossi says. “The general trend reversal for both health and dental costs could mean we’re finally seeing the impact of wellness programs and a healthier workforce. For now, employers can breathe a sigh of relief that benefit cost trends are finally decelerating.”



“Insurers have dropped their inflation factors for prescription drugs”



KEEPING EMPLOYEES HEALTHY DURING THE FLU SEASON

'Tis the season—for the flu, that is. And that means it's time to consider ways to keep your employees healthy and your business running smoothly.

Patricia Curran, a principal in the national clinical practice of Buck Consultants, recommends that employers implement the following flu-fighting practices and policies.

Offer the shot

Provide employees with an on-site flu shot clinic or cover the cost of obtaining the shot outside of the office, says Curran.

She suggests employers discuss the importance of the getting the flu shot with their staff, especially since many employees may feel that since they're young or healthy, they don't need it. According to Curran, not only does the flu shot help protect the person getting the shot, it also protects the entire staff—particularly those who may not be able to get the shot due to allergies or illness.

The good news is that many employers have embraced the importance of flu shots. Curran estimates that 85% of large organizations now offer either on-site flu clinics or provide coverage to pay for off-site shots. She says that recent pandemic threats, such as last year's H1N1 scare,

and the increased availability of flu shots have made employers more aware and able to implement such initiatives.

Tell employees to stay home

Permit—and encourage—employees to stay home if they're sick, says Curran. All too often, employees come into work when they're not well because they're worried about using up sick days or vacation days, or because they're worried about the repercussions of taking time off. To battle this perception, Curran stresses that management lead by example.

"Senior management sets the example, the vision and assigns responsibility for carrying out a 'culture of health' philosophy," says Curran. "If leaders and managers stay home when they are ill, employees will be more comfortable doing the same. If they come to work and put in long hours when ill, employees will have the impression that this is what is expected of all employees."

If an employee absolutely must work while sick, allow him or her to telecommute, so that the illness is not spread to other employees in the workplace.

Educate and communicate

Send the message that the company is committed to employees' health and wellbeing, says Curran, and ensure employees know how to prevent themselves from catching the flu. Provide tips and suggestions, such as reminding employees to cover their noses and mouths when coughing or sneezing, to wash their hands with soap and water, and to avoid touching their eyes, noses and mouths since germs are easily spread this way. And above all, emphasize the company's commitment to wellness.

"To truly create a culture of health that will drive sustainable results, employers must deliver a comprehensive set of programs that focus on both the individual and the organization," says Curran.

"By encouraging employees to be responsible for cold and flu prevention, we begin to set the expectation of responsible behaviour around other health issues. If employers cannot influence the behaviour of employees to prevent the spread of colds and flu, how can we expect them to influence how employees control their chronic conditions?"

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