



# Cowan Global 2019

Disability Management:  
A Global Perspective

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## Uncovering Best Practices from Around the World

Held for the first time in Canada, the 2019 Annual Asinta Partner's conference took place from May 21 to 24, in Toronto, Ontario. As Asinta's exclusive Canadian member, Cowan Insurance Group was proud to host Cowan Global 2019, a half-day event bringing together international Asinta colleagues, industry experts, and Cowan clients, to deliver a global perspective on disability management practices.

A focal point of Cowan Global 2019, was the presentation of research showcasing disability management best practices and local supplemental program availability from 16 different countries across the globe. Prepared in conjunction with our Asinta partners, *Disability Management: A Global Perspective* offers a fascinating overview of disability management approaches and trends that vary by custom and region.

### Asinta International Partner Panel Discussion

The morning's agenda began with a panel discussion on Disability Management, featuring global consulting experts:

- Mark Rapley, Partner, CA, Financial Services Group (Australia)
- Juergen Kropp, Managing Director, Profion GmbH (Germany)
- Adam Riley, Director of Global Development, Punter Southall Health & Protection (United Kingdom)
- Sean Leary, Senior Vice President Alliant Employee Benefits (United States)

Mandatory requirements and government schemes requiring employer participation and compliance vary by region, industry type, and sector. Employers must take country and culture into consideration in every aspect of how employers treat employees, including when putting together benefit plans.

**Discussion included highlights from the Disability Management Study and focused on key areas, including:**

## The Value of Supplementary Disability Coverage

**Australia.** Australians possess an inherent cultural desire to look after their own. Disability coverage is a popular benefit from a cultural perspective as it gives employers the capability to demonstrate that they care about their employees.

**Germany.** Employers are legally obliged to continue an employee's salary for the first six weeks of sickness, which is typically self-funded. Employers with less than 30 employees are legally required to insure this risk to ensure funding availability. After six weeks, an employee's health insurance provider takes over benefit payments, which are limited to 70 percent of gross salary, up to a period of 72 weeks. Longer Short-Term Disability benefits (three to six months of salary continuance) may be offered to management. Long-Term Disability benefits are becoming rare and are valued by employees. There are no state-sponsored long term benefits for the current workforce, and employers are increasingly providing Long-Term Disability as a stand-alone benefit, making it a necessity for any competitive benefits package. Carriers require evidence of insurability for employee-paid plans, which are voluntary. Benefits are typically employer-paid to avoid medical underwriting.

**United Kingdom.** Similar to Australia and Germany, in the United Kingdom employees in the professional services, high tech, or senior management sectors are typically offered some form of long term income protection, and the benefit is seen as tangible proof of a caring employer. State benefits are low and only available to individuals who are deemed too ill to work. Recruitment and retention play a massive part in whether or not this benefit is offered in the United Kingdom.

**United States.** Long-Term Disability is available to all employees and is typically more affordable than in other countries due to standard policy limitations in terms of mental, nervous, drug and alcohol. Contracts cover a smaller range of conditions in comparison to other countries, are stricter, and have shorter benefit periods.

## Mental Health and Disability

**United States.** There is typically a two-year limitation on policies in the United States. Ancillary products are beginning to pick up the slack as mental health awareness increases worldwide. Disability carriers in larger-case markets are looking into providing more services as there is a lack of supply of mental health care providers in the United States.

**Australia.** Historically, Long-Term Disability has been all-inclusive, which has led to high claim costs. More stringent limits are beginning to be enforced to help limit cost from a mental health perspective, including screening for pre-existing conditions.

**Germany.** Disability claim amounts are lower in Germany when compared with other countries like the United States or Canada partially due to a lack of income protection disability schemes. Annuities may only be 15 or 20 percent of two times annual salary, paid in a lump sum. Disability benefits are often combined with care management. Unemployment rates are low in many cities, and there is a focus on facilitating a quick return to work.

**United Kingdom.** In the United Kingdom, preventative treatment and early intervention are in the embryonic stage. There is a shortage of mental health services, but access to support is slowly growing.

## Mandatory Coverages

**United States.** Mandatory programs are tied to workmen's compensation and can vary by state. Compulsory coverages for employers who have employees working in the United States apply to where an employee works, regardless of number.

**Germany.** Germany has a state pension system that applies to disability as well as retirement. Regardless of size, employers are mandated to provide contributions to pay for pension and disability benefits; contributions are shared with employees. For the current generation, this translates into a reduced earning capacity pension, which is dependent on the ability to qualify for state disability benefits. Medical underwriting and exclusion of pre-existing conditions make private Long-Term Disability insurance expensive, particularly for the younger generation, which increases the importance of employer-sponsored benefits.

**Australia.** Australia has a three-tier system. The first tier is mandatory insurance called Worker's Compensation. Because it is typically self-insured, it acts more as a form of accidental insurance. Supplemental Long-Term Disability insurance in the form of salary continuance is preferred in white-collar professional occupations, or where competition for employees is fierce. Through retirement and superannuation, for most of Australia, there may be a Short-Term Disability and a small lump-sum disability on an individual level that an employee's pension plan chips in for. Fully disabled individuals can apply for a government disability stipend, but the amount is not enough to live off.

## Short-Term Disability Management Trends

**United States.** Insurance companies generally have a certain amount of allotted time for each condition in the Short-Term Disability space, which results in minimum engagement by disability companies. Case management is more prevalent with disability insurers on medical claims.

**United Kingdom.** Where Long-Term Disability or income protection is in place, there still is a lack of employer education in terms of notification responsibilities to their insurer or advisor when an employee is off work. Use of early intervention programs and specialist consultants for case management and claims support is proving effective, but early intervention is still not prevalent.

**Germany.** There are no trends in the Short-Term Disability space, but with Long-Term Disabilities, many carriers are integrating care management in their coverage. Premiums are slowly decreasing in comparison to the past, and marketplace options are growing.

## An Aging Population

**United Kingdom.** Historically, benefit termination age was 65. With the passing of the UK Quality Act, there was a successful claim made that termination age should coincide with state pension age, which is currently age 68, not 65. It's not uncommon for employers to have benefits end at age 65, but still have employees whose state pension age is 68, leaving a three-year gap where the employer must self-insure, exposing them to significant risk.

**Australia.** One carrier is openly pushing to move to a termination age of 70 and others are expected to follow, led by private income protection. State pension age is 65. The qualifying age will gradually increase to 67 by 2023.

**Germany.** State pension age is 67, which is expected to increase to age 69 after the next election. Germany does not have income protection schemes. Employers are moving away from annuity Long-Term Disability payments to lump-sum payments of two to three times annual salary.

**United States.** Normal Long-Term Disability duration is to age 65 or social security and retirement age—generally 67, depending on your age. There has been no movement by insurers to extend the benefit period.

## Must-Know for Employers

**United Kingdom.** Pay close attention to the technical points when entering the UK market. Examine what the employer is trying to achieve with overall benefit design, and try to align the benefits—especially important for employers who already have existing operations in other countries. Make sure to understand the nuances of legislation.

**Australia.** Find out what's typical within the industry you are entering. With a smaller workforce, benchmarks and expectations may be unspoken but commonly understood.

**Germany.** Norms vary and are very industry dependent. Determine what industry you are linked to as an employer.

**United States.** Differences that Canadian companies find surprising when entering the United States—employers are technically prohibited from forcing employees to purchase disability coverage, even if its employee paid; and disability coverage is separate from medical coverage and generally not bundled, leading to different carriers.

## Disability in the Canadian Market

Lianne Clarke, Senior Consultant, Cowan Insurance Group (Canada)

### What do global employers need to know about Disability Management when entering the Canadian marketplace?

With over 22 years of disability management experience, Lianne Clarke is well-versed in Canadian disability management best practices, workplace psychological issues, employee wellness programs, and benefits plan design. Over the past two decades, Lianne has noted little change in terms of insurance policy features and wording. She has, however, witnessed an evolution in disability management philosophy and practices—a shift from a “medical model” focused on diagnosis, symptoms, and treatment, to a more holistic approach that encompasses both psychosocial factors and clinical data. She feels this change is partially due to an increase in claim complexity.

### The Economic Cost of Absence

Absenteeism and disability costs are growing concerns for Canadian employers. According to the Conference Board of Canada, direct costs have reached \$16.6 billion nationally; however, once indirect costs (overtime, lost productivity, decreased engagement) are factored in, the magnitude of the economic impact becomes apparent. Presenteeism—where employees are present but operating at a fraction of their full potential—leads to lost productivity and increased workplace errors and accidents, which will all negatively impact an employer's bottom line. Employees who fall in this category are at risk of a disability claim.

Despite the statistics on lost revenue, only 46 percent of employers systematically track absence, and only 15 percent are utilizing the data they collect. Similarly, only 15 percent of organizations understand the true connection between employee health and productivity/profitability or have developed a comprehensive wellbeing strategy to manage these costs.

## Disability Insurance in Canada

Lianne presented a Canadian disability insurance overview that touched on government plans (Employment Insurance, Canada/Quebec Pension Plan, and Workers' Compensation), Individual Disability, Sick Leave or Salary Continuance, Short-Term Disability Insurance, and Long-Term Disability Insurance.

Short-Term Absences encompass:

- Sick Leave (blanket hours)
- Salary Continuance (full or part salary)
- Short-Term Disability (insurance carrier or third-party provider)
- Short-Term Disability/Employment Insurance Integrated Plans (top-up, carve-out, wrap-around)

Long-Term Disability is the most popular insurance in Canada and typically follows a standard qualifying period (17 or 26 weeks) and is most commonly fully insured and employee-paid. The definition of disability typically requires the claimant to be considered totally disabled from their own occupation for the first 24 months and from any occupation within their education, training and experience following that period. The benefit integrates with the Canada/Quebec Disability Pension Plan.

Lianne presented Canadian Absence and Disability Statistics (Statistics Canada and Manulife). In 2018, the average number of lost days due to absence was 8.1 (6.7 for males and 9.7 for females). Average Duration for Short-Term Disability claims was 9.3 weeks; Long-Term Disability claim duration was 18.6 weeks (excluding permanent claims).

The top three diagnostic categories were:

- Short-Term Disability: Mental Health, Musculoskeletal, and Non-Occupational Accidents
- Long-Term Disability: Mental Health, Musculoskeletal, and Cancer

Traditional Disability Management has been reactive in nature, focusing on the off-work, treatment, and recovery stages. Lianne suggests we think about Disability Management in terms of employee health risk management at every stage of the health continuum. With best practices in place to manage a disability claim's duration, employers can focus on prevention and wellness to stop absenteeism and disability claims from occurring in the first place.

## Managing Disability Costs

Claim incidence and duration are the primary disability cost drivers. Best practices in absence management include:

- Tracking and Reporting—track casual absence (early indicator of an unhealthy work culture)
- Policies and Consistent Processes—communicated consistently
- Early Intervention—identify early warning signs to facilitate intervention
- Effective Communication and Management—train management for awareness and support
- Accommodation and Return to Work—crucial for reducing claim duration

Canadian employers are shifting their focus to supporting employee health, and the Value of Caring or Value of Investing to reduce the incidence of disability claims.

## **Take Time for Wellness or Make Time for Illness—It's Your Choice**

The Canadian population is ageing, and with an older demographic comes a higher incidence of chronic diseases that impact all benefit lines as well as employee productivity and engagement. Strategies that Canadian employers are implementing to reduce incidence of chronic disease include health risk assessments, on-site fitness classes and fitness centre subsidies, flex time, HCSA or Wellness Spending Accounts, financial wellness, and Employee and Family Assistance Programs. Up and coming trends include mindfulness and meditation, virtual healthcare, telephonic health coaching, pharmacogenetics, app-based counselling, peer support, and back-to-nature strategies.

Lianne summed up her presentation with a reminder that Disability Management is more than income replacement, it's about managing employee health no matter where on the health continuum they are.

## **Global Medical Advisor**

**Dr. Stella George, Head of Americas Care Management,  
Aetna International (United States)**

### **Managing a medical diagnosis and claim from a cross-border perspective.**

The morning's final speaker was Dr. Stella George. With a medical practitioner background and 11 years of experience developing member-centric innovative clinical programs at Aetna, Dr. George discussed the challenges and areas of opportunity for cross-border management of medical diagnoses and claims.

Dr. George began with an overview of Aetna International and The Aetna Care and Response Excellence (CARE) Team. CARE uses a clinical staffing model that locates clinicians across the globe to support members in their local regions. Local representation ensures that the CARE Team supports members in multiple languages to provide culturally-appropriate recommendations that are sensitive to international standards. Dr. George also outlined In Touch Care (ITC), Aetna's industry-leading one-member-one-clinician programme. Provided by the CARE Team, In Touch Care helps people make decisions about their health and assists them in managing chronic or acute conditions.

The cost of health care has risen substantially over the last several years due to numerous factors, including increased provider and medication cost. On average, ten percent of the population drives more than 65 percent of total medical costs. In this type of environment, Dr. George stressed the importance of being able to add value to clients.

### **A New Approach to Member Health Care**

Traditional case and disease management take a reactive approach to member health care. Focused on a handful of conditions, including cardiovascular disease, chronic obstructive pulmonary disease, oncology, chronic kidney disease, depression, asthma, hypertension, cancer, and diabetes, individuals suffering from other conditions tend to be overlooked. Dr. George pointed out that this is not only inefficient; it's expensive for everyone. She explained that Aetna In Touch Care looks past these conditions to proactively identify issues before they begin.

By combining state of the art analytics with personalized nurse support, In Touch Care takes a holistic approach to helping employees get the care they need today while helping to prevent future issues before they begin. Being reactive isn't good enough, and as with much of Aetna's innovation over the last 160 years, this program is the result of clients challenging them to think differently.

## Data-driven Care

Dr. George explained in further detail how the powerful algorithm allows Aetna to serve their clients and their employees better and how this is a radical departure from services that Aetna has provided in the past.

A multi-dimensional algorithm continually analyzes member data for changes in health, with monthly updates and daily triggers to help identify members who need clinical support before they may be aware of it themselves. After the data is collected, each member is given a "risk score" from high to low based on severity, clinical urgency, financial impact, and clinical complexity. Members are engaged based on their communication method of choice. Individuals with low to moderately-low risk scores receive a digital health action plan. Those with moderately-high to high-risk scores have access to one-on-one personalized nurse support for themselves and their families. The algorithm reacts quickly to address a member's current health needs and demonstrates that the proactive approach has unmatched value in a complex and quickly moving healthcare marketplace.

## Global Partners, Brilliant Connections.

As part of our commitment to clients at home and abroad, Cowan Insurance Group proudly partners with Asinta, an international group of 58 consulting firms dedicated to bringing relevant, country-specific benefits to clients internationally.

Our partnership with Asinta ensures that our clients have access to centralized project management, with local expertise in over a hundred countries worldwide. Regardless of where our clients are located, our partnership with Asinta gives us the capability to assist them with their group benefits and retirement needs.

Annual meetings allow us the opportunity to meet face-to-face with our global partners, to share knowledge, build relationships, and explore client-relevant trends and opportunities. Collectively discussing common industry issues and trends puts a global perspective on everyday issues that employers face worldwide, opening the door for collaborative solutions.

## About Asinta.

Asinta is a global strategic partnership of select, independent employee health and welfare consultancies. The partnership is unified in character and commitment, delivering global employee benefits in a manner that is easy to understand and highly responsive to client needs.

