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Insurers focus on prevention

By Tara Perkins
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Worries over the high cost of insuring an aging population has companies looking for ways to predict health problems - and intervene - before they get out of control

The country's top life insurers are boosting coverage of preventive care as the population's aging threatens to hike costs for the industry.

Private sector health care spending is poised for a steep rise along with government health spending as the baby boomer generation's bills for drugs, medical testing, hospitalization and other kinds of care increase with their age.

One of the big initiatives: insurers are building detailed databases of health information on the people they insure, ranging from the drugs they take to the chiropractors they visit, to more accurately predict who might be at risk of a major health issue such as a chronic disease.

The goal is to be able to intervene before the issue becomes severe - and expensive - by prodding the person to take action that could manage or prevent the disease all together.

Insurers are also taking more immediate actions. For example, starting in January, Manulife Financial will be pitching a new program to benefit providers that involves setting up a clinic in their workplace to test employees' cholesterol, blood pressure and body mass levels.

As insurers push further into prevention, one of the first things they are looking to do is quantify its value. By attaching a dollar value to wellness activities such as exercise, a solid night's sleep, water intake, and massage, they hope to be able to convince more employers to pay for wellness programs at a time when corporations are increasingly looking to shrink their benefit plans.

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"Employers are concerned about escalating costs," says Stuart Monteith, senior vice-president of group benefits at Sun Life Financial. "They're going up and up and up with all of the biodrugs and lifestyle drugs, and with the government getting out of certain drug protocols, private plans are inheriting a lot of the expense."

Of the nearly \$2-billion that Sun Life now spends on drugs each year, more than one-third is used to treat high cholesterol, high blood pressure, depression, diabetes and stomach ulcers. While prevention will not eliminate the need for drugs, Sun Life believes it could substantially dent it.

"People are living longer but that doesn't mean they're living healthier," Mr. Monteith says. "Living longer is an expensive proposition."

Insurers made about \$19.5-billion worth of payments to Canadians for private health and disability insurance benefits in 2007. Annual spending on drug benefits exceeds \$7-billion.

One of the problems the industry faces as it tries to push employers and the government to adopt more preventative measures is a significant gap in the amount of information that has been compiled on health care in Canada, compared to countries like the United States.

Sun Life is among the sponsors of a four-year workplace wellness study that's scheduled to be completed by early 2010. The project, led by Creative Wellness Solutions Inc., is also being sponsored by the Nova Scotia Public Service Commission, Pfizer Canada and AstraZeneca. It is evaluating a wellness strategy that was put in place at the Nova Scotia Department of Justice, and attempting to determine the return on that investment. It's seeking to place a value on things like weight and stress management.

The ability to tell a chief financial officer what wellness means to the bottom line is paramount to encouraging employers to take more action, says Marilee Mark, vice-president of marketing for group benefits at Manulife.

"The key is that there has got to be a ROI [return on investment] there, there's got to be a value for money," she said. "We do absence management programs where we can already show the ROI. But on the health promotion side our data in Canada, in general, is way behind what you'd see in the U.S., partly because they pay a greater share directly of health care costs, and they measure reduced family physician visits because they pay for them. In Canada, we can't. We're in the early days of putting plans in place to show what the short- and long-term paybacks are going to be."

Numerous studies in the U.S. have already sought to quantify the value of prevention. For instance, it was estimated years ago that Motorola saved \$3.93 (U.S.) for every \$1 it invested in wellness benefits. But Canada's health care system is too different for that data to be applied here.

Manulife is currently working on the ability to link its own data more effectively so that it can better use it to predict future costs and outcomes, Ms. Mark said.

"That will be one of the breakthroughs I think you will see over the next 12 to 24 months," she said. "I can then predict for an employer where their best investment is. The other advantage is I can help identify for you, [as an individual] that you're going to have a problem, and see if I can help you earlier."

Privacy laws, which the insurers keep top of mind, might pose a barrier to making full use of the information. For instance, the insurers would not want to let an employer know about a health concern they have about an employee. But the insurers believe that they're in a good position to flag issues for individuals privately, for instance when they're mailing them benefit cheques, and that that will also make them more valuable to employers.

"The real value is if we could, respecting privacy, help you get what you need," Ms. Mark said. "Our health care system is a sick care system. It's good for acute care, but it does not focus on prevention or early intervention."

If an insurer spots that an individual is at risk of heart disease or diabetes, they could suggest programs and other therapies.

Don Drummond, chief economist at Toronto-Dominion Bank, says the issue is not only vital for insurers, but also for the economy.

Employers would be wise to adopt preventative measures, he said, noting that health care costs are an increasing drag on the government.

Health care was about one-third of program spending in the nineties, now it's roughly 45 per cent, he said. "We've had a 10-year time period where health care has averaged six per cent growth," he said. "Employers could be big participants in this. There are companies in Canada that have got 50,000-plus employees. Imagine if they could change their lifestyles and health outcomes."

The Canadian Life and Health Insurance Association says that the country's current health care system is not sustainable, and has been lobbying Ottawa to increase its focus on wellness and prevention.

The insurers cannot force employers or Canadians to take preventative health measures, but they can give them financial incentives to do so.

"We can't force you to participate," says Ms. Mark. "But, let's say you have a drug plan where we reimburse you for 70 per cent. We could say that if you participate in a program that helps your health, you'll be reimbursed at 80 per cent. You still have a choice."

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