

# Predicting the future

of your  
benefits  
plan



## Think tank

Last year, The Brondesbury Group, on behalf of Manulife Financial, talked with 11 influential Canadian benefits experts and 55 health care opinion leaders. The experts were asked to predict how health and disability benefits plans are likely to change over the next five to seven years.

## Powerful forces at work

According to our panel of experts and opinion leaders, there are a handful of important forces playing a major role in shaping the future of group benefits plans in Canada. The most dominant of these is the cost shifting that has taken place (and is likely to continue) as provincial governments limit coverage for certain health care services traditionally covered.

## Costs trickling down

When governments struggle to pay for all of the health care their citizens use, provinces occasionally restrict or remove selected services from their plans, which in turn shifts the cost down to private individuals. At the same time, there are many new services being made available that aren't covered by the public plans and that patients must pay for on their own. Plan members then seek coverage from their private benefits plans, and employers must decide whether or not to cover the expenses.

When cost shifting involves services such as physiotherapy or occupational therapy, the employer's choices are few. If plan members can't easily access the rehabilitation services they need, their recovery from an injury could be longer, leading to more extended disability payments. Higher disability costs in turn lead plan sponsors to seek options to help contain costs, such as prevention and wellness programs. "The experts predict a future where Canadians continue to be entitled to all the health care services they need, but not necessarily all the health care services they want," says Marilee Mark, Vice-President of Marketing for Manulife Financial Group Benefits.



## It comes as no great surprise that experts predict health care use and health care costs to both increase in the near future.

### Other currents of change

Although provincial cost shifting is viewed as the force with the greatest potential to shape the future of your benefits plan, experts also make the following observations:

- Health costs, especially prescription drug costs and new technologies, are rising faster than the cost of living in Canada.
- In a global economy, employees are being asked to be more productive, leading to more stress-related absences.
- The population and the workforce is aging, leading to a higher demand for skilled talent.
- Older plan members use more health and benefits services; younger plan members seek a different selection of benefits services while at the same time desiring more balance between their personal and professional lives.
- The Canadian health care system doesn't foster prevention of illness.
- The experts perceive that some plan sponsors often see benefits as a cost rather than an investment.
- The experts perceive that some plan members don't always appreciate the full value of their benefits plans, and
- Some plan members don't always take full responsibility for their own health and wellness.

### More services. Higher prices

It comes as no great surprise that experts predict health care use and health care costs to both increase in the near future. They foresee these increases happening alongside a lively debate over who will pay for what, with the employees' share of health costs expected to rise. This could take the form of more cost sharing of premiums between plan members and plan sponsors, increased deductibles and increased co-insurance as well as possible cut backs in coverage by some plan sponsors. Other employers, to avoid cutting coverage, will seek greater cost-effectiveness through the use of health care spending accounts and wellness spending accounts. These tools help control costs for plan sponsors while giving plan members more options and flexibility to match their benefits to their individual lifestyles.

### Closing the gaps

The experts see ailments such as depression, anxiety, and substance abuse as accounting for more work loss and disability than many chronic illnesses. They predict employers will place more emphasis on improving the work environment in order to reduce employee stress levels and prevent new injuries or illnesses from happening. "This prediction underlines the value of a healthy workplace," says Ms. Mark. "A healthy working environment is not only safe, but

it allows people to be more productive at their jobs, and it allows them to stay on the job longer." People employed by healthy organizations often retire later. With an aging workforce and skilled workers in demand, the next few years will likely see plan sponsors making an even larger investment in wellness and prevention programs.

Part of that investment is expected to take the form of electronic tools for sharing information with plan members. Company Intranet sites and links to third-party providers can be used to help plan members identify their own potential health risks, and then begin reducing those risks through access to online information on subjects such as smoking cessation, weight management, exercise, diet and nutrition and other programs. In addition, disease management information can be made available for any plan members who have existing, chronic conditions.

According to the panel, many organizations are already making similar changes in their approach to short- and long-term disability. Some of the commentators see current disability intervention efforts as being too late and too reactive, so traditional sick leave policies are being revamped to include more absence management programs. And disability plans are being redesigned to incorporate a greater variety of return-to-work initiatives that make it easier for plan members to re-enter the workplace following an illness or injury.

With all the resources that plan sponsors are expected to direct towards keeping their current employees healthy and on-the-job, the panel concludes that benefits for retirees may come under added pressure. Indeed, some of the panel's participants foresee a future in which some companies may need to reduce coverage for past-employees in order to fund programs for active plan members.

## Rethinking the role of hospitals

Our society is changing, and an aging population is one of the significant forces shaping the healthcare system. The experts predict an older population will need more care, but improvements in pharmacare and less invasive surgical treatments will mean fewer people need to be admitted to the hospital. The future will likely see an increase in the number of out-patient, home care and other non-hospital based services available to Canadians. As well, due to a growing shortage of health care personnel, patients of the future (and their families) will be expected to perform some services themselves, or pay someone to provide those services for them. As one example, the panel predicts that in coming years certain physiotherapy and IV therapies will be provided in the home rather than at the hospital.

Although some of the experts expect healthcare costs to stabilize in the next four or five years, everyone agrees that costs will be re-aligned with an increasing amount of shifting from the public system to private individuals and employer benefits plans.

## Costs trickling down

Employer-sponsored benefits plans can't pay for every service that is de-listed from the government plan, and unlike governments, plan sponsors need to be able to see a return on their benefits plan

investment. While plan members may feel a sense of entitlement to health care today (either from their governments or group benefits plans), in the future it's predicted this will give way to the realization that full health care coverage comes at a cost. The panel sees a gradual mind shift taking place between now and 2009, when Canadians as a group will be more accepting of the idea of purchasing optional coverage or private health plans in order to receive the level of health care services they desire.

As Canadians begin to pay for an increased portion of their own health care, and self-care and family-care become the norm, there will be pressure in some regions for clinics to be open 24 hours a day, 7 days a week. In this case, nurse practitioners will play an expanded role, assessing the needs of patients and screening to determine which of these requires the attention of a physician. Such arrangements would help satisfy patient demand while also reducing the strain on hospitals and medical staff. Dr. Edwin Weinstein of the Brondesbury Group says, "Canadians will have to learn that access to health care does not automatically mean access to a physician."

## Chronic disease management

The experts predict the following chronic diseases will be managed through community and home-based care settings instead of the traditional hospital setting:

- Diabetes
- Chronic obstructive pulmonary disease and asthma
- Congestive heart failure
- Kidney failure and dialysis
- Mental illness
- Addictions

Patients with these conditions will be expected to take far more responsibility for their own health.

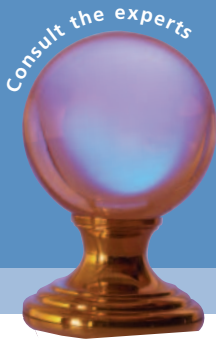
## End of life care

At one time, many people chose to spend their final days in the hospital, under the care of their doctors, nurses, and other health care professionals. Today, it's very common for patients to choose to spend their final days in the comfort of their own homes where they can be in the company of loved ones who have been instructed in how to provide the care and comfort their family member needs. In most instances, this approach offers a higher quality of life for the patient, while significantly lowering costs for the health care system. In light of these considerations, employers may need to make arrangements that make it easier for employees to either attend to the needs of a dying relative or pay for the cost of in-home bedside care.

## The deal on drugs

The cost of drugs and drug plans continues to rise, and while the experts don't see that changing in the near future, they do see some hopeful signs on the horizon. True, the future will see more drugs being administered at home, meaning payment for these medications will shift from the hospital's budget to the patient and his or her benefits plan. However, increased cooperation between the provinces in the area of drug formularies, purchasing, and pricing will help control, if not reduce, the cost per prescription down the road.

The advent of primary health care teams is another promising trend. The teams involve pharmacists in patient care earlier in the process, and the additional patient monitoring and advice by pharmacists will pay dividends by helping to reduce over-medicating and avoid dangerous drug interactions. The panel expects provincial governments to continue paying for high cost, catastrophic drug claims.



# Predicting the future is one thing. Putting your money behind your predictions is another.

## Wellness: investing in the future

Predicting the future is one thing. Putting your money behind your predictions is another. The panel says company wellness programs will continue to be seen as a worthwhile investment in the health of plan members, and measurable proof of a program's value to a workplace will likely lead to an even greater investment by the plan sponsor. In the coming years, the experts predict plan sponsors will continue to invest in prevention, and employers will target their educational efforts on the people most likely to benefit from information on subjects such as obesity, smoking, chronic disease management, exercise and accident prevention. Health promotion and effective management of existing conditions is seen as a strategy that's in everyone's best interests today, and over the long-term.

## The future is technology

Technology has always played a role in health care, and the panel fully expects technological advancements to exert even greater influence over your plan members' health in the years to come. As everyone from governments to employers and private citizens invest in technology, savings and efficiencies are being realized, and our ability to treat illness is steadily advancing. As an example, the panel points to the development of powerful biologic drug therapies. Although expensive (biologics

are difficult to produce and involve complex production processes), these therapies are seen as being more effective, less invasive, and able to help patients remain active in their communities and at their workplaces.

## A role for private providers

In the same way, the newest medical equipment is able to diagnose illness better and often earlier than many previous techniques. Again, this innovation comes at a price, leading the panel to suggest that the private sector will have an expanded role in areas such as diagnostic imaging, as well as providing treatments for non-life threatening conditions such as hernias and cataracts.

As the technological infrastructure develops, the panel of experts sees a national system for collecting and maintaining Electronic Health Records (EHR) as a necessary and important goal. "A comprehensive EHR infrastructure will reduce duplication, improve patient safety, reduce fraud and abuse, and in the long-term, reduce costs," says Dr. Weinstein. The panel members expect a national EHR structure to be in place within the 7-year timeframe they were looking at, once concerns about privacy, confidentiality, and other similar hurdles are overcome.

Developments like a national EHR infrastructure will build on electronic applications already in place, such as electronic communications between

pharmacists, insurance companies, and pharmacy benefit managers that pay claims, apply plan designs, and conduct important drug utilization reviews to avoid potentially dangerous drug interactions.

## Good idea, but...

One idea that the panel doesn't see becoming reality is a National Pharmacare Plan. Dr. Weinstein says, "Provincial governments and doctors want their independence. Drug companies don't want it, and patients aren't beating a path to politicians' doors on the subject, either." While the panel doesn't see the federal government negotiating drug purchases on behalf of the provinces, they do see a minimum list of drugs that will be available to all Canadians taking shape within the next 7-years. Another area that the panel expressed concern over is the funding of mental health services, a subject they describe as "a time bomb" that needs to be defused.

Of course, predicting the future is always a matter of making your best guess and then crossing your fingers. But based on the experience and knowledge of the benefits experts and health care opinion leaders assembled by the Brondesbury Group, it's clear your organization's benefits plans will experience a significant measure of change in the next few years - continuously being shaped by customer needs, government policy, financial considerations and the ebb and flow of an evolving health care system in Canada.