



# Bending the benefits cost curve

Disrupting rising benefits plan costs

Life's brighter under the sun



# Foreword



If you are like the employers I speak with, you chose your benefits plan for good reason – to help keep your employees healthy and engaged – and its competitiveness helps you attract and retain the talent you need. But you've seen your plan costs rise in recent years and the forces driving rising costs – like an aging workforce, the increasing incidence of chronic disease and the emergence of high-cost drugs – seem like they are only gaining momentum. You worry that if this continues, you will need to consider reducing the coverage you offer.

If this sounds like you, please read on. As this Bright Paper will show you, rising benefits plan costs are a trend that can be disrupted! Sun Life is leading the way through initiatives like health consumerism, negotiating discounts with drug manufacturers and fighting fraud. We are already making a significant impact with much more to come.

Your employees can benefit too. They have out-of-pockets costs through co-payments and health expenses that can exceed maximum reimbursement levels. It's in their best interest to become more involved in their health care and seek lower prices. We're helping plan members do that, through technology and cost-transparency.

After reading this paper, I am sure you will share in my enthusiasm and optimism. By thinking differently and innovating, together we can disrupt rising benefits plan costs – and by doing so, protect our plans for years to come.

A handwritten signature in blue ink that reads "Marie-Chantal Côté".

**Marie-Chantal Côté**  
Vice-President Market Development  
Sun Life, Group Benefits



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# Disrupting rising benefits plan costs

Benefits plan costs have been on the rise for many reasons. These include an aging workforce, higher rates of chronic disease (like diabetes) and the introduction of highly effective, high-cost specialty drugs.

At the same time, the need for benefits coverage seems greater than ever. Effective treatments can be expensive and, in many cases, too costly for individuals to absorb alone. That's why benefits plan coverage is so highly valued by employees and looked to by employers to help keep their workforce healthy, productive and engaged.

## Employees highly value group benefits

While base pay and bonuses get all the chatter, group benefits have emerged as one of the most important pieces of your total compensation package.



**77%** of employees who have benefits say they would not move to a job that did not have a benefits plan<sup>1</sup>



**More than one-third** of employees say they would look for another job if their employer stopped providing a benefits plan<sup>2</sup>



**67%** of employees would keep their benefits plan over receiving a \$5,000 increase in salary<sup>3</sup>

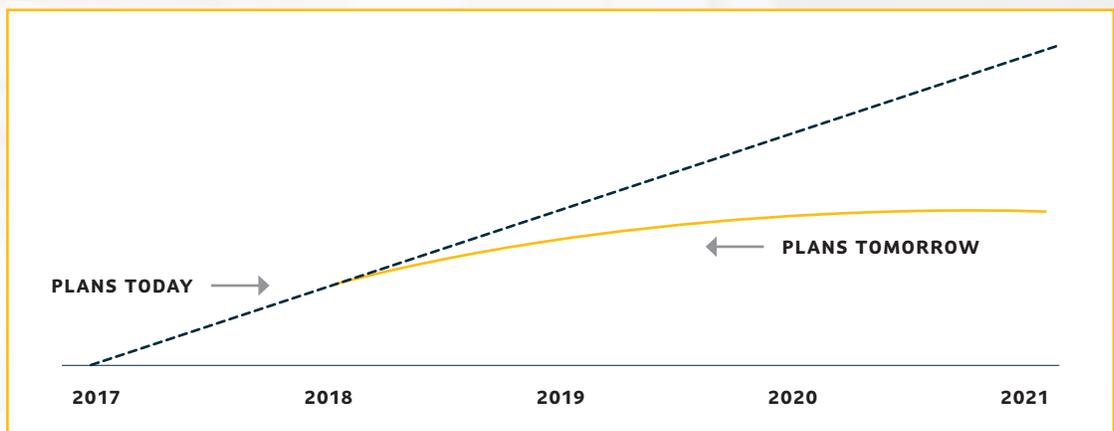
The push/pull from a plan sponsor perspective is being able to offer this much needed and valued coverage to employees in a cost-effective, sustainable way. It's a top priority. According to a recent Conference Board of Canada survey of plan sponsors, managing plan costs ranks as both the top short-term and long-term benefits priority.<sup>4</sup>





# Bending the benefits cost curve

How can we resolve this push/pull? By finding ways to do things differently – using new strategies and technologies to identify and act on inefficiencies and savings opportunities in the current way things are done. At Sun Life, we call this **bending the benefits cost curve** – innovation aimed at putting an end to the steep rise in benefit plan costs.



This paper focuses on several great examples of **bending the benefits cost curve** in action – ones you and your employees can benefit from today:

- 1. Health consumerism** – empowering plan members with information and tools that help identify the products and services that are best for them based on quality and value.
- 2. Product listing agreements** – leveraging insurance carrier scale to negotiate better prices with pharmaceutical manufacturers.
- 3. Fraud risk management** – using the power of technology and fraud professionals to detect suspicious activity and to delist suspect health-care providers.
- 4. Health-care innovations** – enabling technology to deliver health-care services in better and more cost-effective ways.
- 5. Provider discounts** – leveraging scale to negotiate discounts on health-care products and services, so that plan members get great products at a lower price – and at a lower cost to the plan.

Here's an overview of each of these five strategies.

<sup>1</sup> Sun Life Barometer Survey, 2016

<sup>2</sup> Sanofi Canada Health Care Survey, 2015

<sup>3</sup> Attitudes Toward Group Plans Among Ontario Businesses, Abacus Data, March 2018, conducted for CLHIA

<sup>4</sup> Conference Board of Canada, Benefits Benchmarking 2019

# 1. Health consumerism

Health consumerism is about transforming a benefits plan by providing tools to plan members, to support more informed decision making. In short, health consumerism's goal is to enable plan members to become wholly involved in their health-care decisions.

A central tenet of health consumerism is seeking out lower cost options to cover health expenses. Plan members have a key role to play – and an incentive to play it.

In a majority of plans, plan members have out-of-pocket costs through co-payments. For example, if a plan covers 80% of a health expense, the plan member must cover the remaining 20%. In addition, plan members sometimes exceed an annual coverage maximum for a specific product or service. Any additional costs above this maximum are out-of-pocket.

The foundations of health consumerism are predicated on making information available to plan members so that they can see that prices charged for the very same health products and services can vary a great deal by provider. Buying at a lower price not only reduces a plan member's out-of-pocket cost, it reduces the cost to the plan as well.

Here are two quick examples of price variation based on Sun Life's review of the Canadian marketplace in 2018.

- **Drug dispensing fees (the professional fee a pharmacist charges to fill a prescription)** – an expense incurred by millions of Canadians multiple times per year – can range from \$3.99 to \$12.99 for the same prescription.
- **Compression stockings** – used to maintain lower leg blood flow and reduce discomfort and swelling – range from \$90 to \$220 per pair, for an identical product.

Two components needed to encourage and incent health consumerism for plan members are:

1. **Transparency.** This can be achieved through a web and mobile provider search tool, so that plan members can easily find providers with lower prices, minimizing their out-of-pocket expenses. Peer ratings (ratings by plan members who have submitted a claim for that same provider) allow plan members to make choices across the dimensions of cost and quality.
2. **Awareness of the benefits of saving.** This can be done through online campaigns, targeted messaging or broader education initiatives that highlight potential cost savings to the plan member and their plan.

## The importance of Reasonable and Customary (R&C) limits

**Reasonable and customary (R&C)** is the term used to describe the dollar amount a benefits plan covers for a given product or service.

Since the fees charged by health providers can vary a great deal – for the same product or service, in the same region – setting an appropriate R&C is an important step an insurance carrier can take to ensure plan sponsors and plan members get the most value for their money.

**Cost-transparency** supports setting the right R&Cs – the ability to see how much providers charge helps plan members choose a provider whose fees are consistent with the R&C. This can save them out-of-pocket expenses and costs to their plan.



## Case study – compression stockings

Sun Life ran an initiative in 2018 involving compression stockings, a benefit expense that has a wide variation in pricing. Plan members were submitting claims for identical compression stockings that ranged in price from \$90 to \$220 per pair.

During this initiative, several techniques were used to encourage lower cost purchases by plan members:

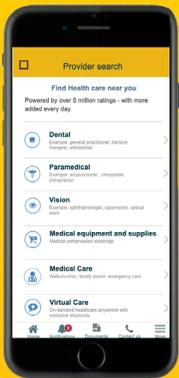
- Lowering the reasonable and customary (R&C) limit (the cost of the compression stockings that their plan would cover).
- Incentivising providers to offer a discount.
- Sending cost savings tips to employees (emails, ads, alerts on the plan member website).

The results were very positive, both in terms of savings and plan member engagement:

- The average cost per claim dropped by 17%.
- More than 50% of plan members felt that they were now more informed about their health-care options.
- About 70% said that they would use the provider search tool to look for information about costs before making other purchases.

While compression stockings make up less than 1% of total Sun Life health-care claims, the potential savings across plan sponsors represents approximately \$8 million annually. Applied across a wider range of health products and services, it's easy to see that the potential savings from this type of consumerism are very significant.

# How Sun Life empowers plan members with cost transparency



Sun Life's provider search tool assigns a cost indicator for health providers based on plan member claims history.

The search results assign either one, two or three dollar signs to providers – one dollar

is assigned to those who charge the least, while three is assigned to those who charge the most. The search tool is a simple way for plan members to find the provider that is best for them based on both cost as well as user ratings (ratings by other plan members who have submitted a claim for that provider).

In addition to helping plan members find lower cost options, the cost transparency of the provider search tool encourages providers keep their fees at appropriate levels.



## 2. Product listing agreements

Canadians pay among the highest prices for patented prescription medicines in the world – 20% more than the average for Organization for Economic Cooperation and Development (OECD) countries.<sup>5</sup> And the forecast is for prices to rise well above inflation.<sup>6</sup>

This has a direct and significant impact on group benefit plans because drug costs are the largest group benefits plan expense. And with a pipeline of expensive but highly effective new drugs emerging, many organizations face increasing challenges in balancing drug plan sustainability with effective coverage. High-cost specialty drugs are expected to make up more than 40% of drug plan spending by 2020.<sup>7</sup>

While plan sponsors can help manage increasing costs through plan design features like mandatory generic substitution, insurance carriers have a role to play as well. One of the most effective strategies available to carriers is to negotiate better pricing on drugs directly with drug manufacturers.

Large insurance carriers have the opportunity to leverage their scale to negotiate what's known as product listing agreements (PLAs). The ability to negotiate PLAs is emerging as a very important competency to help ensure drug plans remain sustainable, while also helping provide plan members with access to a broad choice of drug therapies.

Negotiation efforts are best placed where they have the most impact on plan costs. This means focusing on:

- Disease states with numerous treatment options having equal clinical benefit
- High-volume low-to mid-cost therapies
- Any new drug or indication that will have a material impact on plan sustainability

### Sun Life is making a difference with PLAs



**\$100 million**

Since 2014, Sun Life has saved plan sponsors more than **\$100 million in drug plan costs** through PLAs. This work is ongoing – with a specialized negotiation

team targeting hundreds of millions of dollars in savings for plan sponsors over the next five years.

<sup>5</sup> Organisation for Economic Co-operation and Development, OECD Health Statistics, 2017

<sup>6</sup> Office of the Parliamentary Budget Officer, Federal Cost of a National Pharmacare Program, September 2017

<sup>7</sup> Express Scripts Canada, <https://www.express-scripts.ca/raising-health/Understanding-high-cost-specialty-drugs-and-your-options>

# 3. Fraud risk management

In Canada, estimated losses due to benefits fraud amount to hundreds of millions of dollars each year.<sup>8</sup> That means higher costs for everyone – plan sponsors and plan members.

Active fraud risk management is a key component of plan sustainability, one where insurance carriers must take a leading role. The threat to plan sustainability posed by benefits fraud continues to escalate due to a number of factors. These include:

- **Rising health-care costs.** With the increased cost of providing health-care benefits, there's more money in the system and more opportunity for fraudsters to gain financially.
- **Organized crime.** Criminals are migrating to group benefits fraud as other targets, such as debit and credit card fraud, tighten up their controls.
- **Other priorities for law enforcement.** Law enforcement agencies typically focus their limited resources on crimes against individuals – not companies.

To effectively fight fraud, insurance carriers need strong, dedicated teams of professionals – including data scientists, billing specialists, ex-law enforcement professionals and trained investigators. Carriers also need the latest technology. Analytical tools are critical for identifying claim outliers, high-risk health-care and other providers and plan members for early intervention and investigation.

## Focusing on providers

The Canadian Life and Health Insurance Association (CLHIA) estimates that more than 80% of benefits fraud is committed by health-care and other providers, either working independently or in collusion with plan members.

For this reason, these providers need to be a primary focus of fraud prevention activities. When an insurance carrier identifies suspicious activity by a provider, they must take fast action to “delist” them (stop accepting claims from them), to prevent future fraudulent activity from occurring.

### Sun Life is leading the fight against benefits fraud

Sun Life has put a strong emphasis on developing systems and processes to quickly detect and delist providers who exhibit suspicious claiming patterns. To date, over 1,800 providers have been delisted, representing **over \$100 million in savings** to plan sponsors since 2014.

<sup>8</sup> [https://www.clhia.ca/web/clhia\\_lp4w\\_lnd\\_webstation.nsf/page/4ABC3507651CE9C8852583B40071BBB6](https://www.clhia.ca/web/clhia_lp4w_lnd_webstation.nsf/page/4ABC3507651CE9C8852583B40071BBB6)



# *Sun Life pilots show promising results for plan members on disability leave*

**Sun Life's ongoing pilot projects for both online CBT and pharmacogenomics focus on individuals on disability leave**

Online CBT pilot results indicate that individuals on disability leave with mild to moderate anxiety or depression can benefit significantly from this treatment. The preliminary results of Sun Life's pilot with the University of Regina show that 74% of participants reported symptom reduction, while 47% returned to work after completing their treatment.

For pharmacogenomics, Sun Life has partnered with the Centre for Addiction and Mental Health (CAMH) for a study of individuals on disability leave due to a mental health condition. The early results of this pilot are also promising. Eighty percent of eligible plan members elected to participate, showing strong interest in and acceptance of this type of testing. Preliminary data is showing that patients whose physicians changed their medication based on the results of their genetic testing report better improvements in symptoms compared to those who did not change medications based on the test.



# 4. Health-care innovations

**Health-care innovations can do more than improve treatment for plan members – they can also be a more efficient form of health-care delivery. Two examples of innovations that show promise are online cognitive behavioural therapy (CBT) and pharmacogenomics.**

## Online CBT

Cognitive behavioural therapy (CBT) is a form of psychotherapy that helps patients manage feelings of distress by changing the way they think and behave. It's often used to treat anxiety and depression.

CBT can be done in-person with a therapist, or online. Two of the potential barriers to in-person CBT are cost and access. Seeing a therapist in person is not always affordable. For example, the recommended hourly rate by the Ontario Psychological Association is \$220. And access can be limited due to long wait times to see a qualified therapist, or barriers related to geographical access and fear of stigma.

With an online CBT program, the plan member completes their therapy on the web through self-paced modules. A therapist is assigned to the plan member and monitors and consults with them online at regular intervals.

Research has shown that online CBT can be just as effective as in-person therapy for mild to moderate anxiety and depression<sup>9</sup> and it can also be significantly less expensive because of reduced therapist time. Additionally, online CBT can help overcome the challenge of accessing a qualified therapist for those living in rural communities, as well as those who may be hesitant to see a therapist in person due to feelings of shame and fear of stigma.

## Pharmacogenomics

There can be a lot of variation between people in how they respond to a given drug. Some people may respond very well, while others experience side-effects or may even not respond at all. These differences can be influenced by many factors. However, much of the variation can be linked to genetic differences in how each person metabolizes the active compounds that make up the specific drug.

This can make prescribing drugs a trial and error process. It is very much the case with mental health treatments. Research shows that only about one-third of depressed individuals respond when first prescribed an antidepressant medication. Many patients must try several different drugs before finding one that produces positive results.<sup>10</sup>

Pharmacogenomics testing – done through a simple cheek swab – analyzes a person's genetic makeup to determine how they will respond to a given drug. It is an exciting innovation with the potential to reduce or eliminate the trial and error process, helping to quickly find the optimal drug for the individual. The advantages in a group benefits context can be significant. These include better health outcomes for employees, cost savings for the benefits plan and ultimately reduced costs related to absence and disability for the employer.

<sup>9</sup> Hadjistavropoulos, H. D., Nugent, M., Alberts, N., Staples, L., Dear, B. & Titov N. (2016). Transdiagnostic Internet-delivered cognitive behaviour therapy in Canada: An open trial comparing results of a specialized online clinic and nonspecialized community clinics. *Journal of Anxiety Disorders*, 42, 19-29.

<sup>10</sup> Why is it so hard to find an antidepressant that works, Sunnybrook.ca, YourHealthMatters (<http://health.sunnybrook.ca/navigator/finding-right-antidepressant/>)



# 5. Provider discounts

Many health-care providers are interested in creating special offers or discounts in exchange for their products or services being featured to group benefits plan members. This represents an obvious savings opportunity for plan sponsors as well as plan members.

Insurance carriers can create these savings opportunities by playing the important role of evaluating and vetting partners to ensure quality, negotiating the special offers or discounts, and monitoring the impact on plan and plan member costs.

These offers don't cost anything for the plan sponsor, but provide plan members with additional choice and cost savings. They can also help promote and encourage healthier behaviours and lifestyle choices. Great examples include discounts on fitness training, consultation with a dietician or the option to purchase critical illness or additional life insurance.

Plan members can use their own money to purchase these benefits, or use their Personal Spending Accounts (PSA), for qualifying purchases, if these accounts are part of their plans.

## Discounts for voluntary benefits

Discounts and special offers for voluntary benefits – products and services not typically covered by traditional plans, but that plan members can purchase with their own money – also offer great opportunity to add value to plan members and plan sponsors.



**\$155**

**SAVINGS THAT  
AVERAGE**

**39%**



### Greater value and choice with Sun Life's Marketplace

Sun Life's agreement with Ollie Quinn Vision Care is a great example of negotiated discounts in action. Plan members can purchase single vision eye glasses for \$155 – a cost lower than most plan maximums. Compared to their previous eyewear claims, plan members that have purchased through Ollie Quinn have had savings that average 39%.<sup>11</sup>

This agreement is part of Sun Life's Marketplace, an innovative tool designed to help plan members live healthier lives. Available on the plan member website and the **my Sun Life mobile app**, Marketplace offers plan members health products and services, often at a discount, through Sun Life's growing network of partners.

<sup>11</sup> Based on 2018 Sun Life claims data



A young boy in a brown and white jacket is walking on a grassy cliff overlooking the ocean at sunset. He is holding the hand of an adult who is partially visible, wearing a brown jacket. The scene is bathed in the warm, golden light of the setting sun.

# Start disrupting rising benefits plan costs now!

The forces driving benefits plan costs higher – such as the aging workforce, the rising incidence of chronic disease and the increasing prevalence of high-cost specialty drugs – are also making benefits plans more important than ever to your employees, as well as your business.

The challenge these forces pose to plan sustainability is strong, but it is a challenge we can rise to!

Using new strategies and technologies to identify and act on inefficiencies and savings opportunities like the ones outlined in this paper – show the exciting potential to disrupt rising benefits plan costs and protect plans well into the future.

**Contact Sun Life or your group benefits advisor today to learn more.**

ANOTHER **BRIGHT PAPER**<sup>™</sup>  
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BY SUN LIFE

**Life's brighter under the sun**

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