

THE INSURANCE INSIDER



PHARMACY MANAGEMENT STRATEGIES REDUCE COSTS BY UP TO 24%

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“...Survey results show that pharmacy management strategies help control healthcare costs.”

Canadian employers that use drug plan management strategies such as pay-direct cards, generic substitution or dispensing fee caps can realize significantly lower healthcare costs.

Towers Watson’s 2014 *Canadian Health Care Cost* survey finds that the average annual drug cost per active employee at organizations without a formal drug plan management strategy is \$1,124. Average annual costs, however, are 24% lower, or \$266 less per employee, for plan sponsors that have three or more strategies in place.

Even implementing one or two techniques reduces annual costs by 12%, on average, or \$135 per employee.

“Canada is one of the most expensive countries in the world for prescription drugs—and prices are going to rise,” says Bill Bright, leader of Towers

Watson’s Canadian pharmacy practice. “However, our survey results show that pharmacy management strategies help control healthcare costs. Employers have quite a number of options available to them, and our research shows that as these options are combined, the effectiveness from a cost management perspective improves.”

Overall, the survey shows that employer healthcare spend increased 1.9% from 2012 to 2013 for active employees, down from 2.1% the previous year. The cost trend for drugs has been flat, at 0.2% year

over year, while the cost of extended medical benefits—e.g., massage therapy, chiropractic coverage and psychology services—increased by 4.7%. Dental care costs have risen 2.9%.

“Drug cost trends have been moderate in the past few years, primarily due to a greater availability of lower-cost generic drugs and a lack of new-entry brand names,” says Karen Millard, a senior consultant at Towers Watson. “However, employers may see increases in the near term due to greater use of high-cost and specialty drugs, a growing demographic of employees with



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more chronic conditions and government shifting of public costs to private payers.”

High-cost or specialty drugs are typically used by less than 5% of employees, but can account for 15% to 25% or more of an employer’s total drug spend, Bright adds.

For example, a specialty drug therapy for hepatitis C is effective at reducing the virus but creates budget challenges for employ-

ers, as the typical cost is about \$55,000 for a 12-week treatment. New drugs now in the pipeline may drive costs even higher. He says new high-cost therapies will account for close to 30% of drug plan expense within the next three to five years.

As the prevalence of high-cost drugs increases and healthcare costs begin to rise, organizations will need to actively manage their pharmacy plans to mitigate the impact on

their benefits budgets.

“For most organizations, the first step to effective cost control measures will be a review of their drug claims history to understand their unique cost drivers, from there the plan strategies will follow,” Millard explains.

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RETURN ON INVESTMENT FROM AN EAP

A Morneau Shepell study finds that every \$1 invested in an employee and family assistance program (EFAP) translates into a return on investment (ROI) of \$8.70 through a combination of improved productivity at work and less time away from work.

“One of the most critical factors for business success is employee productivity: it impacts an organization’s bottom line,” says Paula Allen, vice-president of research and integrative solutions at Morneau Shepell. “The personal

issues of employees impact their productivity and providing them with an EFAP can help to resolve those issues and protect their productivity.”

The Return on Investment for Employee and Family Assistance Programs is the largest Canadian study to assess the impact of EFAPs on employees and their productivity. It’s based on data collected from 80,000 cases in Canada of Morneau Shepell’s EFAP.

EFAP users completed a

questionnaire at their first EFAP session after seeking help and another questionnaire at their last EFAP session, providing information on changes in productivity or absenteeism at work.

The study shows the following:

- 63% of employees said their productivity at work had been negatively impacted in the four weeks before they contacted their EFAP because of the issue that led to them calling;
- employees seeking help through their EFAP recorded a 35.9% increase



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in productivity at work, compared to their productivity just before seeking help;

- employees using their EFAP recorded less time away from work after getting help through the EFAP; and
- 46% of employees reaching out to the EFAP say they would have lost time from work were it not for the support they received through the EFAP; in addition, one-third of those employees also said they would have been off work for more than 20 days were it not for the support they received through the EFAP.

“An EFAP is a highly cost-effective and easy-to-implement step for an organization seeking to support its employees and protect the company’s productivity. The typical cost of an EFAP is about 1% of the cost of a health benefits plan. An EFAP is available 24-7 to employees and their family members at any state of need or crisis,” she adds. “Because EFAPs have been around for a while, they are sometimes taken for granted. This new study shows their value very clearly.”

The study was conducted in consultation with Mark Attridge, a well-known independent social psychologist and research scholar specializing in the fields of workplace mental health and employee assistance programs. The dollar value for ROI was calculated using the average wage for each client’s industry based on July 2013 Statistics Canada data, and the case cost was standardized to the average.

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HOW HR CAN HELP WITH SUBSTANCE ABUSE

The problem of substance abuse is a growing epidemic that crosses all demographics and lifestyles—and substance abusers are more likely to work in an office than to be living on the street.

Those who suffer from an addiction or a mental illness often feel ashamed and uncomfortable, and they’re often too much in denial regarding the severity of their issues to discuss them openly. They do not easily ask for help and do not want to be seen as different, weak or vulnerable.

Although there are clear substance abuse policies for employees who work in safety-sensitive positions, most companies in Canada have no policy to identify employees at risk for drug addiction. How effective are companies in dealing with employees who need professional help? What policies and procedures do they follow? Are HR managers trained to understand addiction and mental health?

Read: [*Dealing with employee addictions*](#)

Many employers have em-

ployee and family assistance programs (EFAPs) for their workforce, usually accessed voluntarily.

Company HR professionals are trained to support front-line managers when they require assistance with employees, but are managers equipped to recognize the signs and symptoms of addiction and mental health issues? Are employees knowledgeable about what is happening with their colleagues?

HR professionals are most effective when they know the strengths and developmental areas of their employees. Re-

“...An EFAP is a highly cost-effective and easy-to-implement step for an organization seeking to support its employees ...”

Really knowing the employees is the only way to truly be able to coach, develop and guide them so they can achieve their goals and be productive at work. HR plays a significant role in conducting those difficult and uncomfortable conversations.

The Signs

Noticing an employee is arriving late more than usual, taking longer breaks or lunches and making more errors are three of the most common red flags. Others include taking more sick days, having interpersonal difficulties with peers and provoking customer complaints. Low productivity, a new desire to work in isolation, changes in mood or personality and changes in physical appearance (including sudden weight

gain or loss and slovenly attire) are also warning signs. Ensuring HR professionals can effectively discuss these problems is another challenge, particularly if these professionals have a tendency to exhibit unproductive behaviour. They might want to “play counsellor” or get overly involved in an employee’s personal life.

Being overly friendly could also be counterproductive. HR professionals shouldn’t send mixed messages. Nor should they minimize or avoid issues because they are uncomfortable.

Improving psychological health and well-being in the workplace starts with *everyone*. For an intervention or discussion to take place, HR professionals need specific policies

and procedures that are easy to follow. They need to accept mental health and addiction issues as real and present in the workplace. And they should review usage data with their EFAPs and develop strategies, including training other HR professionals to support managers and leaders. It’s important to educate all employees on how to help one another, and train managers and leaders in how to recognize signs and symptoms.

Finally, HR professionals should be willing to have difficult conversations, provide solutions and engage peers when things get tricky.

Planning and awareness on the part of HR professionals can go a long way toward ensuring a healthy work environment for everyone.

Dr. Anita Teslak

Christy Insurance Agencies Ltd.

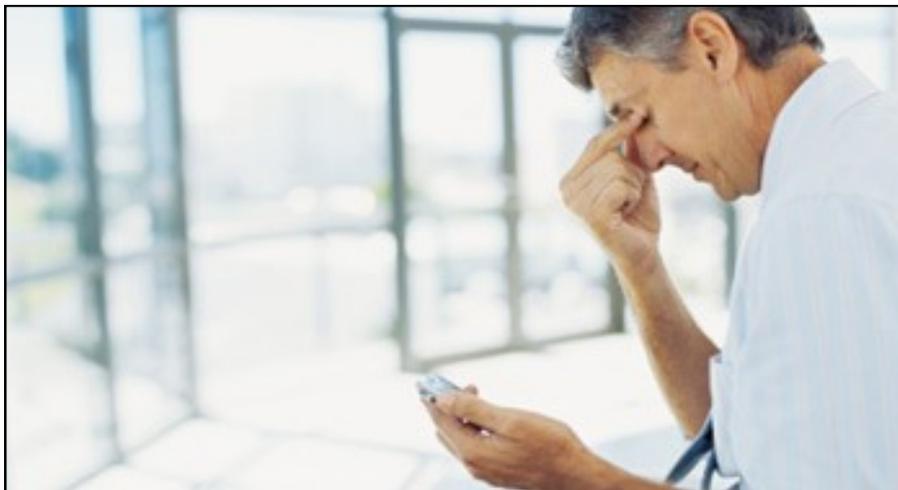
#110–1861 Welch Street
North Vancouver, BC
V7P 1B7

T: 604-987-2474
F: 604-987-9534

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“Ensuring HR professionals can effectively discuss these problems is another challenge...”



MEDICAL COST INCREASES TO DIP SLIGHTLY

The average cost increase for employer-sponsored medical plans globally will fall slightly in 2015 but continue to significantly exceed general inflation levels, says Aon Hewitt.

Its report shows that in 2015, medical costs are expected to increase by 10.15% before plan design changes and vendor negotiations—six percentage points higher than the average inflation rate. In 2014, the global average medical trend was 10.34%.

While the global average medical trend is expected to decline, three regions—Asia Pacific, Europe and Latin America—are projected to see an uptick in rates for 2015.

Cardiovascular issues (76%), cancer (60%) and diabetes (48%) were the most prevalent factors driving healthcare claims around the world. There were, however, a few notable differences by geographic region.

Canada, for example, reported a higher prevalence of claims related to mental health issues, while Middle East/Africa reported

more cases of high blood pressure.

In Canada, there's been a more significant downward shift in medical inflation than the global average. From about 8% in the mid-2000s, the costs of healthcare claims have been rising by less than 3% for the past two years. This reduction has largely been driven by decreases in drug inflation, as Canadian jurisdictions have implemented legislative changes reducing total drug claim costs, and was the patent rights for well-known brand name drugs have ended.

Non-drug claims, especially paramedical services, as the fastest growing segment in Canada, with inflation rates of nearly 8%. Another factor is that plan designs have generally begun including more cost management features, which have helped mitigate cost increase.

“In Canada, though the inflation trend is declining, organizations need to be proactive about good plan management so they are prepared for changes in the health and benefits land-

scape,” says Shawn O'Brien, national business analytics leader with Aon Hewitt Canada. “Canada is not immune to global factors, and growing demand for services, our aging population, unhealthy lifestyle choices and changes in government programs all are risks to future plan costs.”

The global risk factors that are expected to drive future claims—and contribute to the adverse experience driving high medical inflation—include high blood pressure (60%), poor stress management (52%) and high cholesterol (48%). Asia Pacific and Europe also cited poor stress management as a global risk factor, while Canada and Latin America noted obesity.

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