

## To Shift or Contain Your Benefit Costs?

Controlling absenteeism, taking a balanced approach, fostering a healthy relationship with your insurer and educating yourself and your employees – all things to consider when looking at properly containing your benefit costs.

We would be hard pressed to find corporate Human Resources or Finance professionals that do not have continually rising benefit plan costs somewhere on their strategic radar. Traditional strategies are not working and it seems that the only alternative left for organizations is to seriously examine coverage cutbacks. "What if we drop the co-payment factor to 80%, or implement tougher maximums?" The options can keep a discussion going for days. "Or, what about something more radical, like a flex plan, where we can increase employee cost sharing through the maze of choice?" The lessons of choice plans tell us that the desired result rarely happens – your organization will still be paying the lion's share of a compensation expense that can rise at 4 to 5 times the rate of payroll.

Before you make any decisions about the future of your benefit plan, we ask that you take a moment and consider a different, and we like to think, more holistic approach to the subject of cost containment that might get you closer to your goal of control.

Often, we tend to examine specific elements of compensation, such as cash, pension and benefits, separate from each other due mainly to the complexities of each category – they are specialty fields. In the benefits world, this often means limiting solutions to those items directly involved with the plan, such as its offerings, funding, suppliers, etc. As experts, we clearly understand that using this

approach to manage major benefit issues (such as cost containment), severely limits your options and odds for long-term success. Our examination of these issues from the standpoint of the organization helped us to develop the following philosophy:

"Never confuse 'cost containment' with 'cost shifting,' and educate our clients about the difference before recommending the most appropriate path for the benefit plan."

A benefit plan, in no manner, effects control over the cost of health-related services purchased by employees. If the employee's prescription cost increases 15%, every design element you can think of adding to your plan will not change that fact. Your control does not extend to the source of the inflation. The only thing you achieve through cutting back coverage is controlling

the plan's costs and passing the difference to the employee. Now the employee's medical costs are growing at the rate of medical inflation versus the rate of their pay. Some of you may be thinking, "If that meets my strategic goal of cost control, what's wrong with that?" Nothing, but it is not "cost containment", it is "cost shifting" – to employees. If this is your intent, then your job of cost shifting can be achieved quite easily. However, if it is not, then we offer some suggestions to effect real cost containment.

The process starts by recognizing that the most successful "cost containment" is ingrained in an organization's culture – a part of

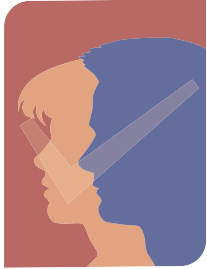


**In This Issue**  
**Essentials to Share with Employees**

**Legally Speaking – Life After 65**

**CommuniK Reader Survey**

doing business. A more appropriate moniker would be “prevention and proactive management.” Real cost containment starts with a basic philosophy that states, “Productive and healthy people make profits while unhealthy and/or unhappy people cost money, waste time, and undermine strategic goals.” This simple statement brings elements of benefits related cost containment immediately to the surface, such as:



### ABSENCE MANAGEMENT

A company aimed at cost containment approaches the issue of absenteeism with a common philosophy, regardless of the eventual payer of the disability income (you, the insurer or WSIB). The effects on the business stemming from an absent employee are different from the

issue of the cost of the claim. The point is that a cost containment focus in this arena would be on proactive absence management that attempts to mitigate the duration and impact of all absences, and therefore the balance sheet of the organization. It is a proven fact that the organization that manages absences versus premium dollars wins the long-term race to control costs with quality. Oddly, it is common to find organizations that pay significantly more attention, dollars and specialty staff (such as Health + Welfare professionals) to WSIB absences. They are likely under the false impression that there is no benefit to be had from giving their attention to non-occupational absences and that the claim costs are lower. Cost containment means proactive absence management, regardless of why it occurs. There are no losers when your underlying philosophy is to work to shorten the duration of every disability claim and achieve a return to work, whenever reasonable.

### THE TOLERANCE OF CANADIANS

If you examine mature flex plans over a decade or so, you will learn very valuable lessons about Canadians, their benefits, and cost containment.

Some of the most commonly found observations are:

- Despite the communication campaign, the available choices, the type of business or demographic of the employee, the vast majority of people select the coverage options that most closely resemble what they had before... regardless of the price.
- Once launched, people rarely make major changes in their initial coverage elections, regardless of lifestyle changes.
- Single people and many single parents do not have the option of coordinating health coverage with a spousal plan and purchasing individual coverage is often not an option.

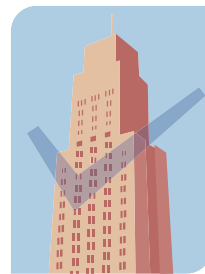


Cost containment, therefore, requires more than the development of a sound financial strategy to protect the organization's expenses. It requires a balanced examination of the needs of your employee population and their

tolerance to pay for benefits that you're willing to offer but not to foot the bill for. Cost containment means all parties understand what they are paying for and receiving under your benefit plan.

### RISK MANAGEMENT

Under the category of cost containment, risk management is not isolated to discussing the funding arrangements under your plan. It also involves the examination of behaviors around risk to the organization. A simple and common example is the management of business travel. There are still many plan sponsors that do not take the time to understand the hidden limits attached to their group life insurance and casualty (AD&D, Business Travel) benefit contracts or make the necessary arrangements when the need arises. All insurers have contracts with reinsurance companies that protect and limit their exposure with catastrophic losses. In addition, it takes little effort and cost to make arrangements with your casualty insurer to properly recognize and purchase additional coverage for the trip. The same is true of staff traveling outside of Canada without the proper medical coverage for an emergency. Cost containment is taking the steps necessary to avoid this type of financial exposure to the organization.



### SUPPLIER SERVICES + RELATIONS

Nothing in the benefits world works in isolation. Your supplier partners, such as your insurer, your expert advisor, your Employee Assistance Plan provider, and your internal team

all possess pieces of the cost containment pie. Rarely is the right effort made to coordinate their efforts and focus valuable information and observations. It is not enough that HR manage these assets independent of one another. Taking a team approach to the discussion and management of critical strategic goals makes your benefits team more effective and efficient. For example, patterns shown under an EAP have a direct connection to absence rates, benefit plan costs, productivity, and the current state of the business. HR can mitigate the impact on the organization by merging key knowledge and assistance together. Cost containment is using your available assets in the best manner possible – strategic trending and management.

### PLAN SERVICES

The materials and processes used to operate a benefit plan on a day-to-day basis are often overlooked as a major component in cost containment. Employees can complain about the richest of benefit plans simply because the experience of using it was so awful. Inefficient administration systems can create a mountain of problems and hidden costs for an organization along with upset employees. Poor support services and lack of communication can place



a huge burden on HR to manage frequent questions and problems. Comprehension problems can bring unwanted litigation and attention to the organization. Cost containment means that, before I throw the baby out with the bath water, I ensure that my benefit plan operates on a day-to-day basis with efficiency and quality.

Most of all, true cost containment exhibits itself in the creativity of your organization. While you can't control the medical field or the personal lives of your staff, you can influence behavior in a positive manner to support the ideas we talked about above. It means that you use what your benefit plan can teach you in a positive manner. A simple example is Diabetes – an unfortunately common affliction whose incidence rate is rapidly growing amongst our Canadian children. Without violating anyone's privacy, you can learn whether there is a high incidence of related claims under your health and disability plans. Running a simple awareness campaign, with the help of your friendly Diabetes Association, can go a long way to real and lasting cost containment. Correct us if we are wrong, but... isn't our real goal to have productive, healthy and, ultimately, profitable employees? We think trying to attain that goal is worth the effort and the potential return. **K**

## Recalls, Diseases, and Other Essentials to Share with Employees



Another product is recalled because of safety issues. The age for mandatory retirement is changing. West Nile is looming.

How do you keep employees informed about issues that, more often than not, affect their health and may affect the cost of your benefit plan? Keep up-to-date by visiting the following websites:

<http://www.benefitscanada.com>

<http://www.ewire-inratio.com>

Get updates on Canadian pension and benefits issues.

<http://www.hrreporter.com>

Use as a source for Human Resource management.

<http://www.hc-sc.gc.ca/english/protection/warnings/2004.htm>

Health Canada Site – Read up-to-date health advisories, product warnings, food recalls, allergy alerts and travel health advisories. **K**



## Legally Speaking

### Should the Prime Minister be Forced to Retire? Life After 65

**Healthy. Happy. Willing and Able. This describes the majority of employees who are on the brink of age 65.**

Human Resources must think, "Does mandatory retirement make sense for my organization? Am I discounting an individual's contribution due to age?"

Of course, it depends on the occupation, but mandatory retirement across Canada should be abolished. Waking up on one's 65th birthday, an otherwise productive employee is no longer allowed to work and automat-

ically put out to pasture. A healthy, happy, willing and able contributor to your workforce is stuck doing nothing and now you have a big gap to fill.

In Canada, the mandatory age of retirement is a topic that is split along provincial lines and has recently been given much consideration.

With the introduction of Bill 68, Ontario is now in the process of eliminating mandatory retirement and we expect other provinces will follow suit. In the United States, Australia and New Zealand, it is already against the law to force mandatory retirement as long as people are healthy enough to work and want to do so.

So, while the remaining provinces are deciding what to do about mandatory retirement, their Human Resource professionals should take a proactive approach and strive to lead their organizations to adapt to the inevitability of an aging workforce. It is a complex issue and one that we are committed to covering in future issues of CommuniK. In the meantime, think about parents, employees and even people in the news who are 65 or over (Paul Martin comes to mind) and consider if you think they're still capable of doing their jobs. **K**

*Legally Speaking was developed to provide you with a quick summary of legislative updates as they relate to the Human Resources and Group Benefits arena. It is not our intent that a reader of this column act or refrain from acting without seeking the appropriate professional advice.*

#### Mandatory Retirement: NO

Alberta  
Manitoba  
Prince Edward Island  
Quebec  
Northwest Territories  
Yukon  
Nunavut

#### Mandatory Retirement: YES

Nova Scotia  
New Brunswick\*  
Newfoundland  
Saskatchewan  
Ontario  
British Columbia

\* Retirement age can be set under terms of employment where there is a retirement or pension plan. Otherwise, employees forced to retire because of their age can file a discrimination complaint under human rights legislation.

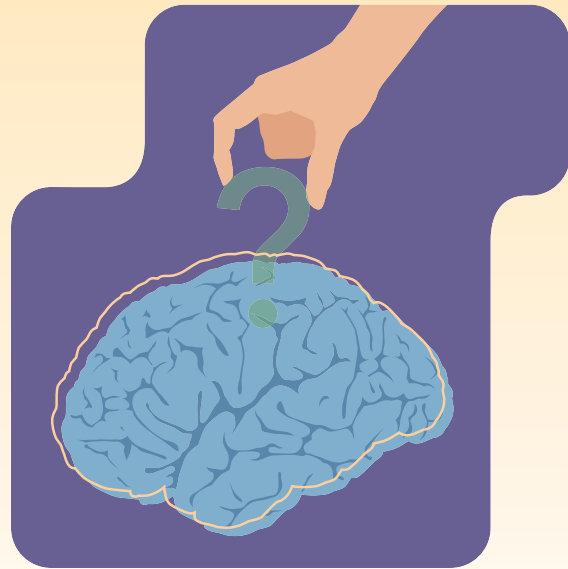
[http://www.cbc.ca/news/features/mandatory\\_retirement.html](http://www.cbc.ca/news/features/mandatory_retirement.html)

# What can we do better?

**T**hank you for taking the time to read this issue of CommuniK.

CommuniK was created in early 2001 after evaluating plan sponsors' need for a tool to help them manage their organizations' benefit, pension and communication programs. Since then, it has changed as client needs have; e.g. becoming more comprehensive by introducing "Legally Speaking" to provide a quick summary of legislative updates concerning HR and benefits. It has also been a resource depended on by our clients who find the information relevant, timely and easy to share with employees. We are always looking for ways to make this resource work best for you and, therefore, are asking for your input! Please take a few minutes to complete the following survey and fax it back to us at the number below, or you can complete the survey on-line at [www.communik.ca/survey](http://www.communik.ca/survey).

All submissions are anonymous and will remain confidential. **K**



*For questions with a 5-point scale, please choose from the following designations:*

- 1 – I strongly agree
- 2 – I agree
- 3 – I neither agree nor disagree
- 4 – I disagree
- 5 – I strongly disagree

- 1. I find the articles (in this issue) relevant to what I need to know for my job.  
1   2   3   4   5
- 2. I find it useful to receive separate bulletins when issues pertinent to my job arise.  
1   2   3   4   5
- 3. I think CommuniK would make a difference to me and my employees' lives / jobs.  
1   2   3   4   5
- 4. I find CommuniK easy to read.  
1   2   3   4   5
- 5. I would look forward to receiving CommuniK.  
1   2   3   4   5
- 6. I think the graphics/images included support the text.  
1   2   3   4   5

7. I would prefer to receive CommuniK in electronic format.

- 1   2   3   4   5

8. I would like CommuniK to include case studies.

- 1   2   3   4   5

9. I think CommuniK should be produced:

- Twice a Year
- Four Times a Year
- Six Times a Year

10. I would like to see the following topics in future issues (check all that apply).

- Employee Communication
- Specific Claim Categories (e.g., dental, vision care, depression, etc.)
- Work/Life Balance
- Retirement/RRSP
- Stress/Wellness
- Estate Planning
- Workplace Ergonomics
- The Ins and Outs of Reenrollment
- Other \_\_\_\_\_

Krieger + associates, Suite 300, 43 Front Street East, Toronto, Ontario Canada M5E 1B3

T. 416.363.1221 F. 416.363.0677 E. [communik@kriegerandassociates.com](mailto:communik@kriegerandassociates.com) Web. [www.communik.ca](http://www.communik.ca)

To join CommuniK's free mailing list, visit our website, click on "CommuniK" and subscribe!

CommuniK is written, designed and produced by Team Krieger. We want to know what you think! Please email us your benefits, pensions and communications questions or suggestions.

The content of this newsletter is provided to you for your information only. Though Krieger + Associates has made every effort to ensure the accuracy of CommuniK, it is accepted by the reader on the condition that any error or omission shall not be made the basis for any claim, demand or cause for action. No reader of this newsletter should act or refrain from acting without seeking the appropriate professional advice.