

# Changing times:

evolving the approach to disability management



**The nature of work and the health risks employees face have changed dramatically. In generations past, the economy was predominantly industrial, and work was more physical. The key disability risks were also physical – accident, injury and strain.**

Fast forward to today. The economy – and the nature of work – is heavily knowledge-based. Many of the disability risks have shifted, from physical health to mental health.

What hasn't shifted in step is how insurers and employers approach disability. Providers originally designed insurance to protect employees in an age when physical risks were dominant. Today, mental health claims are dominant – and that change has highlighted where there are opportunities to evolve the current disability benefits model.

Mental health claims are not only greater in number; they're often more complex, involving longer absences from work. As a result, the cost to provide disability insurance has risen.

And the after-effects of the pandemic on mental and physical health could apply even more pressure.

Disability insurance is a highly valued benefit that provides critical financial protection for employees. But current claiming trends place employers and employees down a path where disability insurance is becoming increasingly unsustainable.

How disability is approached must evolve. There is a clear need for innovation and new options. This paper discusses the latest disability trends. It also highlights our work to support employee health and balance affordability with an employee's need for financial protection.



# Rising disability costs – what’s driving the change?

Mental disorders are the leading cause of workplace disability – and the fastest growing claim type. The volume of these claims is up 53% for short-term disability (STD) and 70% for long-term disability (LTD) from 2014 to 2020 across the Sun Life block of business. We’re also seeing these increases across all industries.

There are added costs to this increase beyond simple claim volumes. Mental disorder claims are more complex to manage and have longer durations than other claim types. So, while accounting for over 24% of new STD claims and 32% of new LTD claims, they represent 45% of claim costs.<sup>1</sup>



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The growth in mental health claims is part of a broader trend of more Canadians experiencing mental health problems.



**Diagnosed mood disorders, such as depression, increased by a third from 2009 to 2018.<sup>2</sup>**



The pandemic has only made this worse. We don’t know the precise causes of this long-term trend. But they could include:

- social isolation (more people live alone)
- the rise of precarious employment
- overuse of social media
- a reduced stigma towards those experiencing mental health issues.<sup>3</sup>



The rise in mental health problems is widening what was already an existing mental health care gap in Canada. Access and affordability remain key barriers to Canadians receiving mental health care.



Among Canadians who reported wanting professional help for their mental health concerns in 2020, just half reported receiving it.<sup>4</sup>



While the treatment available for most medical conditions is consistent across Canada, that's not true for mental health. Provinces vary widely in their funding and resources for mental health care. Physician's visits are covered, but psychologist or other mental health specialists are often paid out of pocket. Many Canadians simply cannot afford adequate treatment. Although many employers provide Employee and Family Assistance Programs (EFAP), these are rarely sufficient to support employees requiring a work absence. A combination of skills-based psychotherapy, pharmacotherapy

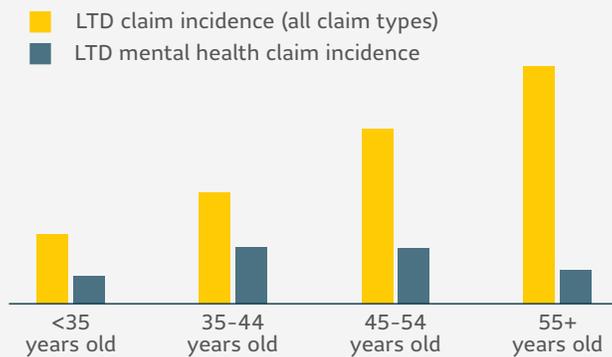
and activating positive behaviour changes is often required. Currently, this level of care is simply not accessible to many working Canadians.

One other factor driving the increase in disability claims is the aging workforce and associated incidence of chronic disease. From 1996 to 2020, the proportion of workers aged 55 and older more than doubled, from 10% to over 20%. Statistics Canada projects that the percentage will increase to 25% by mid-decade.<sup>5</sup>

Many chronic conditions increase in incidence and severity as we age. These conditions include diabetes, heart disease, cancer, and musculoskeletal disorders, such as back pain, arthritis and carpal tunnel syndrome.<sup>6</sup> So, as our workforces ages, disability claims will likely increase as a result.

With mental health and chronic illness as drivers, overall disability claims incidence is up 17% from 2016 to 2019.<sup>7</sup> Of course, for employers, the cost of disability goes far beyond increased coverage costs. Having more employees on disability can disrupt operations. It can also increase costs for hiring and training replacements and reduce productivity through the loss of experienced employees.

### LTD claiming patterns by age



An employee who is 55+ years old is **3 times more likely** to be on long-term disability than an employee who is under 35.

Based on Sun Life block of business, 2019.

# COVID-19 – a new variable in the mix

The pandemic has the potential to further increase the incidence of disability claims in the months to come. Here are two examples:



**1. Worsening mental health:** The pandemic is having a significant impact on the mental health of Canadians. A Sun Life survey of Canadians found that 60% reported that the pandemic had negatively impacted their mental health.<sup>8</sup> A year into the pandemic, Canadians reporting a personal diagnosis of depression or anxiety has increased 25%. This represents ¼ of adult Canadians.<sup>9</sup>



**2. Delayed diagnosis and treatment:** Pandemic restrictions have delayed the diagnosis and treatment of all types of health issues. For example, 2020 hospital admissions for diagnosed cardiac issues were down 20% from the same period in 2019.<sup>10</sup> The restrictions have also made managing chronic conditions, such as diabetes and heart disease more difficult. This is a significant concern. The 2020 Sanofi Canada Healthcare Survey found that half of plan members reported having at least one chronic condition. Here too, the outcome may be more serious illness and a resulting increase in disability claims.

More details on the impact of COVID-19 on mental health and disability claims can be found in our report [Designed for Health: Disability claims in focus: mental health, COVID-19 and beyond.](#)



# Mental health and shared accountability

With disability incidence and costs rising, continued affordability is a concern and many employers and employees need alternatives. These alternatives must balance affordability with an employee's need for financial protection.

Mental health is driving claims incidence and cost, making it a logical focus for innovation and developing alternative models. And some of these alternatives will reflect the fact that workplace mental health is a shared responsibility. Employees, employers, and insurers all have a role to play.



## Mental health – a complex claim type

Mental health–related disability claims are often far more challenging to manage than those related to physical health alone. There are several reasons for this:



**Uncertain recovery time:** Unlike a broken bone in a cast, mental illnesses don't heal themselves within a known timeframe.



**Fewer public resources:** There are more resources in the public system supporting physical health recovery than mental health. This can make it more difficult for the employee to find the help they need.



**Stigma:** Despite a greater openness about mental health issues, stigma, including self-stigma, still remain. This can create complications in identifying and treating mental disorders. It can also impact the employee-employer relationship due to privacy concerns about mental health issues.

# The employer's role

Employers have many responsibilities for ensuring the physical health and safety of employees. But they also have a critical role to play in supporting mental health. Employers are uniquely positioned to make a difference. They have the responsibility to create a psychologically safe, supportive environment. They also have the opportunity to provide their employees with resources that can make a significant difference.

This can involve:

- Having leaders promote a psychologically safe workplace and “walking the talk” in positively reshaping organizational culture.
- Following best practice standards to create a mentally healthy workplace. This includes aligning with the the National Standard of Canada for Psychological Health and Safety in the Workplace.

- Facilitating access to supports and resources for employees. These could include group benefits coverage levels, manager mental health training, and employee and family assistance programs.



Our recent Bright Paper report, [Improving workplace mental health: three companies, three great success stories](#), shows what's possible. It highlights how workplace mental health strategies can have a profound, positive effect on employee mental health and disability.



## Key mental health supports for employers

We offer many supports that can help employers improve workplace mental health. These include:



**Mental Health Strategy Toolkit.** A free step-by-step guide, providing strategies, tools and resources to improve workplace mental health



**Online manager mental health training.** A series of online training videos available 24/7 at no cost



**Integrated Health Solutions (IHS) team.** We can partner with you to evaluate your organizational health. We can then help build a business case for action, and create the strategy that's best for your organization



**Workplace Mental Health Risk Assessment.** A comprehensive assessment of your organization's strengths and opportunities for mental health improvement

# Higher benefit plan maximums – breaking down the cost barrier to treatment

Many benefit plans cap their coverage for mental health practitioners at \$500 per year. Often this is a combined maximum – shared with other services like chiropractic care. This often falls far short of funding the number of sessions required for effective treatment.

Cost is often a significant barrier to treatment, as demonstrated by a recent Canadian Psychological Association (CPA) survey.

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Sixty-six percent of respondents said a lack of benefits plan coverage is a barrier to seeking treatment.<sup>11</sup>

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Increasingly, employers are viewing higher coverage maximums as an investment, not a cost. By eliminating the financial barrier, they are focused on lowering claims incidence and returning those on disability leave to health and work faster.

The CPA recommends a standalone annual coverage maximum of between \$3,500 and \$4,000. This amount provides coverage for 15-20 sessions. This is the number of sessions required to achieve a therapeutic outcome for people suffering from depression or anxiety.



## The employee's role

Prevention at the individual employee level is the foundation for any workplace mental health strategy. New disability models will encourage and empower employees to engage in mental health self-care. This self-care might involve regular physical health checkups, and lifestyle changes (like stress management, physical exercise and better nutrition). It also involves engaging with mental health supports early, when symptoms emerge.

Employers have the responsibility to create a supportive workplace culture and provide access to mental health resources. In turn, the expectation is that employees also take a high degree of responsibility for their own health.



# The insurer's role – the evolution of disability benefits

We are responsible for ensuring you have access to the best solutions to support your employees' mental health. We are focused on creating, testing and bringing you innovative approaches. Here are two of the most recent examples of our work:



## Mental health coach

We're now piloting an innovative mental health coaching program with our own employees. The program is designed to provide proactive support to high-risk plan members.

Employees are presented with the option of engaging with a "coach" – a licensed mental health practitioner. These coaches know the employee's available coverage and resources and can guide them on their individual mental health journey.

We will be assessing the program's effectiveness with a view to rolling out the program more broadly to clients.

## Analyzing psychosocial factors

Our most recent pilot involves the analysis of psychosocial factors to improve disability claims management. Collecting 'self-reported' information from disability claimants through a specially designed questionnaire provides a broader perspective of their situation.

The questionnaire provides insight into a plan member's motivation for recovery. It uses factors such as support networks, psychological state, restrictions and limitations to daily living. It also asks financial and lifestyle questions, along with those related to work and job satisfaction.

By analyzing psychosocial factors, we can understand the complexity of the claim and better support the member's recovery. We're still in the early days of this initiative. However, we're already gaining insight to support our claims management process right from the start of the claim.

Through research and testing, we're also developing and assessing new disability benefits models.

The current disability model, with benefits payable until age 65, continues to be highly valued by many employers. By applying innovative approaches to this model, we'll ensure it remains a sustainable option for many employers and employees.

But we also believe that new disability benefits models can, and should, co-exist with traditional models. We are testing new models in order to provide employers with more options. This will allow them to suit their organization's risks, needs, and culture – while still providing employees with an appropriate level of coverage.

No matter the disability benefits model, we believe that several elements should be at the core of each:



**Proactive.** Identify employees at risk and intervene with the right support to prevent the need to go on leave.



**Financially sustainable.** Cost management initiatives that provide employers and employees with additional value while slowing cost increases.



**Highly data-driven.** Data-driven decision-making to determine optimal treatment paths and interventions.



**A tailored approach.** Match claimants with the "next best action" and ideal treatment path for them. Just like other health situations, a one-size-fits-all approach doesn't work for mental health.



# Key mental health supports for employees

Sun Life continues to innovate to provide both mental health prevention and recovery supports. Here are some of the ways we can support employees with mental health–related disability.



**Employee and Family Assistance Program.** Confidential information and advice to help employees and their families during times of need



**Pharmacogenomics.** Simple, non-invasive genetic testing that identifies the right mental health medication faster



**Lumino Health Virtual Care.** 24/7 on-demand virtual care services, including mental health support



**Mental Health Navigator.** Guidance from a team of mental health specialists, including diagnosis, creating a treatment plan, and engaging care providers



**Digital coach (“Ella”).** Ella reaches out to plan members with personalized messaging about support options available to them, including mental health resources



**Virtual independent medical exams (IMEs).** Faster, less stressful mental health assessments



**Online Cognitive Behavioural Therapy (CBT).** Digital therapy options that are effective, convenient and affordable



# Shaping the future

Sun Life is focused on shaping the future of disability benefits. We're innovating to create better tools and processes for prevention as well as recovery. We're also working to empower employers to create healthier workplaces and increase employees' engagement in their own health. Employers, employees and insurers each have critical accountabilities and roles to play.

And new benefits models can provide more options. These will align with the risks and needs faced by employees and employers – now and into the future. They can also support employers and employees to take actions that positively impact employee health, claims incidence and durations.

As the pandemic has taught us all, the world can change quickly. For disability, we're increasing our agility to test, learn and deliver value and protections that employers and employees need. There is still work to be done, but the evolution of disability benefits and management is in our sights. We are excited to keep you updated and encourage you to discuss new options with your Sun Life representative.

## Another Bright Paper report brought to you by Sun Life.

<sup>1</sup>Based on Sun Life's block of business

<sup>2</sup>Statistics Canada, Health characteristics, annual estimates

<sup>3</sup>Designed for Health, a focus on mental health disability claims, Sun Life, 2020

<sup>4</sup>How Canada Compares, Results From the Commonwealth Fund's 2020 International Health Policy Survey of the General Population in 11 Countries, 2021

<sup>5</sup><https://www150.statcan.gc.ca/n1/pub/75-006-x/2019001/article/00004-eng.htm>

<sup>6</sup>Government of Canada, Canadian Chronic Disease Surveillance System

<sup>7</sup># Based on Sun Life block of business

<sup>8</sup>Sun Life COVID-19 and Mental Health OMNI Study. Online interviews were conducted with 1000 Canadians across the country from April 29 – May 1, 2020.

<sup>9</sup>Mental Health Research Canada, Mental Health During COVID-19 Outbreak: Poll #5 of 13 in Series (Data collected in February 2021)

<sup>10</sup>Canadian Institute for Health Information, COVID-19's effect on hospital care services, November 19, 2020

<sup>11</sup>2020 Nanos poll conducted on behalf of the Canadian Psychological Association (CPA): <https://cpa.ca/strong-majority-of-canadians-want-improved-access-to-psychologists/>

### Life's brighter under the sun

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