



THE DUPUIS LANGEN GROUP  
SOLUTIONS WITH CLARITY

# Benefit *brief*

THE EMPLOYEE SOLUTIONS NEWSLETTER FOR THE CLIENTS  
AND FRIENDS OF DUPUIS LANGEN

## Drugs Are Becoming A Smaller Piece Of The Healthcare Pie

Each year MORE plan members are using MORE expensive services MORE frequently. For the past few years, prescription drug inflation in Canada has been relatively flat. Drug patent expiration and pressure from provincial governments to reduce generic drug prices are two of the biggest contributing factors to this recent phenomenon. So why are insurers using health trend rates of higher than 11% to determine premium rates?



Not long ago, prescription drug costs were 65% to 75% or more of a group's healthcare spend, and some are still this way. Drug costs under most group health plans are still the majority, but it's becoming more common for drugs to make up less than half of the healthcare cost pie. While drug inflation may be relatively flat, it's also having a smaller overall impact on the healthcare

cost trend. Other health plan expenses such as paramedical practitioners, vision care and medical services and supplies have been increasing at much higher rates.

Paramedical practitioner spends have been increasing as a percentage of total healthcare cost pie. Some groups' paramedical expenditures are even higher than their drug spend.



Many employers have expanded the list of covered practitioners to include acupuncturists, registered dietitians and other practitioners that were less commonly covered several years ago. Use of massage therapy has increased noticeably in recent years as employers have removed physician's referral requirements.



A recent study by Great-West Life showed a 170% increase in the percentage of plan members using massage therapy over the past 10 years. Also, as paramedical practitioner coverage has become such a highly valued employee benefit, we've seen many employers will increase annual coverage maximums as part of their recruitment and retention strategies.

High use of paramedical practitioners should not necessarily be viewed negatively, as it may help reduce future drug and disability costs as well. It improves employees overall health and well-being. Healthy, happy employees are efficient and productive, and will save a company money in the long run.



Plans with flat dollar deductibles will be impacted by higher rates of inflation. For example, let's assume you have a plan with 100% co-insurance and a \$100 annual deductible:

	Per capita claims submitted	Claims paid (\$100 deductible)
Year 1	\$1,000	\$900
Year 2	\$1,115	\$1,015
Increase	11.5%	12.8%

Even though claims submitted increased by 11.5%, claims paid under the plan actually increased by 12.8%, as the deductible does not increase with inflation. Some insurers apply higher healthcare trend rates to plans that include flat dollar deductibles to combat the effect of the eroding deductible.

As drug costs are expected to rise with the end of the current "drug holiday" and an abundance of expensive biologic and specialty drugs in the pharma pipeline, there may be pressure on insurers to increase their healthcare trend rates accordingly in the future.

Source:  
Benefits Canada July 2015 "Debunking insurer health trend rates"  
By Kenneth MacDonald



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