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Communicating Total Rewards

Helping your employees understand that the sum is greater than the parts.

WHAT IS TOTAL REWARDS?

Total Rewards in the workplace consists of both fixed and variable components designed to reward results. Most Total Rewards models consist of 4 key areas: Compensation, Benefits, Learning & Development, and the Workplace.

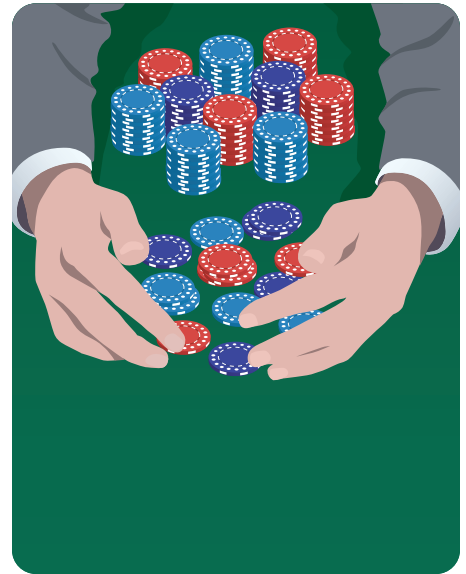
The 2006 World At Work consumerism survey findings indicated that less than one-third of respondents believe their employees are highly informed of their benefits. Survey responses also revealed that efforts to enhance understanding and awareness of health education are actually declining. To promote consumerism of plan offerings, the methods of choice are impersonal, generic materials which have led to employee confusion and/or dissatisfaction with these plans.

Surveys have shown that employees who are engaged are more likely to perceive their employer favourably, influencing how they feel about their organization's total rewards offerings.

THE BOTTOM LINE

Employers are spending a significant amount of dollars on Total Rewards programs. It therefore makes sense to want to get the maximum ROI by ensuring that employees appreciate the value that these programs have for them personally.

Satisfaction with offerings influences loyalty, and in turn, indirectly



affects turnover and productivity. Some reports show that the estimated cost of a single vacancy for some jobs has been calculated at anywhere from \$7,000-\$12,000 per day. Based on the 2006 World At Work survey the likelihood of turnover will be reduced by 5% if an investment is designed to increase satisfaction by 10 %.

HOW TO ENGAGE YOUR EMPLOYEES

Traditional communication programs focus on the details, options available and rules about participation. These communications will not be successful if the employee is left to go through a lot of material on their own and have no involvement in the decision making process. Employees require help to make decisions or take actions and tools should be provided to help them make these choices. Employees will also better relate to materials if they are personalized, focused, and distrib-

uted in a timely manner so they are not overwhelmed by the information provided.

TOTAL REWARDS STATEMENTS

Personalized Total Rewards Statements allow employees to view their

benefits plan as just one part of their HR offerings and gives them a visual record of all components of their compensation. This emphasizes the monetary value of their benefits, which is often unknown or completely underestimated by employ-

ees. As a means of enhancing employee engagement, a Total Rewards Statement can be an effective and enlightening HR tool. If you would like to discuss the benefits of Total Rewards for your organization, please let us know. **K**

Canadian Drug Spending Part 2

In our last issue of **CommuniK**, we began an overview of drug utilization and spending in Canada. Part 2 follows here.

Prescription drugs accounted for 83.3% of Canada's total drug expenditure in 2006. The share of drug costs by the public sector is dropping, from 46.6% in 2004 to 46.5% in 2005. In 2006, the public sector covered \$9.6 billion or 45.6% of prescription drug costs, with decreases expected into the next decade. To combat its rising health expenses, the Ontario government has made legislative changes to the Transparent Drug System for Patients Act, the Interchangeability and Dispensing Fees Act and the Ontario Drug Benefit (ODB) Act, which were implemented in October 2006 and April 2007.

These included the reduction of generic prices to 50% of brand name products, a decrease in the mark-up on ODB drugs (prescription drugs covered by the province) from 10% down to 8%, and capping promotional allowances on generic drugs at 20% for ODB sales.

These changes were applied to ODB patients and ODB drugs only. Ontario pharmacies are therefore facing a new financial burden and will be forced to offset their loss of income by increasing the mark up on non-ODB drugs beyond the current level of 10%. In January

2008, generic manufacturers raised their prices for 5 classes of antibiotics by 20-90%. This means that coverage through ODB for these antibiotics has ceased for Ontario residents over the age of 65.

This will ultimately translate into greater drug claims and a higher percentage of drug costs being covered by the private sector. To cope with the greater expense, many employers will be obligated to pay higher premium rates, have employees make contributions to their plan, or use a contingent workforce where benefits are not offered. This is unfortunate since employees rate their prescription drug plan as their most important benefit.

The PRIVATE SECTOR has been left

to deal with ever-rising costs on its own

How can you ensure the cost of your benefit plan does not balloon in response to the market without causing a negative impact on business or employees? Here are several tactics that could be implemented:

- A tiered co-insurance arrangement, e.g. reimbursement at 100% for generic drugs and 80% for brand name drugs, or a generic drug substitution plan, to encourage better consumerism.
- Revise contracts to ensure proper contract wording, clearly outlining inclusions and exclusions.
- Exclusions on lifestyle drugs and better controls for drugs where there is the possibility of abuse or misuse, such as narcotics.

- Pre-authorization programs that limit the use of targeted drugs. Only patients who meet clinical criteria defined by clinical protocol will be covered.

- Use a HealthCare Spending account (HSA). This allows employees to feel more responsible for managing their own health benefits.

- Better and more frequent communication to employees to clarify plan details and ensure proper use of the plan.

- Encourage employees to use the MedsCheck program now available at Ontario pharmacies. This is a service for prescription and non-prescription counseling which promotes the proper use of drugs and reduces prescription renewals and thus, dispensing fees.

- Promote health and wellness to reduce illness, absenteeism,

hospitalization

and insurance claims and promote a more productive workforce.

Canadian drug expenditure is expected to follow the current trend and increase exponentially into the next decade. The Ontario government has made changes to counteract its own rising expenses, but the private sector has been left to deal with the ever-rising costs of prescription medications on its own. Is your benefit plan ready to endure a large increase in claims without impacting your business or employees?

*Part 1 of this article can be found in the December 2007 issue of CommuniK. Go to www.communik.ca and click on the "CommuniK Newsletter" link. **K***

Modernizing Health Plans

For plan sponsors and their health coverages, the future is now.

FOLLOWING DEVELOPMENTS IN HEALTHCARE INTO THE TWENTY-FIRST CENTURY

It may feel like insurance companies have been administering private health plans since the beginning of time... maybe that's because some of their contract provisions and wording haven't changed in decades. With developments in modern medicine, the onus is on businesses that offer corporate-sponsored health plans to ensure that their benefits are kept current and that employees' best interests are kept in mind. A few areas in particular to consider updating in a group plan are: disability benefits, vaccinations, and drug coverage.

DISABILITY BENEFITS

In general, most Disability benefit definitions specify time periods that no longer reflect current wait times for medical procedures. In many cases, waiting for proper diagnosis can take months, especially if an MRI or other costly government-funded diagnostic machine is required for the assessment.

Wait times can be researched by area:

http://www.health.gov.on.ca/transformation/wait_times/public/wt_public_mn.html#

Once an LTD claim is approved, a large reserve is established, which will negatively impact your claims experience and result in your rates increasing. In cases where an employee is waiting for treatment, the claim may only last for a couple of months on LTD, while the reserve reflects a claim that is expected to run to age 65. The reserves are released, having a favourable impact

on the rates in the following year, but in the short term, this coverage has cost more than necessary.

VACCINE COVERAGE

In a recent survey, more than half (55%) of companies said that it had been at least five years since they'd reviewed their vaccine policy.



A significant number of Canadian employers currently provide vaccine coverage: 20% cover human papillomavirus (HPV) vaccines, 37% reimburse travel vaccines, and 42% will pay for childhood disease vaccines. In most cases, they are doing so in the same manner as they cover other drugs — without requiring higher co-insurance, for example. Coverage for vaccines should reflect your corporate philosophies. A focus on prevention would support coverage for HPV vaccines, while cost containment objectives may support a reduced co-insurance on malaria immunization.

DRUG COVERAGE

Benefit plans exist to protect employees from being financially burdened by unforeseen medical, dental, or health expenses. Although Canada's healthcare system has traditionally been funded publicly, there is a shift towards private plans com-

pensating for government cuts.

Employer-sponsored plans are expected to automatically cover the cost of new drugs such as the three new classes of diabetic drugs approved by the U.S. Food and Drug Administration over the past two years, all with average monthly costs between US\$150 and \$350. Although new therapies do have merit and coverage may be appropriate, the approach to plan management needs to be re-examined. Plan sponsors should have some control over what additional items their plans cover.

Plan sponsors can make the necessary changes to protect both the health of their plan members and the sustainability of the benefit by closely examining their own claims patterns and determining appropriate modifications that reflect corporate goals and philosophies.

K+A addresses these types of plan modifications with our clients at renewals and experience reviews, to ensure their plans continue to meet objectives and reflect current trends in the market. If you would like additional information or wish to discuss this further, please let us know. **K**

Source: *Benefits Canada March, 2007*

It's Not Too Late!

K+A's News Bulletins keep our clients up to date on Industry and Legislative changes that may impact their Benefits Plans, such as:

- Revenue Canada's decision to change the definition of eligible tax-free drugs
- Ontario Drug Benefit Program's (ODB) discontinuation of coverage for certain antibiotics
- The creation of the new Tax Free Savings Account for Canadians under the 2008 Federal Budget

To learn more about these topics or if you would like to receive future News Bulletins, visit our site at: www.communik.ca (click on "CommuniK Newsletter" to subscribe.)

Objectives — then and now

20 years ago I had only one objective and that was to open Krieger + Associates and survive a year. So here we are, 20 years later and going strong.

I very clearly recall the days of opening K+A in 1988 and the premise on which my idea of starting yet another consulting house was founded – linking benefits with business. At the time, working with clients to help them identify the most effective way to use benefits as a methodology or tool to support engagement was not happening. Employers did not have “objectives” surrounding the design and management of benefit plans back then. The concept of first establishing benefits objectives and then measuring the existing arrangements against these objectives to ensure alignment was foreign. I never could understand why, as it just seemed so practical to me. Perhaps that was an era where every benefit plan looked the same, maybe because every employee looked the same to their employers, and benefit coverage was frankly much less expensive and less litigious than it has become.

I am very proud to say that in the 20 years we have been practicing this objective-based approach, each and every client assignment has been successful. Each time we identified ways that employers, of all sizes, had been investing in plans and arrangements that didn't maximize return on their investment.

UNDERSTANDING CLIENTS

Accordingly, our key strategy to help link our clients' benefit plans to their overall business strategy has been the development of a proprietary approach called “Discovery”. This “Discovery” process results in effective consulting that is focused and valued. To be successful, it is imperative that we develop a thorough understanding of our clients' business realities, philosophies and expectations.

At the end of the “Discovery” process, we establish a working document that guides the fundamental operation of our clients' benefit plan(s) as well as our professional relationship. This working document is called the Client Statement of Benefit Plan Objectives. In turn, the same

approach is used to capture objectives for retirement arrangements as well as for plan communications and related plan administration.

So after many years, upon reflection, it is very clear that the need to ensure employers have benefit objectives has never been greater. Consider for a moment the environment we are in and the challenges benefit plans face, including:

- Government cutbacks and redirection of costs
- The rising costs of medical expenses, especially drugs
- The impact of changing demographics in the workplace
- The ongoing legislative changes that affect benefits
- The reduced number of benefits suppliers to choose between
- The increasing responsibility of employers for employee health and retirement awareness

Smart employers looking to gain a competitive advantage will want to “Discover” the advantages and opportunities of objective setting, and gain some control over an increasingly costly area of business while improving their employee engagement.

I look forward to “discovering” what the next 20 years will bring. **K**

Branding Your Benefits Plan – Why You Can't Afford Not To

WHY CREATE A BENEFITS BRAND?

- To enhance employees' awareness and comprehension of your benefits offerings.
- To entice employees to make educated decisions about their benefits plan options.
- To link benefits offerings with your corporate identity and its other initiatives.
- To improve your company's return on its substantial investment in insurance premiums.
- To elevate employees' perception of your plan by making its identity consistent with your existing corporate themes and images.

- To establish a communication platform which provides meaningful educational content.

HOW DO YOU “BRAND” YOUR BENEFITS?

You can turn your benefits plan into a “product” with its own brand identity by creating a program with its own Mission, Vision, and Values.

- Develop a visual identity that conveys the feeling you'd like employees to get from their plan (e.g., energy, health, vitality).
- Promote your product by creating a marketing brochure for your benefit summary.

- Leverage your company's mission statement into one that applies to your benefits plan.

COST OF CREATING A BENEFITS BRAND?

- An effective branding campaign should only cost from .5% to 2% of your overall benefits costs.

As experts in both Benefits and Communications, K+A can help create a brand for your benefits plan. K+A has created benefits plan branding for many clients and has been recognized by publications such as Benefits Canada for our campaigns. **K**