CANADIAN HR Reporter
THE NATIONAL JOURNAL OF HUMAN RESOURCE MANAGEMENT
WWW.HRREPORTER.COM JUNE 17, 2002

Balancing needs, costs

Rising health-care expenses have employers grappling with what to leave in benefit plans

BY PETER MERRICK

Aside from hockey supremacy, what many Canadians believe unifies the nation as a people distinct from our neighbours to the south is a universal health-care system. Canadian identity is directly tied to the Canada Health Act which promises: "To protect, promote, and restore the physical and mental well-being of every Canadian resident and to facilitate reasonable access to health services without financial or other barriers."

In 2002, more than $85 billion will be spent for health care in this country with 70 per cent of these costs paid for by the publicly funded system. Corporate Canada and individuals pay the remaining 30 per cent. Over the last few years with the rapid growth of SOHOs (small offices and home offices) there has been an increase in individuals purchasing their own medical and dental coverage. These individual plans, however, only account for 15 per cent of the total of all private coverage, while Canadian employers are expected to pay the remaining 85 per cent this year.

The standard benefit plan provides coverage for semi-private hospital rooms, prescription drugs, dental coverage, chiropractors, naturopaths, psychotherapists, physiotherapist, vision care and travel medical insurance. The vast majority of employer medical and dental plans were designed to be supplementary to the government plan and were not meant to be the employee's primary plan. However the events of the last decade are quickly changing this reality and the function of these insurance plans.

A trend began in the early 1990s towards the Americanization of the health-care system. The federal government started cutting transfer payments to the provinces, much of which had been earmarked to fund provincial health-care systems. To reduce costs, the provinces began to de-list many services that they had previously paid for. Provincial cut backs in health-care services have left both employers and private insurers having to constantly alter and redesign their plans to keep up with emerging trends of higher claims and new prices.

One area where prices have risen dramatically is the cost of semi-private and private hospital rooms. Not long ago, a semi private room was less then $20 a day. In Ontario today, hospitals charge $160 on average for a semi-private room. Currently a stay in a private hospital room is the same price as accommodations at a 5-Star Hotel.

One of the first provincial health-care services de-listed was out-of-country travel health insurance. It was during this time employers began to realize they had to find more effective ways to reduce their costs.

Robin Ingle, president of Ingle International in Toronto points out that during the recession of the early1990s employers offered early retirement to many older employees as a cost-saving measure. As part of a company's retirement compensation package was the guarantee of full medical and dental insurance, which included travel medical coverage.

Ingle says, "These guarantees were promised as the government began de-listing travel medical coverage from provincial plans, radically lowering medical coverage payable by the provinces from 80 per cent of the typical U.S. hospital bill to as low as five per cent. Many of these former employees, now retirees, joined the ranks of the 'Snow Birds', choosing to live their winters in the Southern United States in some of the most expensive areas for medical care in the world."

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In the midst of these pressures on the current health-care system, employees want an enriched company benefit plan. Opinions on what to add are divided by age and experience — orthodontics compete with orthotics. Younger workers are concerned about deductibles, older workers want to expand drug formularies. Health spending accounts appeal to some staff, others favour critical illness insurance. Employees have one thing in common, they know they want more coverage in their benefits plan.

With these new Canadian health-care realities, HR departments are finding that their companies are being called upon to shoulder the burden of rising costs of government cut backs. Employers are being pressed more than ever, to determine which components within their plans are driving costs. Many employers find that to continue to offer even basic medical and dental plans for employees in the future they will need to understand where their costs are being generated. With this information, plan sponsors can respond to the needs of their workforce and be proactive in introducing programs and measures that will address employee concerns and hold the line on future expenditures for their plans.

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