NEWSLETTER

ADVANCED BENEFITS
CONSULTING
Partners in Managing Human Assets

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Optimizing Your Expenses

Whether you currently insure your benefits in the traditional sense or have moved to a variety of other funding mediums it is critically important to properly **protect your program against the impact of catastrophic claims**. Without taking the appropriate steps you run the risk of putting the future integrity of your program in jeopardy from the cost of one isolated incident or claim.

Our studies have grouped pooling protection into two distinct categories.

Appropriate Pooling Protection

The first we refer to as true **'Stop-Loss'** protection that will protect you from large claims regardless of whether they are one-time or ongoing. The other protection we refer to as **'Shock-Loss'** or 'Shock-Delay'. This type of coverage seriously limits your protection from ongoing claims. With the number of catastrophic level drug therapies in the market today, we strongly recommend a review of your contract.

Customizing Your Program

The Ontario government has tabled a bill to end mandatory retirement. **How will this impact your plans?**

Pension Plans are regulated under the Pension Benefits Act and as such will be **unaffected** by this new legislation.

Other Benefit Plans are currently able to impose age-based restrictions with respect to older persons. If that policy is to continue, employers could

The End of Mandatory Retirement

simply choose to terminate benefit coverage beyond age 64. Another option would be to continue participation but at a reduced level.

Studies indicate a **genuine labour shortage** as the baby-boomers reach retirement age. The appropriate strategy should take into consideration your organization's need to **retain employees, regardless of their age**.

Thinking Outside Of the Box

Great ideas need landing gear, as well as wings
C.D. Jackson

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Maximizing the Value of Your Plan

Canadian spending on drugs has quintupled since 1985 to **$21.8 billion in 2004**. It is predicted to reach the $35 billon mark by the end of this decade. In the year 2000, the average cost per prescription was $30.52. In 2004 that average had grown by 40.9% to $43.

In 2000 the average annual prescription cost allowable per claimant was $329. This figure ballooned to $524 in 2004. This is partly attributable to an 18% increase in the number of prescriptions per claimant over the same period.

Drug Cost Factors

These numbers, and the prospect for more of the same into the future have driven many plan sponsors to seek manageable solutions. We will begin this discussion in this issue, with a review of the **Cost Drivers** causing this trend. In each future issue, we will examine each Driver in more detail and discuss some potential solutions. At this time the overall trend of increasing drug costs is largely due to:

1. Higher Drug Ingredient Cost
2. More Prescriptions per Person
3. Increase in Professional Fees
4. Introduction of New Drugs

Smart Investing

Most people pay attention to the ***definition of disability*** within their disability contract (own-occupation v. any-occupation). Very few truly understand the impact of partial disability on their ability to receive benefits.

A true partial disability contract recognizes that **individuals recover incrementally** from most illnesses and injuries. It supports this fact both *during* and after, the elimination period. It will not require a period of total disability in order to qualify for or receive benefits.

Consider the Definitions

We believe it has become increasingly important to consider the merits of **the inclusion of a *true* partial disability clause** in a contract. This can be done through a traditional group plan or on an individual basis by carving out specific classes of employees.

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Thank You