GROUP BENEFITS

What Could Go Wrong If I Change My Group Benefits Supplier

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NEW SUPPLIER

- Prescription Drug Coverage
- Hospitalized Plan Participants
- Paramedical Reimbursement
- LTD Coverage
- Non-traditional Participant Coverage
- Travel Insurance

What Could Go Wrong If I Change My Group Benefits Supplier

All too often, when faced with a large employee benefits plan rate renewal increase, the response is to go to market to find a new supplier with a lower cost. The assumption is made that program design can be easily copied by another carrier without any significant disruption to plan members or additional risk for the plan sponsor/employer.

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However, as Dave Patriarche, founder of Mainstay Insurance Brokerage and one of the keynote speakers at a recent Benefits Genius session of employee benefits practitioners, noted, this is not the case. No two carriers' benefit plan offerings are identical. Plan member coverage can be impacted and there are potentially costly risks for plan sponsors if the transition is not properly planned.

Litigious Society

We live in a more litigious society where it is relatively easy for plan members to initiate legal action for damages. If proper care is not taken, a supplier change can result in coverage gaps that leave plan participants and sponsors exposed to claims the insurance carrier is not prepared to pay for or reimburses at less than is expected. This can be both harmful to employee relations and expensive for the plan sponsor if something goes wrong.

The payout of benefits is governed by the terms of a master contract between the supplier and plan sponsor. New supplier proposals should be closely reviewed to identify and assess the impact of any changes to existing employee coverage. It is also important that key clauses within the underlying contract be read to identify potential gaps in coverage that could occur in unusual situations that would shift risk and expense to the employer and their professional advisors if something bad happens. Ideally, the new benefits carrier should be given a copy of the incumbent supplier's contract with the request to document any material variances for sign-off by the plan sponsor before moving the group.

We know of one employer with an employee benefit death claim that is under dispute because the terms for the life insurance coverage required the employee to be actively at work. The employee was on sick leave because of a serious illness that ultimately led to their death. The insurance company denied the death claim because the employee was not actively at work at the time of death (according to their interpretation of the contract) and, therefore, their heirs were ineligible for the life insurance payout. Make sure the key clauses impacting eligibility for coverage have been read and understood. Denial of a claim could transfer liability and cost back to the plan sponsor and their professional advisors.

Below are some of the key questions you will want to answer before changing carriers to reduce risk, facilitate a smooth transition, and avoid potentially expensive surprises:

- **Will Prescription Drug Coverage Be Disrupted with Unanticipated Future Costs?**

  Prescription drug coverage is a central and expensive feature for most plans. Will existing prescription drugs covered by the current

plan be fully grandfathered? This is normally assumed to be the case, but the landscape of drug reimbursement is changing, especially for more expensive specialty drugs.

Below are some of the potential prescription drug land mines that need to be navigated:

- Will there be any interruption to previously approved prescriptions because claimants are required to go through a new prior authorization process?
- Are currently prescribed specialty drugs covered by the new benefit plan provider? (Not all drugs approved by Health Canada are automatically covered by carriers.)
- Are there current claimants who will have to change their pharmacy because of a new mandatory specialty drug pharmacy program?
- Will mandatory use of biosimilar drugs as a first course of treatment impact any employees or their dependents?
- Most importantly, has there been full disclosure of prescription drug claims that exceed or are expected to exceed the stop loss pooling limit? Claims exceeding the pooling limit in the first year of coverage will be audited. If there is a large non-disclosed, pre-existing plan member condition, the plan member could be removed from the supplier and EP3 risk pooling (for insured programs), potentially shifting responsibility for covering the cost of the non-disclosed expensive drug claim back to the plan sponsor when rates are renewed.

♦ What Happens to Hospitalized Plan Participants During the Transition?

Hospitalized dependants, during a supplier change, could be left without coverage until after they have been discharged and resumed normal activities. This could be very costly for a plan sponsor if something bad happens during this period. Protective action should be taken if a clause similar to the following is found in the benefit carrier's contract: 'For any dependent, other than a newborn child, who is hospitalized, coverage will not begin before the dependent is discharged and resumes normal activities.' If it can't be altered, consider a different carrier or have all employees sign-off that they have no hospitalized dependants as of the date of the change.

♦ What Will Paramedical Reimbursement Look Like?

Paramedical services (i.e. chiropractor, physiotherapist, etc.) are a highly valued benefit plan feature for many employees. Without realizing it, you could be changing the basis of reimbursement with unknown consequences. Covered practitioners could vary creating coverage gaps for some employees. Where 'Reasonable and Customary' is used to describe the level of reimbursement, definitions will likely vary as will the rates of reimbursement and possibly units of reimbursable time.

♦ Could a Long-term Disability Claim or Coverage Be Disrupted?

Long-term disability (LTD) provides valuable protection with potentially a large payout if an employee becomes disabled. It is important to protect grandfathering of existing coverage and watch for any breaks in coverage (such as maternity leave) that might trigger a pre-existing condition reset. This would limit access to LTD coverage for individuals with a pre-existing health condition. Moving a group to a new supplier could expose an employee who was on maternity leave during the move to the risks of a pre-existing condition reset. If this were the case, it would limit their access to LTD coverage for a new mother experiencing post partum depression.

♦ Will the New Carrier Accept Non-traditional Participants that Currently Have LTD Protection?

This could impact contract workers, non-permanent employees such at articling lawyers, employees on work permits, and staff working fewer than the minimum hours per week set out in the employee benefits contract. If these plan participants are put onto the new plan, will the terms of the new contract support a disability benefit payout if they make a claim?

For employees on disability, it is important to maintain communication so that they are aware of the supplier change. You want to ensure they are enrolled on a timely basis and a waiver of premium eligibility is communicated to the new supplier to avoid unnecessary payment of insurance premiums.

♦ What About Employees Who Are Travelling?

If someone gets sick or has an accident while travelling, particularly in the U.S., the costs of treatment can be expensive. Employees are often not familiar with the proper processing of emergency health travel claims. This can result in problems with reimbursement that become much more difficult to resolve if a change in carrier happens mid-way through a trip.

Not Identical

Recognize that supplier benefit plan offerings are not identical. There will be differences with potential gaps in coverage that could adversely impact employees and expose employers to significant additional risk (costs). Murphy's law is always present, and unexpected bad things can and will happen. Plan accordingly.

If a supplier move is necessary, make sure there is effective project management in place with a process that identifies and manages plan risks while facilitating a smooth transition. This should include a thorough review of the new supplier's proposal and underlying contract to identify differences and potential gaps in coverage. The best advisors will manage this process with a checklist that makes sure that the important questions are answered and steps are not missed. **BPM**

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