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From the Masthead

Mainstay Insurance Brokerage Inc. Phone: (905)886-9203

In order to serve you better

To assist you with your employee benefit plan, we are continually updating our website. Located at:

www.mainstayinsurance.ca

The site provides easy access to many insurance company's websites and to the health and dental claim forms you utilize on a regular basis. We have also added links to the log on pages for members (employees) in order to provide quick entry to other websites.

If you use a form that is not on our website and would like it added, please send us an e-mail at:

feedback@mainstayinsurance.ca

Did you know….?

Total health care expenditures for Canadians have risen from $90.1 billion in 1999 to $121.4 billion in 2003. Hospitals consumed the majority of the costs increasing from $28.3 billion in 1999 to $36.4 billion in 2003

Drug costs of $13.5 billion surpassed physician costs of $12.2 billion in 1999. By 2003 drug costs had surged ahead to $19.6 billion while physician costs rose to only $15.6 billion.

In 2003 each Canadian incurred an average $620 in drug costs.

Source: Canadian Institute for Health Information, National Health Expenditure Trends, 1975-2003.

Political changes could lead to increased costs!

We are all witnessing the effects of cut backs in provincial healthcare coverage in recent years. We have seen items like chiropractic care and eye exams become de-listed and the resulting non-covered costs passed on to insurers and ultimately to employers and employees. There is now another political issue that has made the media in Canada and the United States that if handled poorly, could cause further rate increases and stress an already sensitive health care system.

The issue is the growth of crystal methamphetamine (meth) operations that politicians are attempting to crack down on. In an effort to control the growth of this drug, the pre-cursor ingredients used to manufacture the drug are being watched more carefully in terms of how they are imported and distributed.

One of the ingredients used to make meth is Ephedrine. This is commonly used in non-prescription over the counter (OTC) cold medications such as Sudafed and Contact C. One of the options being considered is to require a prescription for these drugs in order to make them harder to purchase (or steal). So how does all this affect you and your benefits?

If this change is implemented and these medications do require a script, they would be covered under most benefit plans. This would result in an increase in claims and corresponding costs not just for the drug but also for the dispensing fee charged by pharmacies that is not currently charged for over the counter drugs.

In addition to these direct costs, there will also be added pressure on family doctors who would need to see patients for every runny nose in order to write the required prescription. This would put another unnecessary stress on our already over burdened health care system.

Will it happen? Or is it just a case of politicians providing a quick response to a media issue? Time will tell, but the state of Oregon has enacted just such a piece of legislation and North Dakota now requires ID to make these purchases.

This is just another example of how benefit costs are affected by external forces beyond the control of you and your employer.

More Dental Issues you should know about

In our last issue we touched on the advantages of Electronic Data Interchange (EDI) to submit your dental claims as well as some of the problems that can arise as a result of out of date information.

In this issue, we will discuss other situations that can frustrate both employees and dentists. In speaking with a colleague who runs a local dental office, she mentioned some of the problems they face on a regular basis.

First is the recently enacted (Jan. 2004) Privacy Act. Because of the Act and the various interpretations taken by each insurer, dental offices are now often prevented from helping to resolve situations where data may be deemed private (unless the patient is involved in the call). This means that the employee/patient may need to contact the insurer directly to resolve issues around treatment and claims payment.

Assignment of benefits can also create concern. This occurs when the patient asks the insurer to forward the claim reimbursement back to the dentist directly. Some insurers (and employers), choose to disallow this feature in an attempt to reduce fraud and potential abuse of the system.

Another area that frustrates dentists is the request to commit fraud. This comes in many forms with the most common being the request to forgive coinsurance and deductibles. A dentist that collects the 80% from the insurer but not the 20% from the employee is committing fraud and could face a suspension of their license. This type of fraud ultimately affects us all in the form of rising costs passed onto others.

Take the time to understand your plan and communicate with your dentist in order to avoid these problems. Insurer customer service lines are also available.

Mainstay Insurance Brokerage Inc.
10 Linton Court
Thornhill, Ontario
L3T 5M9

PHONE:
(905) 886-9203

TOLL FREE:
1-877-624-6789
1-877-MAINSTY

FAX:
(905) 707-0216

E-MAIL:
inquiries@mainstayinsurance.ca

WEBSITE:
mainstayinsurance.ca

Note: This side of the newsletter is intended for you, the plan administrator. The information on the 'front' is targeted more to your staff and can be copied and distributed for their reference.

Just in case you were wondering…

Cost increases are continuing

A recent report by ESI Canada shows the average ingredient cost per prescription has doubled in the last decade. Prices have risen further from $30.52 per script in 2000 to $43.00 in 2004. An increase of nearly 41%.

This does not take into account dispensing fees that have also increased an average of 10% in the same time period.

ESI Canada 2004 Drug Trend Report

Want to know what everyone else pays?

As a businessperson it is essential that you stay informed of the trends that can impact operating costs. Benefits are no exception.

By remaining educated you are in a better position to communicate with your staff, make plan changes if required and avoid sticker shock at renewal. Even with high inflation, benefits remain one of the most effective ways to attract and retain staff, while providing a non-taxable benefit to them – and today there are very few available.

Even though we see more clients with more staff, with higher claims all the time, benefits are now more important than ever. Tie all this in with the fact that our population is aging and we are a step away from removing mandatory retirement, rising claims are definitely here to stay.

What do these increases really mean to you, our clients? Well it's not ALL bad. A summary of our rate changes over the past 6 years is listed above.

Premium Changes

Year	Best	Avg.	Worst
2000	-2%	11.7%	+30%
2001	-13%	12.1%	+25%
2002	-6%	15.6%	+46%
2003	-14%	6.3%	+31%
2004	-37%	2.5%	+25%
2005	-39%	6.0%	+39%

Everyone's first response is "We want that 39% rate decrease". The firm that had that adjustment grew from 3 staff to 20 staff in one year and at the same time REDUCED claim costs by about 20% overall (not per person). In actual fact, they were overpaying until their pricing was adjusted to reflect the new size of the firm. We often see the opposite of this when an employer has high claim costs and the rates do not catch up until the next renewal

What this summary also tells us is that the client that had paid $2400/person/year in 1999 will be paying $4012 in 2006. A big increase absolutely at 67%, but not the rate doubling every 4 or 5 years that we thought would happen if trends continued as they had up to 2002 (in both Canada and the US). So who takes the credit for the better than expected increases? As much as we would like to be the sole reason for helping to keep costs down, much of it is due to the fact that employee claims are simply not rising to the levels expected.

In addition, the insurers, many of whom have switched from mutual companies to shareholder organizations, are now getting their houses in order and starting to reduce administration costs.

Is it likely to get better? Are we going to see rates drop? Probably not. Look at the column with the highest rate increases and you will see that many clients have in fact had to deal with significantly higher rates over the years. These increases have caused some of those employers to try new ways to better manage their costs by reducing benefit coverage, sharing greater portions of the premiums with their employees, switching to defined contribution style plans (Health Care Spending Accounts) or even dropping their plans altogether.

Life Insurance Conversion…let your staff know!

Most group policies have a provision to convert the life insurance benefit to an individual product upon loss of group life insurance. This can be a very useful benefit to some employees as there is NO medical underwriting required. Staff leaving the firm are guaranteed coverage regardless of health which can mean a great deal to those that are considered "uninsurable" due to pre-existing health conditions.

Insurers often provide a choice of term insurance to age 65, one-year term and whole life options to choose from.

This is most commonly done by providing a form to the employee or by way of a termination letter. In this letter a phrase indicating that the conversion option is available, the phone number of the insurer as well as a note that this option is time sensitive with only 31 days in which to apply, are usually included.

It is the responsibility of the employer to make the employee aware of this option at the time of the loss of the benefit. Failure to make employees aware can have serious consequences should an employee die soon after leaving the employ of the firm.

Read your employee or administrators handbook, visit the website or call your insurer or broker for more details.