

# FINANCIAL CONSIDERATIONS FOR EMPLOYEE BENEFIT PLANS

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# AGENDA

A group of business professionals are seated around a white conference table in a modern office. The scene is captured from a low angle, showing the backs of several people as they engage in a discussion. The lighting is bright and professional, with large windows in the background. The overall atmosphere is one of a collaborative meeting.

## *What are we seeing?*

- The benefits landscape

## *What can be done?*

- Benefit plan management
- Plan design approaches
- Fraud mitigation
- Risk management
- Financial arrangements
- Effective disability case management
- The role of wellness

# WHAT ARE WE SEEING?

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*The benefits landscape*

# PRESCRIPTION DRUG LANDSCAPE

## *What's driving costs up?*

- An aging workforce
- Prevalence of chronic diseases
- Increases in drug costs
- Unprecedented progress in drug development

## *What's driving costs down?*

- Pan-Canadian Pharmaceutical Alliance (PCPA) for generic drugs
- Biosimilars
- Lifestyle intervention program
- De-prescribing
- Pharmacy agreement

# EXTENDED HEALTH LANDSCAPE

## ***What's driving costs up?***

- A shift towards holistic medical treatments
- Evolving scopes of practice
- Lack of health provider regulation
- Technological advances (e.g. glucose monitoring technologies)
- High frequency of fraudulent claims

## ***What's driving costs down?***

- Plan limitations
- Managed fees
- Provider eligibility criteria
- More robust adjudication criteria
- Fraud Strategies

*\*Note: These are 'internal' factors*

# DENTAL LANDSCAPE

## *What's driving costs up?*

- An aging demographic
  - Increase in periodontal, extensive and restorative treatments
- New technologies driving orthodontic treatment costs
- Cost shifting

## *What's driving costs down?*

- ADAC fee guide
  - Introduced January 2018
  - First fee guide in 20 years
  - 8% lower compared to 2017 fees
- Competitive marketplace

# DISABILITY LANDSCAPE

## *What's driving costs up?*

- Increasing mental health related claims
- Demographic changes
- "Soft" claims
- Economic conditions

## *What's driving costs down?*

- Data analytics and AI
- Pharmacogenetics
- Virtual Healthcare (Telemedicine)
- Effective case management
- Wellness Programs

# WHAT CAN BE DONE?

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*Strategies*



*Strategy #1*

# BENEFIT PLAN MANAGEMENT

# PRICING CONTROLS

## *More than plan design*

- Managed drug formulary
- Special authorization
- Generic pricing
- Step therapy
- Maintenance medication programs
- Pharmacy agreements



A photograph of three business women in a modern office environment. They are gathered around a round wooden table, looking at a tablet held by one of the women. There are papers and a smartphone on the table. The background shows office cubicles and large windows with a view of a city.

*Strategy #2*

# PLAN DESIGN APPROACHES

# PRESSURES ON PLAN DESIGN

- 5 generations in the Canadian workforce
  - generation Z (under 18 years old)
  - generation Y/millennials (18-33 )
  - generation X (34-50)
  - baby boomers (51-70)
  - the greatest generation (over 70)
- Varying healthcare needs
- Increased demand for flexibility
- Flexibility comes with a cost



# TRADITIONAL vs. FLEXIBLE

## *Traditional*

- Employer prescribed
- One size fits all
- Limited choice for employees

## *Flexible*

- Employee choice of options
- Competitive advantage
- Employee retention
- Increased anti-selection



# FLEXIBLE PLAN FUNDAMENTALS

Mitigate anti-selection and promote conscious decisions through:

- Tightened plan design
- Bundling essentials
- Strategic pricing
- Locked-in provision—a two-year interval
- Step-up or step-down limitation—limits changes at each enrolment stage



*Strategy #3*

# FRAUD MITIGATION

# WHAT IS FRAUD?

## *What it is?*

- Deliberate deception intended to produce financial or personal gain

## *What it is not?*

- “Maximizing your benefits”
- High utilization
- Frequent services





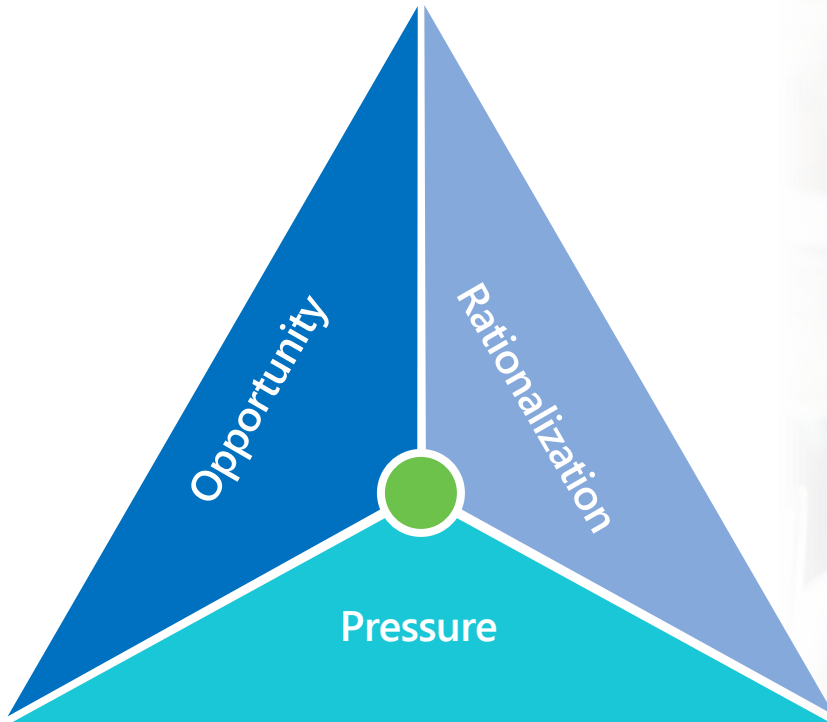
# TYPES OF BENEFITS FRAUD

- Health-care provider
- Plan member fraud
- Collusion
  - estimated to be as high as 85% of fraud activity in Canada<sup>1</sup>

1. <https://www.cbc.ca/news/business/benefits-fraud-collusion-rampant-1.4949434>



# THE FRAUD TRIANGLE



FRAUD MITIGATION

Concept – Donald Cressey. Image from The University of Indiana.  
<http://www.usi.edu/internalaudit/what-is-fraud>



# MITIGATION STRATEGIES

## *Employer:*

- Plan design controls
- Zero tolerance policies

## *Insurer:*

- Predictive analytics
- Real time, pre and post-claim verification
- Investigations and audits
- Contracts and guidelines with providers

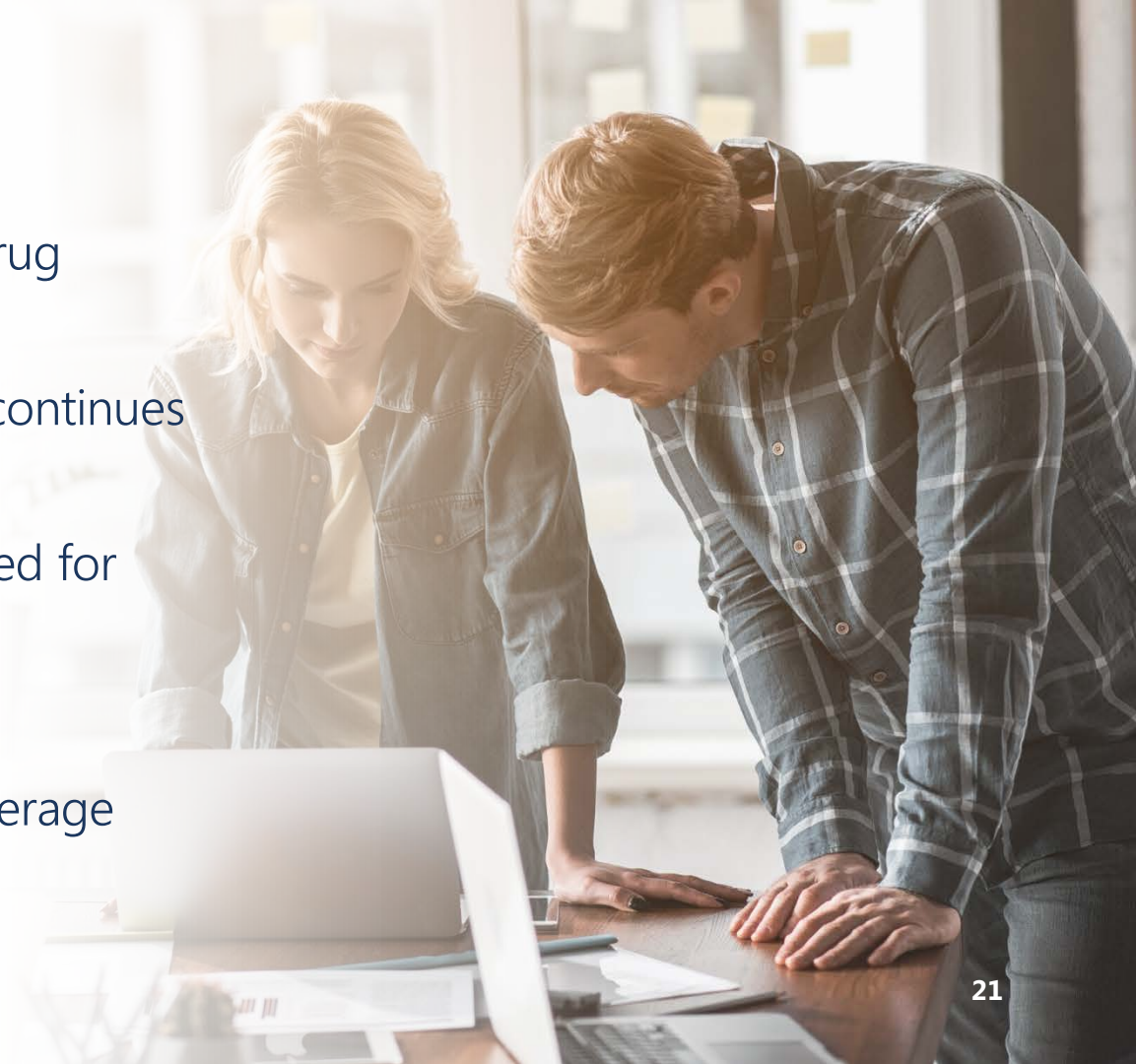


*Strategy #4*

# RISK MANAGEMENT

# THE RISK

- Vast majority of employer drug plans have no set maximum
- Pipeline of high cost drugs continues to grow (doubled 2011-2016)
- Biologics are being developed for more common conditions
- More than just drugs
- Liberal Extended Health coverage



# DRUG COST EXAMPLES

## High cost “specialty” drugs (biologics)

### *Catastrophic ... Soliris*

- Used to treat blood disorders (90 in Canada)
- Depending on treatment, cost is \$542,000 to \$750,000 per year

### *Prevalent ... Triptans, Botox, Aimovig*

- Used to treat migraines
- Cost is \$350 to \$6,400 per year



*Strategy #5*

# FINANCIAL ARRANGEMENTS



# FINANCIAL ARRANGEMENTS

## *Insured*

- Insurer assumes the risk
- Less flexibility
- Adjudication maximums and limitations
- Go-forward rating
- Large amount pooling

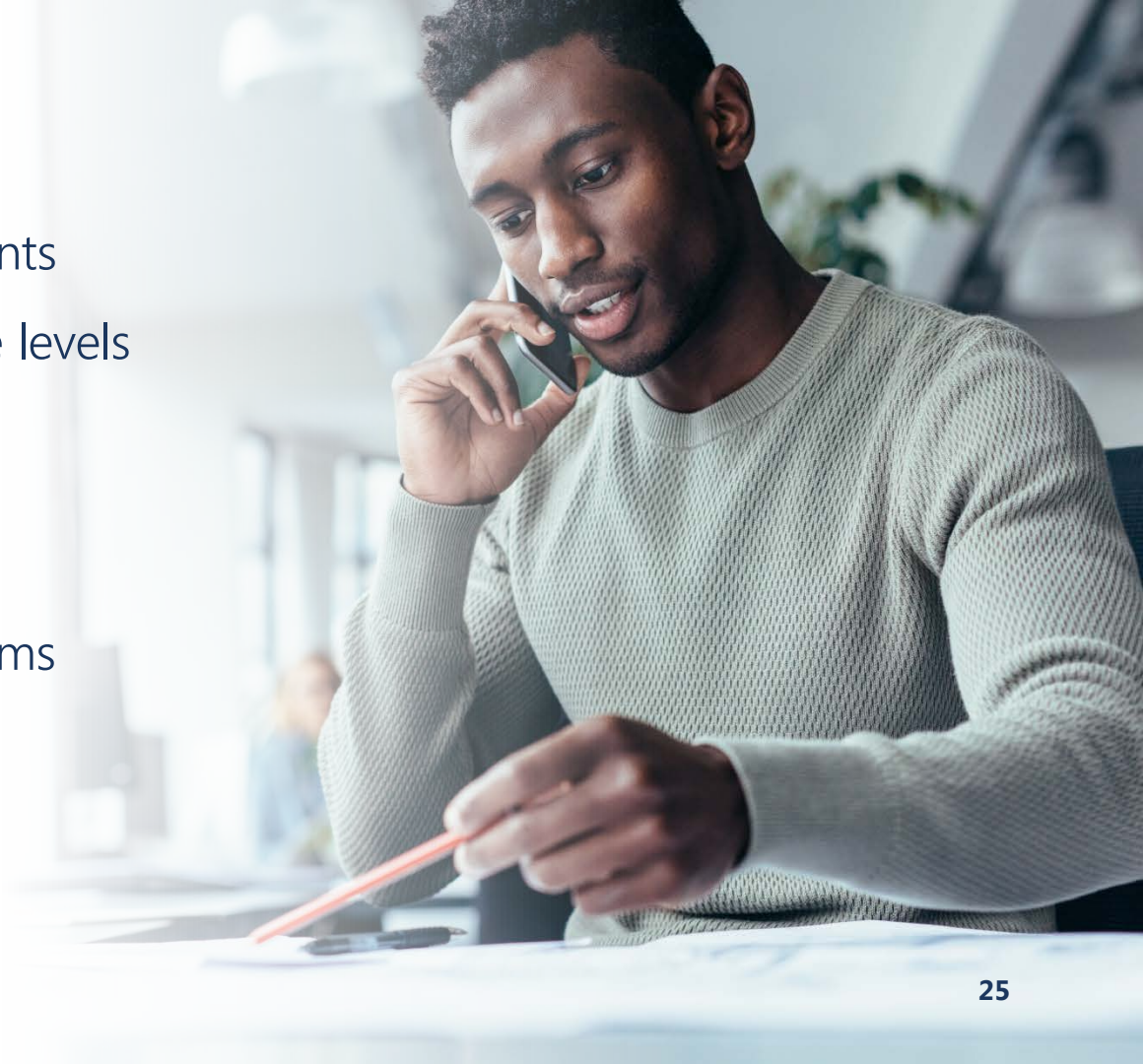
## *Administrative Services Only (ASO)*

- Employer assumes the risk
- Greater flexibility
- Could potentially pay out maximum risk under the contract
- Strategies to decrease risk exposure
  - Stop loss pooling—individual and aggregate
  - Maximums and caps



# RISK APPETITE

- Benefits to both arrangements
- Consider your risk tolerance levels
- Varies by group size and financial arrangement
- Potential for significant risk exposure—catastrophic claims
- More spread of risk for larger employers

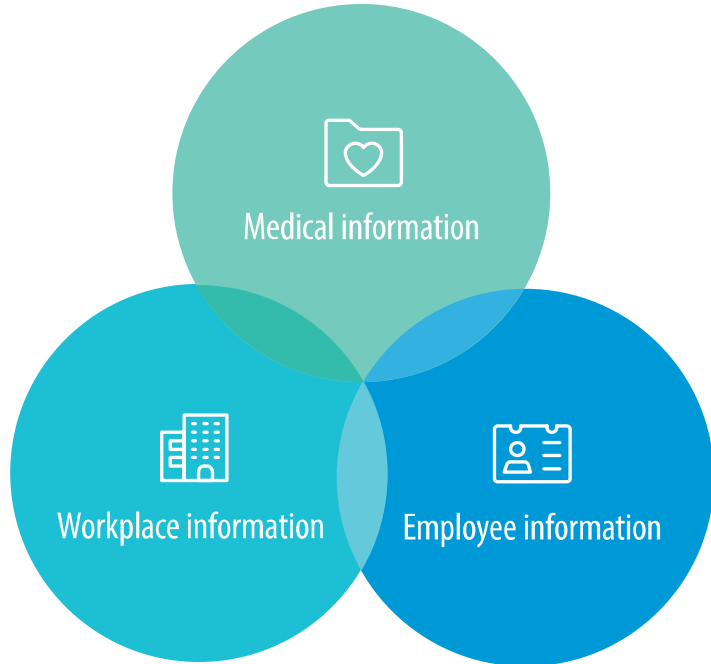




*Strategy #6*

# EFFECTIVE DISABILITY CASE MANAGEMENT

# A HOLISTIC APPROACH



# INDUSTRY BEST PRACTICES

- A collaborative partnership with all stakeholders
- Early intervention -two year rule
- Manageable case loads
- Blended case loads
- Sustainable returns to work
- Incorporation of wellness programs



*Strategy #7*

# THE ROLE OF WELLNESS



# WHY WELLNESS MATTERS

- Modifiable risk factors contribute to cardiovascular disease, diabetes, cancer and mental illness (3 in 5)
- 80% of cases of premature chronic disease, stroke and diabetes can be prevented <sup>1</sup>
- A one per cent reduction of these risk factors could save the Canadian economy \$107.5 billion by 2036 <sup>2</sup>
- Mental illness costs Canadians \$10 billion annually <sup>3</sup>

1. World Health Organization 2013

2. Kreuger et al 2014

3. Conference Board of Canada 2015



# WHAT ARE WE SEEING?



**15%**

*of our health and wellness is*  
**THE RESULT OF  
OUR OWN BIOLOGY**

**85%**

*is within our own*  
**PERSONAL CONTROL  
AND ACTIONS**

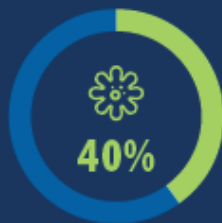


*Mental health problems account for*  
**>\$51 BILLION**  
*in lost productivity costs due to*  
**ABSENTEEISM & PRESENTEEISM**



**OF HEART DISEASE,  
STROKE AND  
TYPE 2 DIABETES**

AND



**OF CANCERS  
ARE PREVENTABLE**



**CONSUMER POWER**  
*is driving healthcare and  
wellness services and delivery*

**>67%** *of the population  
over the age of 15*



**SPENDS ON AVERAGE, 60% OF  
THEIR WAKING HOURS AT WORK**

*Chronic disease contributes to*  
**2/3 OF ALL DEATHS**



**54%**

*of Canadian adults are*  
**OVERWEIGHT  
OR OBESE**

**20%**

*of our population will be*  
**OVER THE AGE  
OF 65 BY 2020**



# MOVING FROM TREATMENT TO PREVENTION

TREATMENT	PREVENTION
Sick care	Wellness
Reactive	Proactive
Complacency	Autonomy
Costs	Savings
Packaged	Personalized
Siloed	Collaborative
Customers	Community





# WHAT CAN EMPLOYERS DO?

- Engage with your benefit partner and advisor
- Create a culture of wellness
  - Wellness champions
  - Employee and Family Assistance Program
  - Online wellness platform
- Explore consultation services available through your benefit partner

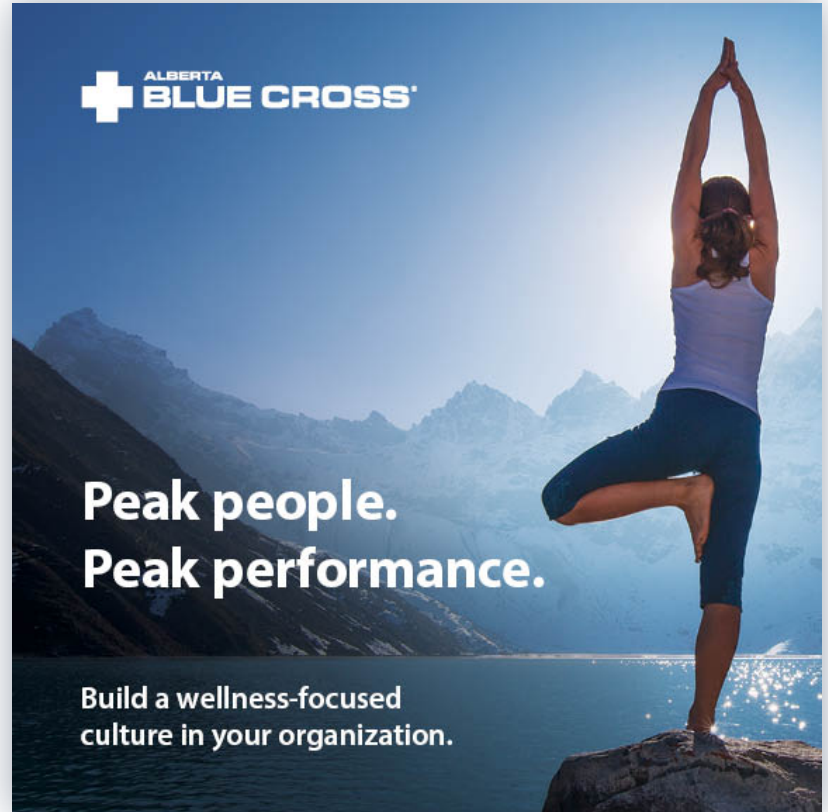


# ALBERTA BLUE CROSS WELLNESS INITIATIVES

- *Balance* - online wellness platform
- Workshops and presentations
- Employer sessions

## ***What's next?***

- Workplace Wellness Ambassador Training program
- Telephonic health coaching
- Mobile wellness screening



# AT ALBERTA BLUE CROSS,

## WE...

- Employ and share expertise in all areas
- Aggressively invest in technological solutions to:
  - Enhance plan member and plan sponsor experience
  - Maximize benefit plan efficacy
- Facilitate strong and active partnerships
- Focus on the “financial protection and well-being of our publics”

# QUESTIONS?

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*Thank you.*



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