Christy Insurance Agencies Ltd.

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CHRISTY INSURANCE AGENCIES LTD.

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MINIMUM HOURS WORKED FOR BENEFITS ELIGIBILITY: WHY IS IT IMPORTANT?

Nearly every Employee Benefits contract has a minimum number of hours that an employee must work on a weekly basis in order to be considered eligible for benefits. This is something that is discussed during the completion of your group benefits application with a new carrier. At this stage in the process, your benefits consultant or broker will typically ask you how many hours you would like set as an eligibility requirement in order for employees to receive benefits.

Whether the number is 20 hours worked or 37.5 hours, the impact on a deceased employee's beneficiary can be tragic in the event that an employee hasn't been satisfying their minimum hours required for eligibility.

How do carriers determine eligibility?

Despite some common perceptions, insurance carriers are not trying to avoid paying claims at all costs. An employee that satisfies their eligibility requirement one week but not the next, is not immediately considered ineligible for benefits. Insurance providers will typically look at the average number of hours worked over an extended period of time and as afar back as a year in order to determine eligibility.

In circumstances where the eligibility requirement is nearly met on average, some carriers will even look to try and accommodate a claim outside of the confines of the contractual agreement pertaining to eligibility.

What happens in the event of the death of an employee not meeting the minimum hourly requirement?

Citing a recent example, an employee that had been working full time for a number of years had undergone some life changes. As a result of these changes, their average number of hours worked per week dropped to 10 hours, where the eligibility number for benefits was 20 hours. This continued for nearly a year until an unfortunate accident resulted in the employee's death.

The plan sponsor had continued to keep this employee on benefits despite the large reduction in hours worked . As the carrier was unaware of the change in work status, Extended Health and Dental benefits, which are not adjudicated based on terms of employment, were reimbursed during this period.

Following the unfortunate accident, a death claim was made by the beneficiaries. In conjunction with

Benefits Eligibility Continued...

the death claim, a final Record of Employment was requested by the Insurance carrier and examined. It was determined that the employee did not meet the minimum eligibility requirements at the time of his death following a review of his hours worked per week during the past year. As the difference between the minimum requirement and the actual hours worked was so substantial, no further appeal of the decision was accepted and the Life Claims Department declined payment and refunded all premiums paid during the time the employee was ineligible for coverage.

How can we as an organization ensure that our employees are eligible?

For many organizations the risk of having employees below the average work week is minimal, as only true full time employees are eligible for benefits. However, in the service industry for example, hours and shifts do not remain static.

It can be as simple as reviewing cumulative hours worked for 4 consecutive pay periods to see who could be in danger of not meeting their eligibility requirements. At that time the plan administrator can inform that employee that they will require more shifts in order to remain on benefits. If it is determined that an employee will not be meeting eligibility for the foreseeable future, then they should be informed that they are being removed from the employer sponsored benefits plan.

An employee that is removed can be reinstated at a later date in the event that shifts improve. The employer can even choose to waive the waiting period for benefits and activate them immediately upon compliance with the minimum hour requirement.

-Marc Poier

Arthritis awareness Month

September marks the start of Arthritis Awareness Month.

Last year, a study by The Arthritis Society found that one in three Canadians living with arthritis had to quit working as a result of their condition.

About 4.7 million Canadians age 15 and older report having arthritis. There are more than 4.4 million Canadians living with osteoarthritis (OA) and more than 272,000 people living with rheumatoid arthritis (RA). Within a generation, more than 10 million are expected to have either OA or RA.

The condition is one of the leading causes of long-term disability in the country.

Approximately one out of every 136 workers suffers from RA, and this is expected to increase to one in 68 workers within a generation.

A study by the Arthritis Alliance of Canada found that the disease costs the Canadian economy $33.2 billion a year, both directly and indirectly in healthcare costs and lost productivity.

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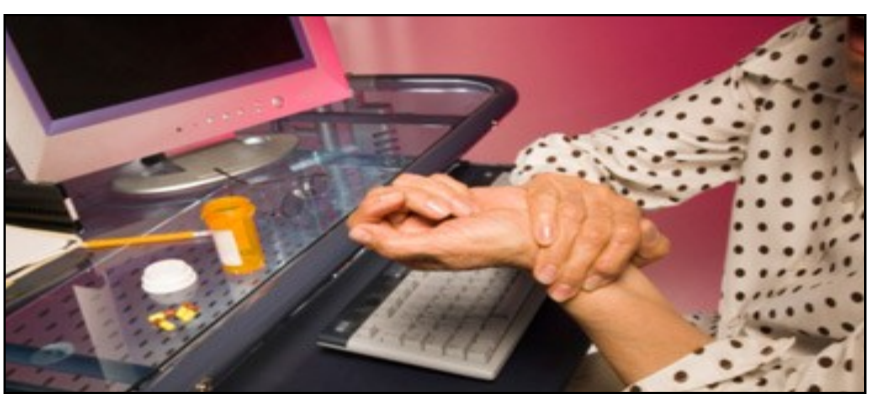

Aging workforce the most important benefits issue?

I'm frequently asked what I believe to be the most significant issue impacting employee benefits plans today. Most people are expecting my response to be rising costs, particularly drug plan costs. They are therefore surprised when I say changing employee demographics. I absolutely believe that the changing profile of the workforce is the most significant issue impacting employee benefits programs today. Yet it's not an issue that is particularly well understood by many plan sponsors.

The impact of employee demographics on benefits plans is significant. And by demographics I mean not only the standard measures such as age and sex but also family status, culture, diversity and general health. Demographics influence the following:

- Rating—Benefits plans are rated, at least, in part, based on demographics. For example, age and sex are key components in the pricing of risk benefits such as life and disability. Family status obviously has an impact on unit costs.
- Usage—Demographic drives plan utilization, which, in turn, drives costs. Age is a determinant in population health. As we age, we tend to use some benefits such as health and disability more frequently.
- Needs/wants/expectations—Our needs/wants/expectations of the benefits plan are driven by who we are (age, sex, culture, health, etc.). And these needs/wants/expectations vary considerably based on our individual demographic characteristics.
- Delivery—Demographics also play a factor in how we want to receive information about our benefits plans and, in fact, how we want the benefit and/or service delivered.

In short, employee demographics influence every aspect of employee benefits programs. Yet most plan sponsors—other than basic statistics such as average age, male/female split and/or number of single employees versus those with dependents—do not have a complete picture of their employee population and how changes in this profile will impact their benefits plans in the future.

Let's consider some of the more significant demographic trends impacting Canada today.

- Aging—It's been well documented that Canada's population is aging, so it stands to reason that most workforces are getting older. As a consequence, age-rated benefits will cost more, and

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Aging workforce continued...

- more, and utilization in the areas of health and disability will increase. Preferences for certain benefits will start to shift (e.g., post-retirement benefits). And on a macro level, the aging population is expected to create a labour shortage in Canada (with employees exiting the workforce through retirement) creating a need/desire to keep otherwise retirement-age employees working for longer. Retirement age will become an increasingly difficult number to peg; therefore, termination provisions under benefits plans will need to adapt.
- Mortality and morbidity—The good news: we're living longer. The bad news: we're not particularly healthy. However, with advances in medical treatment, we can live longer in poor health. This has profound implications for benefits programs. Benefits plans can attract higher costs for longer. This is why addressing employee ill health is so important in terms of managing future benefits plan costs.
- Diversity—There are a number of elements to diversity such as culture, generational and the definition of family. Canada is already a multicultural nation and is expected to become more culturally diverse. With declining birth rates, the future labour shortage in Canada is expected to be filled almost exclusively through an immigrant workforce. There has been a lot written on the different generations now active in the workforce. And the definition of family is clearly not what it once was with blended families, same-sex relationships, overage dependents and pets—for some—replacing children. This diversity should shape the design and delivery of benefits plans in the future, far more than the standard one-size-fits-all plan of today.
- Access—We live in a world of increasingly instantaneous access to goods, services and information. In many cases, this access is facilitated through technology. Even five years ago, who would have thought that the mobile phone would be so dominant in how we currently live our lives? Some generations are clearly more comfortable with using technology and the communication protocols embedded within that technology. All generations are demanding quick and easy access. It's important for benefits plan sponsors to acknowledge these trends and adapt both the delivery and communication of benefits to members.

Though I believe the changing workforce is the most significant issue for benefits plan sponsors, I see it not as a problem but as an opportunity. There is a tremendous opportunity to better manage and make benefits plans more relevant by understanding these demographic shifts and recalibrating as necessary. It starts with understanding your current workforce—not only in simple terms (such as age, sex, etc.)—but who they are, where they came from and what's important to them.

And given that the face of most workforces is likely to change dramatically in the coming years, plan sponsors also need to think in terms of the workforce of tomorrow. The war for talent will be won or lost based on decisions made today. Finally, and this is difficult for many decision-makers, acknowledging that your own personal needs/wants/expectations may not be representative of your employee population is key to designing and delivering a benefits program that is demographically relevant.

Demographics touch every aspect of an employee benefits plan. Understanding these interrelationships and adapting to even subtle shifts is the key to successful benefits plan design and management.

-BenefitsCanada

Christy Insurance Agencies Ltd.

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

"the changing workforce is the most significant issue for benefits plan sponsors…"

Healthcare costs plateaued in 2012. Set to rise again?

The increase in the cost of employer-sponsored health and dental benefits plateaued in 2012, but expenses are expected to swell again due to the prevalence of high-cost specialty drugs and the aging of the population, according to a survey.

A Towers Watson study shows that for active employees, the overall employer healthcare spend increased just 2.1% in 2012, down from 2.7% the previous year and far below the double-digit increases seen not so long ago.

Drug costs are trending at -0.2%, and the cost of dental care is up by only 1.3% from 2011 to 2012, according to the survey.

One reason for this phenomenon is that many commonly prescribed drugs have recently come off patent, so employers have been using more generics at significantly lower costs, says Wendy Poirier, Canadian health and group benefits leader at Towers Watson.

"[Employers] are also benefiting from drug plan management strategies that mitigate waste and increase efficiencies, and the effect of beneficial plan design features such as early exposure to preventative dental coverage," Poirier adds.

Costs expected to rise

While overall healthcare costs will likely remain moderate for the next year, they are expected to rise afterwards due to the prevalence of specialty drugs and the aging population.

Specialty or biologic drugs are typically used by less than 5% of employees but account for 15% to 25% of the total drug spend, according to Towers Watson research.

However, in the next three to five years, they are expected to account for 30% or more of drug plan costs, says Christiane Bourassa, a senior health and group benefits consultant with Towers Watson.

That's because advances in medical research are producing expensive drugs to fight common health conditions, many of which are chronic and require treatment for life, explains Bourassa.

The upward trend on healthcare expenses, other than drugs covered by employer-sponsored plans, is another area plan sponsors need to watch carefully, according to Towers Watson. For active and retiree plans, the cost of these healthcare claims—which typically include services such as physiotherapy, chiropractic and naturopathic treatment—went up 6% from 2011 to 2012, the survey reveals.

"It is important for employers to keep an eye on the increased utilization of these healthcare services," says Bourassa. "They can be an important part of a wellness program but, left unmanaged, may increase active and retiree costs unnecessarily, due to the effects of an aging plan membership and the continued delisting of services covered by government programs."

Solution

To address the expected increase in drug costs, employers should look at how workforce health and productivity strategies might help control the costs of drug, dental and other benefits, says Poirier.

"While employers have added more prevention and support to their benefits foundation, more work is needed to understand the cost drivers and to implement specific actions to manage both current and future costs," she explains. "Mandatory generic substitution, drug supply limitations and restrictions, therapeutic substitution strategies, drug formularies, preferred provider networks and healthcare spending accounts have all proven effective strategies for ensuring sustainable healthcare plans."

The survey polled 193 organizations representing 875,000 active and retired employees across all major industries and regions of Canada.

-BenefitsCanada

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"advances in medical research are producing expensive drugs to fight common health conditions, many of which are chronic and require treatment for life…"