BETTER BUYERS

Over a year of layoffs, cutbacks and cost-cutting, plan sponsors did everything they could to avoid reducing employee benefits—including looking for deals from insurers.

BY BROOKE SMITH

Health spend, and particularly drug spend, has long been an issue for both insurance companies and plan sponsors. In 1967, health spending was approximately 7% of GDP. Forty-plus years later, health spending was forecast to reach 11.9% of GDP in 2009. Similarly, drug spend represented less than 8.8% of health spending in 1967, but was estimated to almost double that of health spending in 2009, at 16.4%.

Last year, while plan sponsors focused on maintaining costs, they turned to their insurance companies asking for the most for the least. Plan sponsors, in other words, were looking for a deal. And some insurance carriers complied.

For a plan sponsor to change insurers, there would generally have to be a "reasonable price advantage," says Steve Pong, senior vice-president, group products, with The Empire Life Insurance Company (No. 12 on the Top 20 list). But over 2009, insurers saw plan sponsors moving for less. "To go through the effort to move from one carrier to the other, there needs to be a price break—say 10% to 12%," he says. "We saw some cases moving [for] as low as 7%."

Insurers, too, had to watch how they spent their dollars. "Because of the recent economic challenges, employers have been driven to finding a better financial deal," explains Judy Grant, vice-president, group benefits, with The Co-operators. "As carriers, we have to be very selective about where we're spending our money. It's got to provide solid value to our clients, or they're not going to pay for it." And while not all insurers could negotiate a price break, they did offer options to help plan sponsors contain costs.

An Ounce of Prevention

One strategy to keep drug spend and disability leaves at a minimum is prevention. Jean Guay, senior vice-president, group insurance, with Standard Life (No. 10), says that for 2010, the focus has shifted to health management. "We believe that health management is the right long-term sustainable solution to control costs and improve productivity," Guay explains, adding that employers are more conscious now of the importance of prevention. "We believe this is the only sustainable solution. It will have an impact not only on absences but [also] on drug consumption and all paramedical consumption."

While London Drugs' dental and drug experience has remained "reasonably flat," this is not the case for its disability management. "Our disability experience is always something that's in the forefront of our minds," says Dorothy Steele, manager, compensation and benefits, with London Drugs in Vancouver. She says the company is trying to improve the health of its employees by offering wellness programs, especially with regard to mental/nervous conditions such as depression and anxiety. "In some of our areas, 30% or 40% of claims are attributable to mental health," she adds. The company hopes to introduce an anti-stigma campaign to address mental health issues later this year.

Delving into the Data

Another way to manage benefits costs is monitoring claims data. Camille Coutu, a benefits consultant with Buck Consultants, says she scoured the claims data to see what was being adjudicated incorrectly or what was in the claims that shouldn't have been. Of course, minimizing the human element can help to avoid errors in the first place—and that's

THE NUMBERS

- Overall, the group insurance industry grew by 4.6% in 2009, compared with 6.1% in 2008.
- Great-West Life Assurance Company kept its No. 1 spot on the Top 20 Group Insurance Providers list, at $6.7 billion.
- RBC Insurance Company entered the Top 10 Group Life Providers in the No. 10 spot this year, with $26.0 million in insured premiums.
- The Top 10 Group Health Providers remained the same, but La Capitale Assurances moved up to No. 8, moving Green Shield to No. 9.
- The industry total for ASO providers increased slightly from 6.4% in 2008 to 6.5% in 2009.

TOP 20 GROUP INSURANCE PROVIDERS

Insured premiums and non-insured deposits (in millions) as of Dec. 31, 2009

	Company	2009	2008	$ Variance	% Variance
1	**Great-West Life Assurance Company***	**$6,687.6**	$6,477.1	$210.5	**3.3%**
2	**Sun Life Financial***	**$6,595.4**	$6,264.8	$330.6	**5.3%**
3	**Manulife Financial***	**$6,334.7**	$6,024.3	$310.4	**5.2%**
4	**Desjardins Financial Security***	**$1,784.8**	$1,744.8	$40.0	**2.3%**
5	**SSQ Life Insurance Company Inc.**	**$1,165.8**	$1,089.0	$76.8	**7.1%**
6	**Green Shield Canada**	**$1,159.8**	$1,144.6	$15.1	**1.3%**
7	**Pacific Blue Cross***	**$1,000.5**	$963.2	$37.3	**3.9%**
8	**Medavie Blue Cross**	**$890.8**	$835.6	$55.2	**6.6%**
9	**Industrial Alliance**	**$860.2**	$807.6	$52.6	**6.5%**
10	**Standard Life of Canada**	**$622.8**	$609.0	$13.8	**2.3%**
11	**La Capitale Assurances et gestion du patrimoine Inc.***	**$413.1**	$387.5	$25.6	**6.6%**
12	**The Empire Life Insurance Company***	**$306.1**	$306.8	-$0.7	**-0.2%**
13	**Equitable Life of Canada***	**$253.7**	$252.7	$1.0	**0.4%**
14	**RBC Insurance Company**	**$248.0**	$253.2	-$5.2	**-2.1%**
15	**Manitoba Blue Cross**	**$241.8**	$220.5	$21.3	**9.7%**
16	**Blue Cross Life Insurance Company of Canada***	**$203.3**	$190.3	$13.0	**6.8%**
17	**Saskatchewan Blue Cross**	**$56.2**	$52.9	$3.3	**6.2%**
18	**Assumption Life**	**$53.9**	$51.3	$2.6	**5.1%**
19	**The Wawanesa Life Insurance Company**	**$32.0**	$31.0	$1.0	**3.2%**
20	**Group Medical Services**	**$28.5**	$26.0	$2.5	**9.5%**
	Top 20 Total	**$28,938.9**	**$27,732.2**	**$1,206.7**	**4.4%**
	Industry Total	**$30,807.9**	**$29,458.2**	**$1,349.7**	**4.6%**

*Restated 2008 figure. **Notes:** The Co-operators was unable to participate in this year's survey. Alberta Blue Cross reported $1,849 million in revenue. However, this figure includes premiums for government-sponsored social benefits programs and has been excluded from the ranking. The revenue is included in the industry total. Figures in this report are based on responses provided by the survey participants. *Benefits Canada* assumes no responsibility for the accuracy of the data provided. All totals are subject to a +/- variance due to rounding. **Source:** *Benefits Canada's* 2010 Group Insurance Survey

where technology can help.

The Great-West Life Assurance Company (No. 1), for example, is looking to advance its customer service and plan member experience through three areas of its e-claims: direct claims from the provider, member-submitted claims over the internet and use of debit card technology for healthcare savings accounts (HCSAs).

Similarly, Sun Life is perfecting its data recognition technology. When a claim form comes in, it is imaged and scanned to seek out characters identified as part of the information required to adjudicate the claim. It then auto-populates a claims adjudication screen, which verifies the claims and coverages and then pays the claim. "It does it in a fraction of the time than it would take otherwise by handling paper in the traditional way, where the claim would sit in queue, then be manually handled by an individual," says Stuart Monteith, senior vice-president, group benefits, with Sun Life Financial Canada. (No. 2).

While larger insurers and plan sponsors may use the latest technology for benefits and drug claims, technology usage has been increasing in small and mid-size companies, too. "Two years ago, it would be very uncommon to hear of a 100-life company setting up an electronic feed from its system to the insurance company system, because insurance companies weren't really open to doing it for the smaller clients," says Coutu. "Now we're seeing that. [Smaller companies are] just trying to automate anything they can because they don't need a body to do it."

Not only can technology lessen errors, but it can also reduce workload. Next month, Desjardins Financial Security will launch TED D, a new service that links the sponsor's pay and HR system and the insurance carrier administration systems. "It will allow the administrators of groups of 200 insureds and over to have one entry, one input for the data instead of inputting the data two or three times," says André Simard, sales vice-president, group and business insurance, with Desjardins Financial Security (No. 4).

And technology also facilitates access to information. According to Monteith, Sun Life is developing smart phone claims-paying and plan information technology applications. "We are currently perfecting technology where plan members can have access to their claims-paying process and plan design on their hand-held devices like an iPhone and BlackBerry," he says, adding that the motivation was to move the industry away from its heavy reliance on paper and to be easy to do business with in a manner clients want.

TOP 10 GROUP LIFE PROVIDERS

Insured premiums (in millions) as of Dec. 31, 2009

	Company	2009	2008	$ Variance	% Variance
1	**Great-West Life Assurance Company**	**$692.3**	$664.1	$28.2	**4.2%**
2	**Sun Life Financial**	**$589.0**	$590.1	-$1.1	**-0.2%**
3	**Manulife Financial**	**$576.5**	$545.6	$30.9	**5.7%**
4	**Desjardins Financial Security**	**$177.4**	$181.3	-$3.9	**-2.2%**
5	**SSQ Life Insurance Company Inc.**	**$116.6**	$105.5	$11.1	**10.5%**
6	**Industrial Alliance**	**$95.8**	$94.6	$1.2	**1.3%**
7	**Standard Life of Canada**	**$59.0**	$57.6	$1.4	**2.5%**
8	**Blue Cross Life Insurance Company of Canada**	**$47.6**	$43.5	$4.1	**9.4%**
9	**La Capitale Assurances et gestion du patrimoine Inc.***	**$46.1**	$44.6	$1.5	**3.4%**
10	**RBC Insurance Company**	**$26.0**	$28.6	-$2.6	**-9.1%**
	Top 10 Total	**$2,426.4**	**$2,355.5**	**$70.9**	**3.0%**
	Industry Total	**$2,497.5**	**$2,426.3**	**$71.2**	**2.9%**

* Restated 2008 figure. **Note:** The Co-operators was unable to participate in this year's survey. **Source:** *Benefits Canada*'s 2010 Group Insurance Survey

TOP 10 GROUP HEALTH PROVIDERS

Insured premiums (in millions) as of Dec. 31, 2009

	Company	2009	2008	$ Variance	% Variance
1	**Great-West Life Assurance Company***	**$3,314.9**	$3,235.9	$79.0	**2.4%**
2	**Manulife Financial**	**$3,148.7**	$3,008.0	$140.7	**4.7%**
3	**Sun Life Financial**	**$2,496.0**	$2,424.9	$71.1	**2.9%**
4	**Desjardins Financial Security**	**$1,488.1**	$1,479.0	$9.1	**0.6%**
5	**SSQ Life Insurance Company Inc.**	**$1,026.2**	$968.8	$57.4	**5.9%**
6	**Industrial Alliance**	**$648.5**	$611.1	$37.4	**6.1%**
7	**Standard Life of Canada**	**$433.1**	$423.7	$9.4	**2.2%**
8	**La Capitale Assurances et gestion du patrimoine Inc.***	**$356.6**	$332.9	$23.6	**7.1%**
9	**Green Shield Canada**	**$302.8**	$298.0	$4.8	**1.6%**
10	**The Empire Life Insurance Company**	**$256.0**	$261.0	-$5.0	**-1.9%**
	Top 10 Total	**$13,470.9**	**$13,043.3**	**$427.6**	**3.3%**
	Industry Total	**$14,867.1**	**$14,414.6**	**$452.5**	**3.1%**

* Restated 2008 figure. **Source:** *Benefits Canada*'s 2010 Group Insurance Survey

I Want a New Drug

Because many of its clients are so focused on costs, The Co-operators offers a range of drug program options through the five new drug formularies it introduced in 2009. Grant says its claims are paid on one integrated platform for health and for dental, which has the advantage of having drug pricing and managed formularies available whether claims are submitted electronically or manually. It also allows the insurer to be more flexible with plan design options. However, she says there hasn't been much uptake to date. "I think there is a hesitance for plan sponsors to restrict the drugs their plan members have access to." But Grant is optimistic that this will evolve.

Generic drug pricing is another way to manage drug costs. In November 2008, a Competition Bureau report found that the Canadian private sector could save from $600 million to $800 million a year if generic drugs were priced competitively. On March 1, 2007, the government introduced Bill 102, which reduced the price that the Ontario Drug Benefit (ODB) pays for senior citizens from 70% of the brand name drug to no more than 50%. However, this change did not apply to private drug plans.

Some employers are finding their own solutions. In July 2009, in partnership with Green Shield, General Motors and Chrysler negotiated rebate deals with the manufacturers of nine brand name drugs. These drugs cost less than their generic equivalents and are listed exclusively on the formularies for the two automakers. But Coutu worries about the tiered approach to drug pricing. "Most of our clients in Canada are not large superpowers that can negotiate these deals on their own."

Even without generic pricing reform, some of the high-cost brand name drugs are going off patent soon, says Shawn O'Brien, a senior consultant in Aon Consulting's health and benefits practice. Lipitor (for high cholesterol) is going off patent later this year or in early 2011. "It's probably on 95% of employer plans," says O'Brien. He explains that once the generic is in place, there can be immediate savings, as long as employers restructure their benefits plans to ensure that they

TOP 10 ADMINISTRATIVE SERVICES ONLY PROVIDERS Non-insured deposits (in millions) as of Dec. 31, 2009

	Company	2009	2008	$ Variance	% Variance
1	**Sun Life Financial**	**$3,512.3**	$3,252.4	$259.9	**8.0%**
2	**Great-West Life Assurance Company***	**$2,680.4**	$2,577.1	$103.3	**4.0%**
3	**Manulife Financial***	**$2,611.7**	$2,474.7	$137.0	**5.5%**
4	**Green Shield Canada**	**$857.0**	$846.7	$10.3	**1.2%**
5	**Pacific Blue Cross***	**$799.2**	$751.1	$48.1	**6.4%**
6	**Medavie Blue Cross**	**$638.0**	$601.1	$36.9	**6.1%**
7	**Manitoba Blue Cross**	**$159.5**	$145.8	$13.7	**9.4%**
8	**Standard Life of Canada**	**$130.7**	$127.7	$3.0	**2.3%**
9	**Desjardins Financial Security**	**$128.9**	$93.4	$35.5	**38.0%**
10	**Industrial Alliance**	**$115.9**	$101.9	$14.0	**13.7%**
	Top 10 Total	**$11,517.7**	**$10,870.0**	**$647.7**	**6.0%**
	Industry Total	**$13,461.5**	**$12,637.1**	**$824.4**	**6.5%**

*Restated 2008 figure. **Note:** Alberta Blue Cross reported non-insured deposits of $1,633 million. However, this figure includes premiums for government-sponsored social benefits programs and has been excluded from the ranking. The revenue is included in the industry total.

Source: *Benefits Canada's* 2010 Group Insurance Survey

maximize the savings—for example, by setting up mandatory generic substitution or lower-cost alternatives.

There is also movement with generic pricing out west. Alberta has already legislated that generic prices be reduced to 45% of the cost of the brand name drug, and this has been extended to both public and private sector drug plans. Tim Hadlow, senior benefits consultant with Hewitt Associates, says it appears that Ontario will follow Alberta's lead, but there's no indication *when* this will happen. It will mean savings for employer-sponsored plans that promote generic drugs in their plans. However, brand name drug negotiations by insurers on behalf of employers may be for nought. "If generic pricing rules do come into effect with prices significantly reduced, then the effectiveness of any brand name negotiations [by insurance carriers or sponsors] is questionable because the brand name drug price can only go so low and savings over generics may be minimized or non-existent," he adds.

Over the Borderline

As Canada struggles with drug pricing and increasing health-care costs, the U.S. provides a valuable source of strategies and trends—for example, a consumer-driven approach to healthcare.

Brad Fedorchuk, vice-president, group marketing, with Great-West Life, says the consumer-driven approach in Canada is manifested in the restructuring of the traditional benefits plans, such as implementing an HCSA. "We would see [a debit card for HCSAs] as a partial shift toward enabling more consumer-driven health," says Fedorchuk. "Now you're managing your pot of funds that you can use under the benefits program."

Pong agrees that consumer-driven healthcare will have an impact on cost, particularly if employees have to pay part of the drug cost. "Employees will need to be very conscious that they can get more affordable drugs [i.e., a lower dispensing fee] at different pharmaceutical chains," he says. "[But] that's not an easy journey." Tracey Griesbach, product marketing manager, group products, with Empire Life, agrees. "You could imagine [that] folks may not be as price-conscious for a [drug] purchase versus many of the other goods [they] purchase."

A second manifestation is the use of voluntary benefits—products offered by the plan sponsor that employees have the option to purchase. While in Canada, voluntary benefits were mainly options for life insurance, Fedorchuk says these benefits will continue to grow in importance and scope. For example, some employers now offer post-retirement healthcare as a voluntary benefit.

Pong says that from a broader perspective, the trend toward voluntary benefits is positive on three fronts. First, it continues to allow employers to provide health benefits to employees. Second, it ensures that employees have access to more individualized health benefit solutions. And third, "maybe it does help the notion of consumerism, where individual employees now have a better understanding and appreciation of the cost of their benefits," he adds.

Another strategy that is crossing the border is the concept of preferred providers, in which a provider has made a contract with an insurer to provide healthcare services at a reduced rate to the insurer's clients. London Drugs does just that. "We can offer our prescription drugs at a very low cost. We give them to our employees at cost, so we don't charge the dispensing fee," says Steele. According to Hewitt Associates' *Rapid Response Survey,* only 8% of the 133 Canadian companies surveyed obtain discounts from pharmacies identified as a "preferred provider." Yet 33% said they would consider it if it helped them achieve savings.

Whatever solutions they explore, employers want to know what's driving costs. That's a great opportunity for the insurance industry. "It boils down to access to information," says Grant. "If we can show [employers] in a simplified fashion what's driving their costs, they can make informed decisions to better manage their benefit costs and impact the health of their workforce."

And the pressures that the group insurance business has experienced to offer better price and service will continue, Simard adds. "For an insurer, the opportunity is to be able to go through that and always keep the same level of quality. It's easy to *say* we'll do it, but the important thing is, we have to *do* it." **BC**

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