

# THE INSURANCE INSIDER



## PREPARING FOR HEALTHCARE AUSTERITY

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*“The two changes that have resulted in unprecedented savings for private drug plans since 2009 were: many best-selling prescription drugs lost patent protection in Canada; and provincial governments legislated price reductions for generic drugs ”*

In the past few years, government actions have positively impacted private health care plans by saving them money, a truly unique situation. However, it’s important to recognize that this has been an exceptional circumstance, one not likely to be repeated in the next round of government healthcare changes.

The two changes that have resulted in unprecedented savings for private drug plans since 2009 were: many best-selling prescription drugs lost patent protection in Canada; and provincial governments legislated price reductions for generic drugs that, in many cases, applied to both public and private drug plans.

Governments everywhere struggle under the weight of government debt and need to reduce government expenses. Austerity measures have ranged from mild to severe, but in

many cases have resulted in significant economic impact.

In Canada, austerity has not yet become part of the daily lexicon. However, a quick look at the provincial deficits and debts would indicate that this may soon change.

As of this fiscal year, only Saskatchewan is expected to run a budgetary surplus. Ontario’s deficit has been a potential concern for years, but now even oil-rich Alberta is showing signs of an imbalance between government revenue and expenditure.

While the exact figures vary by province, approximately 50% of the provincial government budgets now go towards healthcare.

This number is forecast to rise in the near future as our aging population puts

increasing demands on the healthcare system. For provincial government budgets, deficit reduction will shortly become an urgent goal, and that deficit reduction will be almost certain to include a reduction in government health expenditures.

### **Necessity is the mother of invention**

Expect to see Canadian provinces get more creative with their interpretation of the Canada Health Act in their need to reduce health expenditures. And, since the provincial governments pay for the majority of the healthcare bill today, what may seem like a small reduction in the provincial government health expenditures could mean a large off-loading of costs to the private sector.

In the past, when services or costs were de-listed by the government plan sponsors often made the decision to cover them on behalf of their employees.



**PREPARING FOR HEALTHCARE AUSTERITY CONT..**

Many plan sponsors cannot afford to do this anymore.

What kinds of changes might governments make?

**De-listing of services**

Services such as physiotherapists, chiropractors, ambulances, eye exams and dental visits for children were once covered by provincial healthcare programs. What services might be de-listed next? Lab tests? Elective surgeries? Treatment for conditions that are a result of poor lifestyle choices? Some of these are already starting to be debated.

**User fees**

Historically a no-no under the Canada Health Act,

could a \$10 user fee (waived for low income individuals) for using an emergency room be feasible as a way to encourage more cost effective types of care such as clinics and doctor's offices? As governments look to better manage their own health budgets, the use of financial incentives to change consumer behaviour could be a very powerful tool.

**Income testing**

Several provinces already use income testing for prescription drug coverage. One of the most politically acceptable ways to implement user fees into the healthcare system would be to charge those who can afford to pay. Ontario will begin charging "wealthy" seniors (those

earning over \$100,000) more for their drug coverage beginning in 2014. What else might the wealthy be able to pay more towards in the health care system?

If the government begins to download costs, will plan sponsors pick up the costs on behalf of their employees? Based on their existing insurance contracts, or union bargaining agreements, will they have a choice?

A new era of tough decisions for plan sponsors is coming soon.

-Tim Clarke



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## PRIVATE DRUG PLANS OFFER BETTER COVERAGE

Canadians insured under private drug plans have significantly better access to new medicines than those who are only covered under public plans, according to a new study from the Canadian Health Policy Institute (CHPI).

Using data from Health Canada and IMS Brogan, CHPI researchers compared access to new medicines for patients covered under each of the 11 federal and provincial public drug programs across Canada, as well as between public and private sector drug plans.

The results showed a range of coverage from plan to plan, and differing depending on jurisdiction. Some plans provide full and immediate access to the latest and most advanced medicines available; others cover a small fraction of drugs certified by Health Canada.

Averaged across all federal/provincial public plans, only 20.5% of all the new drugs approved by Health Canada from 2004 to 2011 were insured, and patients waited an average of 659 days for insured access. Between jurisdictions, Quebec had the most generous public insurance coverage for new drugs (38.9%); Manitoba, the least generous (12.6%). The wait for publicly insured access was shortest in Quebec (430 days) and longest in Prince Edward Island (908 days).

In a nationwide private-public plan comparison, 81% of new drugs were insured by at least one private plan compared with 47% by at least one public plan, and private plan members waited an average of 127 days for insured access, compared with 467 days for those covered under public plans.

“Good drug insurance should provide financial protection from the unexpected and unaffordable cost of necessary medications should you or your family become ill,” said CHPI CEO Brett Skinner. “Our study helps to raise public awareness about differences in the insurance coverage provided to patients under Canada’s various drug insurance plans.”

In Canada, the federal government operates five separate public drug plans covering about one million people; the provinces and territories separately operate their own public drug plans for eligible residents covering about 10.3 million people in total. More than 23 million Canadians have private drug insurance, mostly as a benefit obtained through employment. An estimated 700,000 Canadians have no drug coverage.

- BenefitsCanada



*“In a nationwide private-public plan comparison, 81% of new drugs were insured by at least one private plan compared with 47% by at least one public plan...”*



## FIVE WAYS TO ENCOURAGE HEALTHY CHOICES

An unhealthy workforce contributes to an employer's bottom line through lost productivity and higher health premiums, just to name a few ways. Realizing this, Canadian workplaces are looking more at wellness programs and health promotion.

For example, a Vancouver company in the digital media industry with 50 employees rented four bikes last year from April to September. The company allowed staff to sign them out for one to two hour time slots over the course of spring and summer.

Employees would go in groups and bike to a park to have their lunch together, while others use it to run a quick errand by bike instead of driving. According to the company's HR co-ordinator the bikes were used at full capacity and the company plans to extend the program this year

by renting eight bikes.

### American trends

In the U.S., where the cost of health benefits is high, many employers have started to provide financial incentives when employees participate in wellness activities. U.S.-based studies have shown that when real dollars and cents are involved, employees participation rate increase, on average, to about 70%.

Canada is still behind our U.S. neighbours in terms of employee participation rate in workplace wellness programs. Research reports on wellness in the workplace from Medisys and Corrections Canada found that participation rates here range between 23% to 33%.

As healthcare cost increase, particularly with the increase of high cost

drugs, aging demographics and multiple cost drivers in healthcare, employers would be wise to start to explore economical ways to motivate their employees to make healthy choices.

Healthy habits can be developed over time, and it is best to start early. With warmer weather and sunny days just around the corner, here are five ways to kick-start health habits in your workplace—even if investing in a full-fledged wellness strategy isn't an option right now.

### 1. Set up a healthy snacks fund

Many companies have a petty cash account for the staff kitchen, or have staff contribute to a coffee pot fund. If the company already has such a budget, allocate it to stock healthy snacks such as fruit and vegetable plates, as an alternative to coffee, pop and chips.

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*"...Canada is still behind our U.S. neighbours in terms of employee participation rate in workplace wellness programs..."*



## HEALTHY CHOICES CONT...

### 2. Negotiate gym/yoga membership discounts

If your organization doesn't have the capacity of an on-site fitness area (it doesn't have to be a full-fledged gym) but there is a gym or yoga studio near the office, employers may want to consider approaching the facility and negotiating a corporate discount. If your staff size is not significant enough, consider joining an association who has negotiated those perks on behalf of their members.

### 3. Choose a wellness champion

This person should be someone who takes on the lead role in creating awareness and organizing activities and contests on wellness. This person is usually nominated or naturally arises from the crowd. The

main role is to communicate and encourage the fun factor in being healthy, such as distributing health quotes and facts, or organizing walking groups over breaks.

### 4. Make it easy for staff to make healthy choices

Provide dedicated bike spots and have a shower facility on site. This gives employees the option to make healthier commuting choices—be it biking, running or power walking to work. Once staff see that such an alternative is available, more will be inclined to undertake these options when possible if they know they can freshen up. And if they live too far to commute via self-powered modes of transportation, they may use their breaks to get active.

### 5. Conduct a personal health risk assessment survey

This is typically available from your benefits provider. If not, your benefits consultant can certainly arrange for an online survey to be done. What it allows the employer to do is to assess the health risk of your organization. Since your staff will get a score at the end of the test, they will be more aware and be motivated to make more healthy choices, particularly when employers make it assessable.

-D. Chu



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