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Three steps to providing financial Education to your employees.

INSIDE THIS ISSUE:

"Nine out of ten employees want their company to provide financial education. This key benefit can help to reduce the anxiety many have around personal finances making them happier employees."

There's no debating that employees are stressed when it comes to their personal finances. One in four are financially distressed and spend more than an hour every day at work dealing with their personal finances. A recent survey by the Employee Financial Education Division found that 45% of employees feel their level of financial stress today is high to overwhelming.

Why should companies offer financial education? Here are three reasons.

1. **Financial education improves productivity.** With 25% of the workforce spending up to 250 hours a year at work and dealing with their personal finances rather than their job, this lost productivity is a huge cost. By providing a comprehensive financial education program to help all employees deal with most aspects of their finances can significantly improve the overall productivity of the workforce.
2. **Financial education increases employee engagement.** Nine out of ten employees want their company to provide financial education. This key benefit can help to reduce the anxiety many have around personal finances making them happier employees. Many will associate the company as the one that helped them reduce this anxiety and more committed to the company. This will also translate in higher retention rates and positive word-of-mouth making it easier to attract new employees.
3. **Financial education improves employee health.** Studies and surveys going back to 1985 have ranked personal finances as the top stressors among individuals. This high to overwhelming stress causes a myriad of health problems from headaches to heart attacks. In some instances personal finances have been linked to depression, substance abuse and addiction.

Action steps

Here are three steps employers should take to ensure the implementation of an employee financial education program is successful.

1. Obtain senior level support. Once you have the support for the program it gives everyone (HR, managers, employees) permission to set aside their work and engage in the program. To get the support make the case of how it can improve the company's bottom line. Highlight how it can improve the other areas of the business like absenteeism, productivity and engage-

Financial education cont...

productivity and engagement. Lastly add a personal component to it by linking it back to their family and children in how much better all our families would be with great financial literacy.

2. Identify the wants and needs of the employees. Before being able to launch a program you need to evaluate the wants—but more critically—the needs of the employees. This should be done in two stages.

First, do a survey to gain insight and understanding of the overall concerns. Follow this up with a few group and/or individual interviews. With this data you can then start to build a relevant and desired financial education program.

Many employees may be reluctant and skeptical of the company wanting to help them with their personal finances. Trust and confidentiality will be critical attributes of a financial education program. To achieve these, work with an independent, third-party to provide the security employees need to feel confident to engage and participate.

3. Outline what program success looks like. To protect your investment in the program from arbitrarily or intentionally being cut at the next budget meeting, define and measure the success of the financial education program. Try to measure the change in the financial wellbeing of the employees. Participation, engagement and satisfaction scores should also be measured. With this data you should be able to make a compelling case as to why the program is one that will make the company money over time.

-Frank Wiginton

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Certain Carriers Implementing Mandatory Generic Substitution Plans

A number of providers in Canada are allowing clients to capitalize on the unprecedented number of generic drugs available and generic drug pricing reform by implementing a mandatory generic program across all group drug plans.

Plan sponsors that choose to capitalize on opportunities associated with generic drugs could see a reduction applied to their health rate at the time of renewal.

When using the program, if a pharmacy submits a claim for an interchangeable brand drug, it will be notified that reimbursement is limited to the lowest-cost interchangeable drug.

If a patient prefers the brand drug over the interchangeable generic drug, he or she will be responsible to pay the difference in cost.

Even if the physician indicates “no substitution,” carriers with Mandatory Generic Substitution plans will only pay the cost of the interchangeable generic drug.

-BenefitsCanada

“When using the program, if a pharmacy submits a claim for an interchangeable brand drug, it will be notified that reimbursement is limited to the lowest-cost interchangeable drug.”

Are your employees benefits Savvy?

Most people I know are reasonably smart consumers.

They brag about how much they saved on the latest Groupon; they stand in line in the cold on Boxing Day to get a deal on a 3D TV; and they wouldn't dream of walking into an auto showroom and paying the full sticker price for a new car.

Many of these same people wouldn't have the first clue that the cost of their maintenance medication may be 15% cheaper at another pharmacy, or what a dispensing fee at their current pharmacy is.

They may also wonder why their group insurer covered only 68% of their last spa massage, despite the fact their plan supposedly has full coverage up to $500 annually, or why only 76% of their latest dentist visit was reimbursed when they have 90% coverage.

As Canadians, we often don't pay much attention to the costs of health and dental services unless we have low benefits coverage or no coverage at all. A lot of employees blindly pay their co-insurance, deductibles and co-pays without ever questioning if there are ways to save money on these health and dental services and supplies.

Here are a few more significant disconnects where it would pay for employees to have increased awareness levels.

Drug Costs

Adherence – Approximately 30% of emergency room visits are due to non-compliance of medication. The simple act of taking medication as prescribed can have a big impact on an employee's health costs.

Generic drugs – Depending on the province, the generic can cost as little as 25% of the interchangeable brand drug. Several insurers have recently implemented stricter rules for generic usage, now requiring medical evidence to be covered for a multi-source brand drug.

Ingredient costs – Drug costs can differ significantly from pharmacy to pharmacy. If employees need an antibiotic for a sinus infection, they're probably not going to shop around, but if they are on maintenance medications, there may be substantial savings waiting at another pharmacy.

Dispensing fees – These fees can differ by as much as $7 or more per prescription depending where your employees shop. If multiple family members are each taking a handful of maintenance drugs, switching pharmacies could provide meaningful savings.

Dental

In the Wild West, an Alberta dental fee guide has not

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"Drug costs can differ significantly from pharmacy to pharmacy..."

Benefits savvy employees cont...

been published since 1997. Dentists charge what the market will bear, which is often well in excess of insurers' reasonable and customary (R&C) guidelines. A dentist renting prime real estate in a shiny downtown oil tower is generally going to charge much more than one outside the city core or in rural Alberta. This often leaves employees wondering why their 100% plan is reimbursing less than 100% of their dental treatments.

In all other provinces and territories, dental fee guides are reviewed and published annually to provide dentists with a guideline for establishing their own independent fees. However, most dentists charge fees that are relatively close to the published fee guides.

The discrepancy between insurers' R&C guidelines and what dentists actually charge is not as prevalent an issue in the rest of Canada as it is in Alberta.

What can differ significantly from one dentist to another in any province is the recommended treatment.

If a dentist is recommending a costly procedure, employees would be wise to get a second opinion in order to determine if the recommended service is necessary or if a lower-cost alternative treatment would provide a comparable dental outcome.

Massage Therapy
If employees get a massage at a spa with the slippers and robes and calming green tea, they need to know their insurer is likely not going to reimburse the full expense. These types of treatments can cost upwards of $150 for an hour massage, but the R&C guidelines are only going to allow about $80 to $90 as an eligible plan expense—and only if it's done by a registered massage therapist.

In order to fully engage employees to take action, plan sponsors should consider education in conjunction with plan design elements that provide financial incentives for being smarter consumers.

- Kenneth MacDonald

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Do you know what drives benefit costs?

Every year, plan administrators are faced with the unique challenge of finding creative ways to control benefits costs and enhance employee value.

According to the Conference Board of Canada, between 2010 and 2011, benefits costs escalated by an average of 6.2%, more than twice the rate of inflation.

Contributing to this figure are the increasing health risks among Canadians. According to the 2010 Sun Life Canadian Health Index, 63% of us demonstrating three or more unhealthy behavioural patterns relating to physical activity, tobacco use, daily fruit and vegetable intake, hours of sleep each night, coping with stress and maintaining a healthy weight.

Added to the mix is the effect of an aging population, which not only creates varying generational demands within an organization but also puts added pressure on drug costs as a result of the increase in multiple medications taken at once. In 2011, 50% of Canadians were taking three or more medications at once, and 7% were taking seven or more, according to IMS Brogan.

Even more alarming is the cost of absenteeism, which costs $572 per employee per year, according to the Conference Board of Canada. Statistics Canada adds that 73% of the reasons for absenteeism are due to employee illness or disability. It doesn't stop there. StatsCan also states that lost productivity from presenteeism is found to be 7.5 times greater than lost productivity from absenteeism.

With 22% of Canadian workers experiencing depression, according to a recent Ipsos-Reid survey, it is no surprise that mental health is the fastest growing category of these high disability rates and represents more than 25% of open claims, contributing to a 6% increase in the disability leave rate in 2011, according to Manulife Financial.

As you can see, controlling costs is no easy task.

What we do know is that employees truly value their benefits programs to the extent that 37% of employees are willing to pay a higher premium in order to maintain their current levels of benefits, according to the 2012 *Sanofi Health Survey.*

So what can we do to ensure employees are able to continue to enjoy their current level of benefits?

It all starts with proper employee communication as educated employees make smart consumers and users of benefits programs. Employers, benefits consultants and insurance companies share a responsibility and must work together to establish both short- and long-term health and wellness initiatives.

Strategies include analyzing and implementing the proper funding arrangements, finding a proper balance between cost-saving tools and creating employee value, as well as considering proactive programs such as employee assistance plans, physician referral programs and wellness plans.

For more immediate results, consultants may look to advise clients on proper fraud detection and prevention techniques, oversights in fine-print contract wording and the elimination of potential waste for benefits paid unnecessarily.

-Peter Demangos

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