



INSIGHTS

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If you are considering switching insurers, read the fine print in the new contract. Detailed contractual comparisons are usually made of the most utilized aspects of the plan to ensure that plan members are receiving comparable coverage, but what about some of the least used provisions? How detailed is the analysis you're receiving/preparing when it comes to the stop loss or long term disability benefits?

Are you aware that one insurer's stop loss benefit is not necessarily the same as another carrier's? Is it clear in the comparatives that one insurer's long term disability pricing includes true early intervention assistance, while the other talks about it, but in reality offers no such assistance?

No two contracts are the same. Don't accept for a minute that they are. But, and it's a big one, do you really understand the details surrounding how the new contract manages claims, especially the out-of-country emergency health claims? If not, you're not alone.

Knowing whether a plan sponsor assesses their claims reimbursement on the date of services rendered approach to one who has adopted the date of the accident/admission to hospital is critical to understanding whether you might have a potential exposure. In a Mercer's survey performed in 2004, 39% of the 28 insurers surveyed based their out-of-country claims reimbursement on the date of the accident or admission to hospital approach.

Are You Leaving the Country?

Insurers who adopt the first claim-settlement approach (date of accident/admission) assume the full risk for the emergency and provide case management throughout the entire period of the incident as long as the incident occurs while the out-of-country coverage is in effect. However, there can be a gap in coverage if a plan sponsor switches from an insurer who uses the date-of-services-rendered approach to one who has adopted the date of accident/admission approach for the settlement of claims.

Take for example, a plan sponsor who terminates group coverage on December 31 with Insurer A. On January 1, the plan sponsor assumes coverage under Insurer B will kick in for all claims. However, the claim-settlement practice for Insurer A was based on the date services are rendered while Insurer B bases its coverage on the date of the accident or admission to hospital. If the insured was admitted to hospital on December 29, the coverage arrangement would play out as shown in the table.

Date	Expenses Incurred	Insurer A pays per date Services are Rendered	Insurer B pays per date of Accident/ Admission
Dec. 29	\$12,000	\$12,000	\$0
Dec. 30	\$8,000	\$8,000	\$0
Dec. 31	\$7,000	\$7,000	\$0
Jan. 1	\$7,000	\$0	\$0
Jan. 2	\$5,000	\$0	\$0
Total	\$39,000	\$27,000	\$0

So who pays the tab?

In the example above, if the insurers do not reach an agreement regarding the transition liability, the claimant would end up with an out-of-pocket cost of \$12,000. While no small amount, the bill could be much higher depending on the nature of

the emergency out-of-country care. It's not unusual to see claims exceeding \$50,000 if they include repatriation of the claimant to Canada, and some claims can even surpass \$250,000.

But it doesn't end there. Plan sponsors risk being sued by disgruntled employees for the uncovered health care expenses and could find themselves paying out up to \$1 million in a settlement dispute.

Curbing the risk

While plan sponsors have different options for managing the risk associated with out-of-country health care claims, most plan sponsors use a "large amount medical pooling" (LAMP) arrangement. LAMP is a tool to control the impact that large health claims may have on a plan's annual financial results. Typical thresholds for LAMP range from \$10,000 to \$25,000 per person per year. The amount by which any medical claims exceed the threshold limit per policy year will be removed from the group's annual financial accounting results. Some clients (and insurers) prefer to pool out-of-country claims from the first dollar.

Plan sponsors who self-insure their plans (ASO) also tend to transfer this risk to insurers through LAMP. The insurers may assume these risks beyond the pooling threshold limits internally, or transfer a portion to their reinsurers.

Risk management

In today's context of soaring health care costs and increasing out-of-country business travel, plan sponsors are taking measures to control the level of risk to which they are exposed.

continued on reverse...

Leaving the Country, continued from reverse

Given the possibility of gaps in coverage when there is a change in insurers, it would be prudent for plan sponsors to ensure that they are aware of any differences in how coverage is provided by the new insurer and to clearly communicate the changes to their employees. This will avoid any unpleasant surprises for employees when they submit their claims, and any resulting liability proceedings against the plan sponsors.

And by the way, RWAM's travel assist plan through Green Shield Canada would pay any claims incurred while the contract was in-force. In other words, any date of service that is after the termination date would be ineligible - regardless of when the patient was hospitalized. If the situation were reversed, Green Shield would pick up any claims after the group's initial effective date.

Until next time...

Source: Mercer Human Resource Consulting.

Did you Know???

Best Employers Know How to Keep Employees

The best employers in Canada have clearly demonstrated that they understand how to attract and retain the employees they need to meet their business objectives. Hewitt Associates annual study says the 50 companies that made the Best Employers list are ones that have developed people strategies that are designed to facilitate, promote, and achieve corporate success. It says employee engagement, where employees both see and feel a connection between their daily contributions and the success of the organization, is extremely important. The stronger the connection, the greater the motivation and commitment on the part of workers to help their employer achieve its goals.

Employer Liable for Damages

The British Columbia Court of Appeal has found an employer solely liable for damages in

denying long-term disability benefits to a former employee, even though this decision was made by an administrator under an administrative services only arrangement, says a Mercer Communique. In *Asselstine vs. Manufacturers Life Insurance Co.*, an employee of the University of British Columbia claimed benefits under UBC's LTD program. The claim was denied by the insurance company, as adjudicator, in the face of conflicting medical opinions. The court of appeal upheld the trial judge's decision that the insurance company had erred in rejecting the claim. The trial judge ordered UBC to pay the disability benefits and awarded \$35,000 in aggravated damages to compensate the employee for mental distress and punitive damages, in the amount of \$150,000 as punishment for the treatment of the employee. Despite the absence of any contractual relationship between the employee and Manulife, the trial judge

awarded these damages jointly against UBC and Manulife. The Court of Appeal agreed that the employee was entitled to LTD benefits and aggravated and punitive damages from UBC. However, it dismissed the claims against Manulife, deciding it had simply been the agent of UBC.

Mandatory Retirement Bill Sneaky

Bill 211, Ontario's proposal to end mandatory retirement, is sneaking up on employers and unions, says Chuck Robertson, of Miller Thomson. He told its *'Ten Minute Tour of Legal Topics'* that the impact on pension is simply that there will be more active plan members in the pension plan. The sneaky side is on benefits. While the province has said it will not force benefits provisions to apply to workers over the age of 65, he questioned whether this will hold up against challenges under the Human Rights Code or the Charter of Rights.

Source: Benefits and Pensions Monitor

Protect Your Ears: Limit MP3 Earbud

The ever-popular earbuds used with many iPods and other MP3 players may be more stylish than the bigger and bulkier earmuff-type headphones, but they may also be more damaging to one's hearing, according to a Northwestern professor.

"No one really knows for sure the levels at which iPod users listen to music, but what we do know is that young people like their music loud and seldom worry about any decline in hearing ability", Dean Garstecki, chairman of Northwestern's communication sciences and disorders department, told Reuters Health.

The earbuds commonly used by iPod listeners are placed directly into the ear and can boost the audio signal by as many as nine decibels - comparable to the difference in sound intensity between an alarm clock and a lawn mower. Yet, the earbuds do not always fit snugly in the ear, but often allow background

noise to seep in, which causes listeners to crank up the volume. "In turning up the volume to drown out background noise, however, people don't realize they may be causing some damage to their hearing", Garstecki said.

This danger is not confined to MP3 users, such as iPod owners. Earbuds are also used with compact disc players and Walkmans. Audiologists have cautioned about the potential risk of hearing loss associated with such devices since the 1980s. The longer battery life and the greater music storage capacity of MP3 players, in comparison to Walkmans and compact discs, however, encourage longer periods of uninterrupted music listening. "It's the combination of high intensity and long duration that creates the unique problem with the iPod", Garstecki said.

Eliminating iPod earbuds in favor

of larger earmuff-style headphones as one of those protective measures may be an unattractive option for



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many style-conscious music lovers. Instead, Garstecki recommends adherence to the 60 percent/30 minute rule. Listeners should set their iPods and other MP3 players to sound levels that are no more than 60 percent of the maximum volume - i.e. just over halfway between 'off' and 'maximum' volume - and use their earbuds for

no more than 30 minutes a day. Those who use muff-style headphones at 60 percent volume can increase the duration to an hour a day, and those who listen at volumes significantly lower than 60 percent of the maximum can use their music players for many more hours. Also, "newer, more snug-fitting earbuds are likely to be safer if they prevent users from turning up the volume to eliminate background noise", Garstecki said.

Noise-cancelling headphones are another option for those who desire to listen to music for an extended period of time. These devices, while a bit more costly and more visible than earbuds, partially or fully eliminate background noise so that users do not have to crank up the volume of their music for that purpose.

Courtesy of Medline Plus/
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