

# INFO Bulletin

Information Bulletin for Group Insurance Plan Administrators and Benefit Advisors



## INFO Bits

### Employers Under Legal Obligation to Collect Prescription Drug Insurance Premiums in Quebec

Since January 1, 2007, employers and plan administrators who offer and/or administer a group insurance plan that includes prescription drug coverage are under legal obligation to collect premiums for this benefit for their Quebec-based employees. This modification to the *Quebec Act respecting prescription drug insurance and other legislative provisions* aims at tightening control over participation in the public plan.

For employers and plan administrators, the new rules reinforce the current practice of collecting prescription drug insurance and other premiums for all eligible members and dependents. Eligible members and dependents cannot refuse to be covered for prescription drugs by their private plan, unless they can demonstrate that they are covered by a similar benefit through another private plan (i.e. spouse, professional association, etc.). Insurers are responsible to keep the coverage in force.

For more information on this topic, you can access the following links:

- Industrial Alliance communiqué at [www.inalco.com](http://www.inalco.com)
- The Régie de l'assurance maladie du Québec (RAMQ) communiqué and support documents at <http://www.ramq.gouv.qc.ca>.

### Study shows employees' personal relationships have an impact on absenteeism

A recent published study report from Shepell.fgi<sup>1</sup> shows that personal relationship issues can have a significant impact on absenteeism from work. They are also an important reason why men (23%) and women (18%) seek help through their employee assistance program (EAP).

The report is based on a four-year study of EAP access patterns in over 150,000 employees. It encourages employers to take appropriate action towards reducing work-to-family interference and help enhance employees' personal relationships. Studies indicate that the overall payoff of eliminating high work-to-family interference could be significant for employers: a 6.5% reduction of absenteeism translating into savings of \$1 billion in direct costs.

### Health Care Spending Trends in Canada

The Canadian Institute for Health Information (CIHI) monitors health care expenditure trends in Canada. The following trends and projections were reported in a recent study<sup>2</sup>:

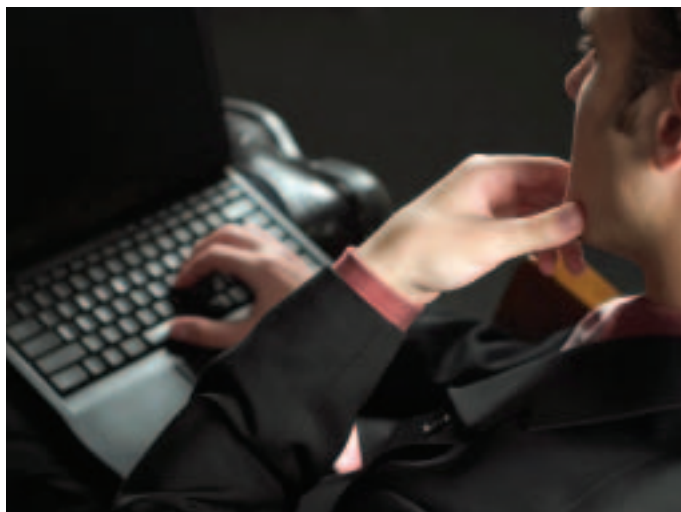
- Total health expenditure, in current dollars, estimated at \$131.4 billion in 2004, is expected to have reached \$139.8 billion in 2005 and \$148 billion in 2006;
- Total health care expenses per person, estimated at \$4,109 in 2004 (current dollars), are expected to have reached \$4,333 in 2005 and \$4,548 in 2006;
- Prescription drugs represented 16.6% of total health care expenses in 2004, ranking second behind hospitalization. CIHI estimates that this proportion will have increased to 17% in 2006.



<sup>1</sup> Shepell.fgi, "Til Stress Do Us Part: An EAP's Perspective on Marital/Relationship Issues", 2007

<sup>2</sup> Canadian Institute for Health Information, National Health Expenditure Trends 1975-2006, 2006

## The Administrator's Corner



### TEST YOUR GROUP INSURANCE KNOWLEDGE

Group insurance is a complex form of insurance. There are numerous concepts and provisions which make group plan administration a challenging task for both new and seasoned plan administrators alike.

To help clarify some of the core concepts of group insurance for you we have developed the following short quiz. New plan administrators will get valuable information from both the questions and the answers, while the more experienced ones may find it to be an excellent refresher. Good luck!

- 1) The following statements can all apply to group insurance except one. Which one?
  - a) Group insurance plans help their members manage the risk of catastrophic financial losses resulting from occurrences such as death and disability
  - b) Group insurance eligibility is not based on individual risk evaluations of prospective members
  - c) Group insurance plan members should enroll when a catastrophic loss has occurred or is likely to occur in a near future
  - d) Group insurance spreads risk over a group of individuals
- 2) In a group insurance context, which of the following terms describes a situation where prospective and existing plan members actively seek to enroll in the plan or modify their coverage because a loss is likely to occur, is imminent or has already happened?
  - a) Waiver of premiums
  - b) Anti-selection
  - c) Waiting period
  - d) Evidence of insurability

3) John and his spouse Sally are each covered by their own plan. John submits his health or dental claims to his plan first, and the remaining non-reimbursed portion to Sally's plan for payment. Such a situation is called...

- a) Family coverage
- b) Coordination of benefits
- c) Exemption
- d) Extension of coverage

4) Evidence of insurability is necessary where the insurer has to assess risk on an individual basis. Which of the following situations would not require evidence of insurability:

- a) Richard, who is suffering from diabetes, becomes eligible under the group plan and promptly submits his enrolment form to the insurer
- b) Following an evaluation of her life insurance needs, Jane requests \$100,000 of Optional Life Insurance
- c) Pamela becomes eligible under the group plan but waits another six months before submitting her enrolment form because she is in perfect health
- d) Larry and his wife Jill request to be covered under Larry's plan following some improvements to his health benefit

5) A member's request to increase coverage must be motivated by an event to be accepted without evidence of insurability by the insurer. An event is an occurrence that:

- 1) makes the change necessary, from the group plan's perspective;
- 2) is not a catastrophic loss.

Which of the following situations describes a request motivated by an event?

- a) Robert requests family coverage after he and his wife Sandra decide that it would be cheaper for them to be both covered on Robert's plan
- b) Gina requests that she and her spouse Andy be both covered on her plan because of improvements made to her plan's health benefit
- c) After suffering a broken leg in a car accident, Norman requests to be covered on his own plan for health, instead of his wife's
- d) Bob and Julie get married after having lived together for three months. Bob requests family coverage shortly after their marriage.

See answers to the quiz on page 4.

## Open File

## Plan costs management

Several studies show that a majority of employers consider rising group insurance plan costs to be among their most pressing human resources challenges.

To explore possible solutions to this problem, we have prepared a series of articles dealing with proactive management of group insurance costs. The last *INFO Bulletin* issue dealt with the topic of controlling health and dental care insurance costs. In this article we focus on disability management.

### PART 3

#### DISABILITY MANAGEMENT

In recent years, disability management has become a key plan cost management issue for employers. Statistical data justifies this trend. According to data published in March 2004<sup>1</sup>, Canadians working full-time miss an average of 7.4 days per year because of illness or disability. The cost for the Canadian economy is estimated by several sources to exceed \$16 billion each year.

In an effort to proactively address this issue, employers, benefits advisors and insurers have combined their resources to better manage disability, which requires active, ongoing claims management throughout the entire duration of a disability. As a result, prevention, early intervention and rehabilitation have become key parts of an integrated approach to disability.

#### Prevention

Prevention is the area where employers have the most control on the situation, and where their intervention is most likely to lead to a positive outcome. In a previous issue, we presented several prevention measures available to employers<sup>2</sup>. For the purpose of the article, we will focus on the key steps in planning a prevention strategy.

- **Audit/Assessment**

According to a recent survey<sup>3</sup>, a majority of organizations don't monitor the costs of absenteeism. Without a preliminary analysis of the impact of absenteeism, it may be difficult for plan administrators to get senior management or union leaders involved in the development of preventive measures, which is key to their successful implementation.

The cost analysis should consider both the direct costs (plan-related, administrative) and indirect costs (loss of productivity, employee replacement, overtime, etc.). The audit/assessment phase should also include an analysis of the experience reports provided by the insurer, to get an accurate picture of the current situation.

- **Implementation**

The cost analysis provides a basis from which an action plan can be developed and implemented. Implementation of the action plan depends on several factors that can be summarized in the following:

- **Integration to the business strategy:** is much more likely when senior management is aware of the importance of prevention and involved in overseeing the action plan;
- **Training for managers and supervisors:** because they are in direct contact with employees, managers and supervisors are in a good position to recognize possible early signs of disability. Given the proper training, they can intervene early and help the employee before the onset of disability;

- **Communication:** a good communication plan goes hand in hand with the action plan, as employees need to know about the resources they can access and the help they can get when confronted with stress, personal problems, etc.

- **Monitoring**

As with any action plan, regular monitoring is necessary to measure the plan's success and make changes if need be. Monitoring can take several forms, based on the initiatives undertaken. Experience reports provided by the insurer can be a useful monitoring tool. Experience improvement from year to year may indicate that prevention initiatives are having a positive impact.

#### Disability Management

Insurers have invested lots of energy in disability management in recent years, to make it as proactive and cost-efficient as possible for the employer, while still meeting the needs of claimants. Disability management is now a global and comprehensive process based on early intervention and proactive claim management.

"The most significant evolution in disability management in recent years is the flow of information," says Diane Bessette, Life and Disability Claims Director at Industrial Alliance. "In the past, roles were clearly defined and intervention was limited to one's specific responsibilities. Nowadays, the analyst, the employer, the insured and both the insurer's and the insured's physicians work together to make disability management client-centered, proactive and efficient. Information flow is what makes this partnership approach possible."

Expert resources also play a crucial role in cost-efficient disability management, as they provide support to the analysts team and can intervene in more complex cases.

#### Rehabilitation

Rehabilitation sees the plan sponsor and the insurer combining their efforts to help the member make a **safe** and **lasting** return to work. Insurers often rely on a team of analysts whose role is to seek and identify rehabilitation opportunities for disabled employees who are on short-term or long-term disability. Specialized firms also offer such services. Analysts work with the insured and the employer to identify possible work accommodations on which a rehabilitation program can be designed, developed and implemented.

Analysts are assisted in this task by consulting physicians and medical specialists, in order to maximize chances of a successful and lasting return to work. Success depends on finding solutions that work for all involved.

Because of its growing impact on group insurance plan costs, disability can no longer be regarded as a simple matter of paying claims when needed and "hoping for the best". Most insurers have integrated prevention, early intervention, proactive management and rehabilitation to their approach to disability. A growing number of employers are following suit with prevention plans, employee assistance programs, and return-to-work accommodations.

This article concludes our series on plan costs management. If you have any questions concerning the contents of this article, please contact your Industrial Alliance Account Executive.

<sup>1</sup> Statistics Canada, *Perspectives on Labour and Income*, March 2004.

<sup>2</sup> See "Investing in Prevention" in *INFO Bulletin 4th Quarter 2006*.

<sup>3</sup> Watson Wyatt Worldwide, *Staying @ Work*, 2005.



### ANSWERS TO THE QUIZ

- 1) The answer is **c**). Like all forms of insurance, group insurance is designed to help insureds manage the *risk* of catastrophic financial losses occurring. As described in a), the losses covered can result from occurrences such as death and disability. As described in b) and d), group insurance is structured around dates, not individual evaluations of members, and the risk is spread over a group of individuals (employees, association members, etc.).

Prospective plan members who seek to enroll because of losses, as described in c), do so to manage a loss, not a *risk*, and the basic idea of insurance no longer applies. This behaviour, if it becomes widespread, will negatively impact the group's experience and premium rates.

- 2) The answer is **b**). *Anti-selection* or *adverse selection* is a concept found in all forms of insurance. In group insurance, it can be used to describe situations where prospective or existing plan members seek to enroll in the plan or increase coverage because losses are likely to occur in the near future, are imminent or have already occurred.

It is to prevent anti-selection and its severe impact on group experience and premium rates that situations such as late enrolments, coverage modification requests not motivated by events, late modification requests, are subject to specific contract provisions (i.e. dental care maximum limitation) and/or individual risk assessment (i.e. evidence of insurability).

- 3) The answer is **b**). Coordination of benefits allows John and Sally to synchronize their respective plans and get maximum reimbursement for their medical and/or dental claims.

Coordination of benefits also applies to eligible dependent children. Claims for children must first be sent to 1) the insurer of the parent whose birth date comes first in the year; or 2) the insurer of the parent whose first name starts with the letter that comes first in the alphabet, if both parents have the same birth date. The remaining unpaid portion can then be submitted on the other parent's plan.

For separated or divorced parents, the order of plans goes as follows: 1) parent who has custody; 2) spouse of parent who has custody; 3) parent who doesn't have custody; and 4) spouse of parent who doesn't have custody.

- 4) The answer is **a**). Group insurance isn't based on individual evaluations of members at enrolment. In this case, the transaction has also been sent on time. b) is a purchase of optional life insurance, which is subject to evidence of insurability. c) is a case of late enrolment. d) the couple's decision is not based on an event (see below). The insurer must evaluate the risk individually and is not bound to accept it.

- 5) The answer is **d**). The marriage triggers Julie's eligibility to the group plan. Bob must send his modification request within 31 days of the marriage date, which becomes Julie's eligibility date. a) and b) are "plan transfers" based on personal decisions, not events. However logical these decisions may be, the "receiving" insurer is entitled to request evidence of insurability before accepting such requests. c) describes a decision based on a catastrophic loss, and the request will be subject to evidence of insurability.

### About Industrial Alliance

The INFO Bulletin is presented to you by Industrial Alliance.

Industrial Alliance is among the most solid financial institutions in the country and is a leader in insurance and financial services. With offices from coast to coast, Industrial Alliance contributes to the financial well-being of over 3 million Canadians and has over \$46 billion in assets under management and under administration, making it the 5<sup>th</sup> largest life and health insurance provider in Canada.