

BeneFACTS

...an employee benefits
newsletter

FROM THE MEARIE GROUP

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The Future of Employee Benefit Plans

Eventually Health benefit costs will increase to the point where they are no longer affordable for employers.

The future of employee benefit plans - specifically Health benefits - has never been more relevant. With rapidly increasing drug costs and usage, the introduction of new and expensive drug therapies, an aging population, an increase in the use of "non-traditional" Health care practitioner's services - such as chiropractic care and physiotherapy, and the de-listing of services from government Health plans, employee benefit plans are about to be stressed to the fullest extent.

In order to cope with what the future holds, strategic planning is necessary. This planning must begin now.

To better understand the future of employee Health benefit plans, we have outlined what we feel are the major factors which affect them. We have also identified predictions for what the future holds, and have constructed a package of possible alternatives:

Major Factors Affecting Benefit Plans

- **Rising Health Costs**
According to a recent study conducted by Mellon, Health costs are expected to rise anywhere from 11% - 16% over the next year. This trend is expected to continue indefinitely, leading to the doubling of Health costs every five years. This means that every one dollar you pay out today will become five dollars in 2009.
- **New and Expensive Drug Therapies**
The introduction of new, more expensive drug therapies will cause a significant increase in overall Health costs. Drugs represent the largest component of Health Care claims - usually 65% - 85%. This increase will be closely tied to the demographic age distribution of your group - the use of drugs typically increases with age.

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● **Aging Population**

According to a 2001 census released by Stats Can, Canada's working population is increasingly made up of older people; the working population aged 45-64 increased 35.8% from 1991 to 2001. With increased life expectancy and the removal of mandatory retirement, the age of the workforce is expected to rise further.

Since utilization of Health care services and drugs increases dramatically with age, one can expect the impact of the aging population to be significant.

● **Increase in the use of "Non-Traditional" Health Care Practitioner Services**

There is increased pressure from plan members to include and/or enhance coverage for these services within Health Care plans. The use of these benefits is on the rise - this trend is expected to continue going forward.

● **De-listing of Government Services**

In May of 2004, the Ontario Provincial Government introduced a budget which included the de-listing of many government services in the area of Health care. These included:

- Removal of eye examinations for people aged 20-64
- Removal of chiropractic coverage
- Removal of physiotherapy services

These changes, although substantial, may represent only the tip of the iceberg in terms of benefit cutbacks. With each cutback, more strain is put on group benefit programs to pick up the slack, leading to increased costs for employers.



Eventually Health benefit costs will increase to the point where they are no longer affordable for employers. Whether this point is reached next year or ten years from now, there is no doubt that it will happen if nothing is done.

In order to face this issue head-on, employers must use strategic planning with regards to their employee Health benefit plans. The sooner this planning begins, the easier it will be for employers to adapt and cope.

We have outlined some strategies to consider when planning for the future. Implementation of any such strategies would be dependent upon your specific benefit plan.

Benefit Cutbacks

A common tool used to reduce Health costs is to introduce benefit cutbacks.

These cutbacks could be in the form of decreased reimbursement levels, dispensing fee caps, or deductibles. Each of these changes would generate short and long-term savings to employers. Through effective planning and implementation, the cost impact to employees can be eased.

Employee Contribution

Many employers currently pay 100% of their employees' Health benefit premiums. The introduction of an employee contribution (10% - 50% of premium paid by the employee) would lead to decreased Health costs to employers. It would also lead to the education of employees in terms of the cost of Health care plans.

Health Spending Accounts

Health Spending Accounts (HSA's) can be an effective tool in reducing costs. They work like a bank account - employers set aside a pre-determined amount for each employee (on an annual basis) which they are free to use as they wish (on Health Care costs only). Because the amounts are known prior to each policy period, effective budgeting can be done by employers.

Catastrophic coverage (high drug costs, out of country, hospital) can be maintained under the "traditional" Health Care, with the use of deductibles to lessen the expense to the employer.

HSA's allow for flexibility in terms of what the employee can claim, and can be integrated as part of the Health Care plan - which will still provide insurance against catastrophic events.

How Do You Implement These Changes?

Before proceeding with any of these changes, we recommend the following:

Practicing Mind and Body Fitness

Recent studies have, again and again, shown us the direct link between our mental, emotional, and physical health. Today it's widely accepted that emotions such as stress, anxiety and depression negatively affect our body and increase our risk of stroke, severe stomach problems, arthritis, asthma, hormonal disorders, and several other severe conditions. As a matter of fact, the risk of chronic illness is much more likely in those of us with poor emotional health than those of us who practice emotionally healthy lifestyles.

Effective May 2nd, WarrenShepell will be offering a **"Mind-Body Balance" micro-site** of resources. This is just a small sample of the educational resources that WarrenShepell offers to clients on a regular basis.

The micro-site has:

- Educational articles on the link between physical and emotional health;
- Tips and resources to help promote mind and body balance; and
- Book recommendations and Web site resources.

practicing mind and body

Each year WarrenShepell, The MEARIE Group's Employee Assistance Program (EAP) provider, offers **Mental Health Week** educational resources to their clients. And, as part of our commitment to educating people on the link between physical and emotional well-being-and in particular the physical conditions that often result from poor emotional health-we've asked WarrenShepell to share this year's resources with our valued key contacts, like yourself.

In addition to the above, the site will host WarrenShepell's first ever **"Mind-Body Balance" online chat**. Individuals can log on, post questions, and receive the latest information to advance their physical and emotional health.

We encourage you to access the **"Mind-Body Balance" micro-site** to learn more about the link between physical and emotional health. To access the site, log on to:

www.warrenshepell.com/mindbodybalance

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fitness

The Future of Employee Benefit Plans

Surveys / Questionnaires

- What do your employees need?
- What do they value about their benefit plans?

The only way to find out is to ask them. Before doing so, management must be prepared to respond to suggestions. This response will be based on your corporate philosophy regarding benefits - what are your corporate objectives and goals?

The use of an employee survey or questionnaire can be an effective tool in gathering information on employee wants and needs. Involving them in the plan design process can lead to increased employee morale and a better working environment. The more an employee appreciates their plan, the more likely they will take responsibility for controlling costs.

We can help. The MEARIE Group has extensive experience in this area and would be happy to administer a survey

or questionnaire to your employees. Please contact us for further information.

Share Information

In order to educate employees on the cost of their Health benefit program, we encourage employers to share this information with their staff. Most employees have little or no knowledge of what it costs for employers to insure them. Used in conjunction with employee surveys, sharing this information with your employees builds trust and can lead to an **effective partnership** moving forward.

The Future

The MEARIE Group strives to provide the best possible advice to suit your benefit needs and objectives. Through careful analysis, we can provide you with recommendations for your group plan going forward, to ensure its long term stability and viability.

If you would like more information with regards to this topic, please contact The MEARIE Group at 905-265-5300.



Benefacts is published by The MEARIE Group, which manages and administers The MEARIE Group Employee Benefit Program.

Products include Life and Disability Insurance, AD&D, Extended Health and Dental Benefits, an Employee Assistance Program; Group Home & Auto Insurance; and Comprehensive Care (health & dental program for retirees).

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NEED FORMS?

MEARIE Employee Benefit Program Members

Don't forget, many of our forms are available through The MEARIE Group's Web site. Be sure to visit us at www.mearie.ca

Forms include:

- Health and Dental Claims Forms
- Salary Change Report Form
- Enrollment Form
- Change Form
- Out of Province and Out of Canada Claim Form

This newsletter is for information purposes only, and is intended for the benefit of The MEARIE Group Employee Benefit Program clients. Any information contained herein shall not represent confirmation of coverage for specific circumstances, incidents and/or claims. Individual cases of coverage interpretation are dealt with external to this publication and shall be solely determined by your policy wording. Members wishing assistance on specific matters are invited to consult directly with The MEARIE Group staff.

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