

THE INSURANCE INSIDER



MOVING CARRIERS FOR SOLUTIONS, NOT SAVINGS

INSIDE THIS ISSUE:

<i>Moving Carriers for Solutions Not Savings</i>	1
<i>It's not just the Biologics</i>	3
<i>High engagement means better profits</i>	4
<i>Employees Unprepared for Disability</i>	6
<i>The Secret to Easing Benefits Change</i>	7
<i>Drug Spending at Lowest Rate in 15 years</i>	10

“In reality, though, a transition from one carrier to another—while meaningful in some ways—can be time consuming, disruptive and costly...”

The lure of better rates, better service, streamlined administration, faster claims reimbursement and a more client-focused service platform are the focal points used by carriers to attract employee benefits plan business.

In reality, though, a transition from one carrier to another—while meaningful in some ways—can be time consuming, disruptive and costly. In the end, it's a package deal where employers must be prepared to take the rough with the smooth.

Employers always want to make sure they've got the best deal available, says Tina Tehranchian, financial advisor, Assante Capital Management, in Toronto.

She concedes, though, that the most suitable plan

may not necessarily mean paying the lowest premium.

“Sometimes there's service issues where they've had problems making a claim from the insurance company,” says Tehranchian. “They are very frustrated and are willing to pay more just not to deal with that insurance company anymore.”

There are times when it does make sense to change providers, says Brian Ganden, associate, Granville West Group, in Vancouver.

“Online platforms and plan administrator look-up tools have come a long way,” he says. “Some providers offer tools that are very appealing to some plan administrators.”

Tehranchian agrees it all depends on the unique needs of the company, which may be more what the current carrier is able to meet.

“Some companies are very interested in the chiropractic limit or how much massage therapy they can get,” she says while asserting that “by far the number one motivator is the bottom line.”

Both Ganden and Tehranchian warn employers not to take short-term marketing discounts at face value.

“By the time all the associated costs and time are factored in the actual savings from discounted premiums can be negligible,” says Ganden.



MOVING CARRIERS CONT...

Tehranchian says too much focus on the bottom line can have long-term implications.

“One of the caveats to watch out for is that some carriers really lowball when they want to get new business,” she says. “If the quote is considerably lower than the going market rate, there’s a good chance you’ll see a big jump in premiums the following year.”

Unusually low quotes, she adds, are often too good to be true.

One of the biggest barriers to changing carriers is the cumbersome process of doing it. There’s copious amount of paperwork to be done and if there’s medical underwriting involved, some of the employees may not qualify for portions of the coverage.

“The bigger the company, the more difficult it is to get everybody onboard and get the paperwork done,” says Tehranchian. “Depending on the structure of the plan, some underwriting might be need-

ed, and that could cause some problems.”

Brian Garden, associate, Granville West Group, in Vancouver, says the process can be quite time consuming. “Especially, when there are possible changes to the coverage, there’s increased time spent on administration, reenrolling members and on communication around the change.”

Then there’s always the potential for errors in the enrollment; gaps in information or transferring benefits improperly can cause disruption.

“Errors often occur when [employers] don’t disclose certain facts inadvertently or there’s error in paperwork that could cause a lot of back and forth,” says Tehranchian.

Another reason why companies consider changing carriers is because renewals get skewed when large claims are made by one or two people in the group.

“They think by going to a

new carrier they can solve that problem,” says Tehranchian. “But it’s not that easy; every new carrier will want to look at their claims experience, they will assess the situation and use the same criteria to decide on the rates that the existing company would have.”

Some benefit plans offer extended rate guarantees for a period of two years. This provides some cost certainty, but these guarantees are typically offered only on the less rate-sensitive benefits such as life insurance and long-term disability, says Garden.

Finally, changing carrier means forming a new relationship with the provider.

“The value of good relationships [becomes even more] evident while handling a difficult administration situation or a challenging claim need,” says Garden.

- Vikram Barhat



“...Unusually low quotes, she adds, are often too good to be true.



IT'S NOT JUST THE BIOLOGICS

While biologic drugs can represent a significant percentage of a plan's drug costs, a Green Shield report says they are not the only thing driving up costs. Of course, plan sponsors need to actively manage biologics as use continues to grow, but they need to look for other places to also control drugs costs.

Green Shield Canada's Drug Study found that 5% of plan members account for a very large proportion of plan costs (43%). In fact, the top 20% of high-cost claimants account for 75% of costs.

Today, high-cost claimants are increasingly prescribed a biologic therapy for chronic diseases such as severe rheumatoid arthritis

(RA), juvenile RA, Crohn's disease, psoriasis and others.

Biologics do dominate the top DINs list, according to the report. Remicade is in the lead (biologic for RA and Crohn's). Enbrel (for RA, ankylosing spondylitis and others) and Humira (RA, Crohn's, psoriasis and others) are two other biologics in the top five. Both of these moved up in the list this year. And the total cost of biologics continues to rise from year to year: from 9.4% in 2006/2007 to 12.3% in 2010/2011. This is lower than the broader industry trend, which sat at 14.9% in 2011.

While biologics account for

21% of the costs attributed to the high-cost claimants, according to the report, only 9% of these high-cost claimants are actually taking biologics. So, says Green Shield about the report, the high-cost claimant group is actually dominated by plan members that are taking all kinds of prescription drugs (not just biologics) for conditions such as hypertension (61%), high cholesterol (52%), depression (51%) and stomach disorders (50%).

-SmallBiz Advisor



“And the total cost of biologics continues to rise from year to year: from 9.4% in 2006/2007 to 12.3% in 2010/2011.”

HIGH ENGAGEMENT MEANS BETTER PROFITS

Consulting firm Towers Watson says it has found evidence that employers with a fully engaged workforce tend to have higher profit margins.

However, it has also found that more and more employees are feeling disillusioned with their workplace.

The study, which covered some 32,000 employees, including 1,000 in Canada, found that about two-thirds of the Canadian employees surveyed aren't "fully engaged" in their work and feel frustrated by the level of support they receive.

It appears that after almost a decade of pressure to do more with less, workers are finding themselves unable to sustain the kinds of positive associations with their employers that lead to greater productivi-

ty, the firm said. And this lack of engagement can have repercussions on a company's bottom line.

"The survey results are an important wake-up call," said Ofelia Isabel, Towers Watson's Canadian leader for talent and rewards. "The business case is compelling. When we compare engagement scores of global organizations with their operating margins, companies with high sustainable engagement have margins almost three times larger than those of organizations with disengaged workers."

In fact, the survey found that profit margins of such companies were about three times higher than those of low-scoring employers.

"When workers are not fully engaged, it leads to

increased risk for employers," said France Dufresne, leader of Towers Watson's talent and rewards practice in Montreal. "It makes companies more vulnerable to lower productivity and higher inefficiency, greater rates of absenteeism and turnover, and increased costs for chronic illnesses."

Towers Watson said it has been known for years that there's a link between workforce engagement and corporate performance, but that this study breaks new ground by measuring three factors that contribute to sustainable workforce engagement: traditional engagement, enablement and energy.



*"there's a link between
workforce engagement
and corporate
performance"*



HIGH ENGAGEMENT CONT...

- Traditional engagement refers to employees' willingness to give effort to their employer;
- Enablement means having the tools, resources and support to get work done efficiently; and
- Energy is defined as having a work environment that actively supports physical, emotional and interpersonal well-being.

According to the study, virtually all (95%) of highly engaged Canadian employees believed that they had the work tools and resources they needed to achieve exceptional performance—compared with only 20% of disengaged employees.

Similar disparities appeared with regard to the ability to sustain energy throughout the workday (97% versus 32%) and sense of personal accomplishment at work (99% versus 33%).

However, only 38% of the Canadian respondents believed that their organization and senior leaders encouraged and supported a healthy workforce, and just 39% believed that senior leaders were sincerely interested in their well-being.

Employee value propositions (EVPs)—which address career development, culture, values and rewards—also seem to be sorely neglected by employers. Only 34% of employees said their organization had a formal EVP and, where an EVP is in place, only 34% think their employer is doing a good job of living up to it.

“When there is no formal EVP or the EVP does not align organizational strategy with employee aspirations, sustainable engagement is difficult to achieve,” explained Yves Blain, a senior communication and change management consultant with Towers Watson.

While the survey findings point out some risks for employers, they also suggest opportunities to address the full spectrum of engagement, said Towers Watson.

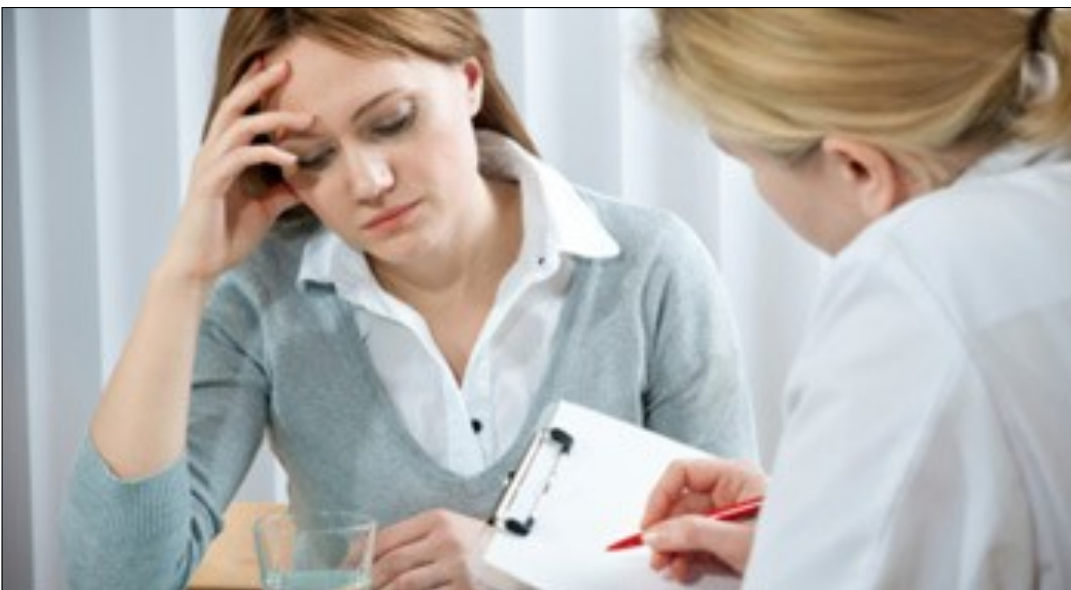
The study identified specific attributes of the work environment that are critical to traditional engagement, enablement and energy, highlighting actions employers can take to improve engagement and increase productivity.

“There is a real imperative for change right now,” said Isabel. “The world has changed, but have our programs and practices changed with it? The risks of continuing to manage the traditional way are just too great from a performance perspective.”

-Canadian Press



“Traditional engagement refers to employees’ willingness to give effort to their employer”



EMPLOYEES UNPREPARED FOR A DISABILITY

The likelihood of life-altering disability affecting employees could be greater than you—and they—think. And employees aren't prepared for it.

A new study by the State Farm Center for Women and Financial Services at The American College, revealed five trends about disabilities, their risks and related consequences.

While this is U.S.-based research, there are important insights that you might want to consider.

1. The leading cause of disability is arthritis and it's often mistaken. The overwhelming majority of survey respondents (97%) failed to correctly identify arthritis as the leading cause of disability, more frequently citing accidents and

work-related injuries instead. In reality, work-related accidents account for less than 5% of disability, and the rest are caused by chronic illnesses, according to the Council for Disability Awareness.

2. Women particularly at risk. The CDC confirms females across all age groups report higher disability rates than males. As the leading cause of disability, arthritis disproportionately impacts women, leaving them especially vulnerable to financial hardship stemming from a loss or reduction of income. The study found few are prepared.
3. Financial consequences of disability can be severe, especially for women. A person with an annual income of

\$50,000, who works for 40 years, is projected to make more than \$2 million in future earnings. A loss of these earnings can be devastating for an individual or family's livelihood. The financial consequences are more alarming for women. Women (22%) are almost twice as likely as men (12%) to think their cash reserves would last less than a month. Unmarried women have an even bleaker outlook.

4. Most lack financial plans to deal with disability. Fifty-nine percent of men and 63% of women are not concerned about becoming disabled and being



“The leading cause of disability is arthritis and it’s often mistaken.”



EMPLOYEES UNPREPARED CONT...

disabled and being unable to work for a year. Most say they would rely on cash reserves if they became disabled. However, nearly three in four (71%) respondents from the survey say their cash reserves would last less than a year.

Many are uninformed about their disability coverage. Sixty-one percent of women and almost half of men (46%) have never researched disability insurance. Almost half of employed individuals obtain disability policies through their employers, but most

don't feel knowledgeable about their policies. Four in ten are aware that disability insurance payments only last for a specified period of time.

“Our research revealed a great need for people, especially women, to be better educated about the risk of disability, and to be better prepared for the potentially devastating impact that a disability can have on their lives and families,” said Mary Quist-Newins, director of The State Farm Center for Women and Financial Services at the

American College.

“For most, their ability to earn an income is their most valuable asset and few have planned for this possibility, putting their financial futures at substantial risk,” she says.

-SmallBiz Advisor



Insurance Solutions for Business and Individuals

#19 - 636 Clyde Avenue
West Vancouver, B.C.
V7T 1E1

Phone: 604-913-2474
Fax: 604-922-9534
Email: info@christyinsurance.com



“Sixty-one percent of women and almost half of men (46%) have never researched disability insurance...”

THE SECRET TO EASING BENEFITS CHANGE

For most HR leaders, the formula for making changes to your benefits plan is pretty simple: change = big headache. And it's not just because of the extra paperwork.

Tinkering with benefits can take a toll on employee relations. The most minor

change can be regarded with suspicion or become a sore point—even when it's part of larger adjustments that result in a net improvement for plan members. But it doesn't have to be that way.

Whether you're going through a major pension

conversion or simply tweaking your flexible benefits plan, life will be much easier if you embrace a different kind of formula—one based on the “economics of trust.” The notion that trust is the cornerstone of a positive and productive organizational culture is not new. But the

BENEFITS CHANGE CONT...

connection between trust and a successful benefits change isn't always recognized.

Author Stephen Covey (*The Speed of Trust*) has a simple "speed of trust" formula that sums it up nicely. The formula establishes the relationship between trust and the speed with which a change can be made, as well as the cost of implementing that change:

$$\downarrow \text{Trust} = \downarrow \text{Speed} \uparrow \text{Cost}$$

$$\uparrow \text{Trust} = \uparrow \text{Speed} \downarrow \text{Cost}$$

Covey argues that low trust acts like a hidden tax on every activity within an organization, including every communication and every interaction.

Of course, not all organizations have trust issues. But if mistrust isn't a problem for your organization, you're likely in the minority. The results of a recent poll conducted by Maritz Re-

search paint a dire picture of employee trust levels. The poll found that approximately 25% of U.S. employees had less trust in management in 2011 than they did in 2010. Only 10% of employees trusted management to make the right decision in times of uncertainty, and just 14% believed their company's leaders were ethical and honest. Another U.S. poll by Deloitte LLP found that lack of trust and lack of transparency were factors in the decision of roughly half of all respondents planning to hunt for a job in the coming months.

In Canada, trust levels have remained relatively stable compared with other developed economies, many of which saw a double-digit drop in business trust last year. That said, according to global PR firm Edelman's 2012 Trust Barometer, only 32% of Canadians feel they can trust CEOs, putting them at the bottom of the trust scale (just below government

officials).

What this means for successful benefits change

When it comes to managing benefits change, it's not enough to send out a newsletter, conduct employee meetings, schedule webcasts, set up a blog, bombard members with tweets or launch an app. No matter how well designed or beautifully written your materials, without substance, they're just propaganda. Any attempt to "sell" something to your employees will only provoke any underlying mistrust.

Moving beyond propaganda starts with an understanding of the interplay between three key variables. These are—in order of importance—leadership, plan design and media.



"connection between trust and a successful benefits change isn't always recognized."

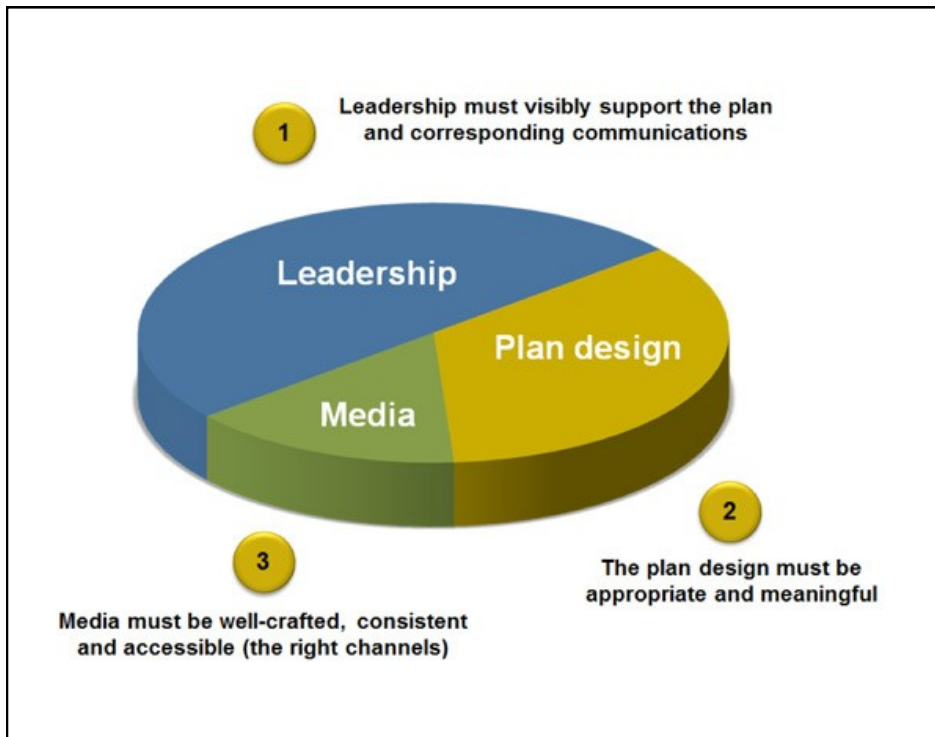


BENEFITS CHANGE CONT...



#19 -636 Clyde Avenue
West Vancouver, B.C.
V7T 1E1

Phone: 604-913-2474
Fax: 604-922-9534
Email: info@christyinsurance.com



Leadership

Employees will take their cues, first and foremost, from their leaders. This includes official leaders (such as managers), as well as unofficial leaders (you know who they are). You need to ensure that your leadership is onside. Unless your leaders visibly support the change and are willing to walk the talk, it will be tough—if not impossible—to sell your message to the broader employee population.

Plan design

Employees will judge your plan more by personal experience than by what they read or hear. For example, you can't go around saying that your plan offers "peace of mind" if it doesn't provide adequate disability benefits. On the

other hand, even bad news will be accepted if employees understand why it's necessary and believe it's appropriate and fair. The best way to ensure that this happens is to involve your employees (or a representative group of them) in the decision-making process. Active employee involvement creates buy-in and acceptance.

Media

Finally, the medium adopted to communicate the message—whether it's paper-based, electronic, face-to-face or some combination thereof—must be well-crafted, honest and accurate. The goal is to provide a window on what's going on and to make the change process as transparent as possible. This requires choosing the right

channels at the right time. If the message isn't accessed or understood, it can't do its job.

In short, the key to successful change is trust, and the key to trust is aligning leadership, plan design and media. Get it right and the speed of change goes up and the cost of change goes down. Get it wrong and you've got one big headache.

-- Susan Deller

"Employees will judge your plan more by personal experience than by what they read or hear. ..."

DRUG SPEND AT LOWEST RATE IN 15 YEARS

Drug spending in Canada continues to increase and is closely watched by employers and advisors alike. However, a recent report from the Canadian Institute for Health Information's (CIHI) has revealed some unexpected results.

According to the [Drug Expenditure in Canada: 1985 to 2011](#)—which updates trends in drug spending in Canada, primarily from retail establishments, using a variety of metrics, which include total expenditure, expenditure by public and private payers, expenditure by type of drug and a comparison of expenditures by province and territory, among others—Canadian drug spending continues to increase and reached \$32 billion in 2011.

The overall annual growth of drug spending is at its lowest rate in 15 years, according to the report. According to Eckler's recent GroupNews, which provided analysis on the report, CIHI estimates that the total share of health dollars spent on drugs in 2011 is 16%, the same percentage as was spent in 2001.

The slower pace of spending increase can be attributed to a variety of factors, says Eckler, including the expiry of patents for a number of highly prescribed brand-name drugs, as well as the implementation of generic drug pricing

control legislation in a growing number of provinces.

A surprising detail from the report, writes Eckler, is that the drug cost trends for some provinces (such as Ontario) fall far below what is seen from the insurance industry. Many insurers have addressed this as the industry has been some movement toward lower trend factors.

The report also shows that 85% of total drug spending in Canada was on prescription drugs—for a total of \$27.2 billion, which is an increase of 4.7% over 2010 figures. It is estimated that 45% of prescribed drugs are financed by the public sector, with the private sector financing the balance.

Prescription drug spending varies considerably by province. For example, per capita spending on prescribed drugs ranged from a low of \$576 in British Columbia to a high of \$985 in Nova Scotia. Growth in per capita drug spending also varied by province in 2011, from a low of 1.4% in British Columbia to a high of 9.4% in Newfoundland and Labrador.

While CIHI states that it must conduct further research to determine whether generic drug pricing policies are responsible for the lower costs seen in British Columbia and other jurisdictions, the press

release for the report states that it appears these policies may be having an impact.

Despite the slowing of drug spending increases, the report notes that Canada still has the second-highest per capita drug spending among eight comparator countries in the Organization for Economic Co-operation and Development (OECD). Only the United States has higher per capita drug spending, at \$1,145 compared with Canada's per capita spending of \$890.

Canada also has the second-lowest share of drug expenditure financed by the private sector. In 2009 (the most recent year that OECD data is available), 38.8% of Canada's drug expenditure was financed by the public sector, compared with 84.7% in the United Kingdom. Only the United States, at 31.1%, had a lower percentage of public sector drug expenditure funding than Canada.

-SmallBiz Advisor



“Only the United States has higher per capita drug spending, at \$1,145 compared with Canada’s per capita spending of \$890.”

