LIFE, HEALTH AND FINANCIAL SECURITY

LIFTING EVERBODY UP WITH PHARMACARE

THE COST OF MEDICATIONS CONTINUES TO RISE, with prescription drug spending having increased in Canada from $2.6-billion in 1985 to $33.7-billion in 2018. Ballooning drug prices and a patchwork of coverage from 100 public and 100,000 private insurance plans mean that a growing number of Canadians across the country have trouble accessing the medications they need.

"We need a strategy that takes us into the future," suggests Stephen Frank, president and CEO of the Canadian Life and Health Insurance Association (CLHIA), a not-for-profit, membership-based organization representing Canadian life and health insurance companies. "What is required is a collaborative approach, where public and private health insurance providers work together more closely."

Reforms can help to expand access to medication while reducing costs in the system, says Mr. Frank. "Let's identify where the problems are and collaboratively address them while protecting the things that are working well. It is important to ensure that no Canadians are losing the health benefits they currently have."

Mr. Frank supports the federal government's efforts towards reform. But he comes to different conclusions than the recently released report of the Advisory Council on the Implementation of National Pharmacare. "We believe, as do many other stakeholders, that national pharmacare can be achieved quickly and in a fiscally responsible way through collaboration between public and private drug plans and without incurring the kinds of costs and risks that the advisory council's approach would entail," he says.

"Access to medication across Canada currently varies, depending on the province where you live or who your employer is," says Mr. Frank. "Creating a standard drug formulary, which would be met by all federal, provincial and workplace plans, could serve to ensure more equal access to drugs across Canada, but we see it as a base rather than a ceiling, since many regions and employers would potentially offer a more robust coverage."

The formulary would include recommendations on orphan drugs, medication for rare diseases, which can be very expensive. "We need a scientific and analytical approach to determining which medication should be made available," he says. "We also need to think about how to share some of the costs of orphan drugs."

Recent federal budget announcements included funding for orphan drugs as well as a proposal for creating a Canadian Drug Agency, responsible for assessing the effectiveness of new drugs, negotiating drug prices on behalf of Canada's drug plans and recommending the best-value-for-money drugs.

Canada is among the countries that pay top prices for medication, explains Mr. Frank. Currently, public plans jointly negotiate national drug costs through the pan-Canadian Pharmaceutical Alliance (pCPA), but the prices determined by these negotiations are not always available to employers or individuals paying out of pocket.

Implementing a stronger central negotiating power that includes all drug plans can achieve significant savings, he believes. "By including everyone in the pricing negotiations, we bring the full purchasing power of the Canadian market to the table, which should help to bring down costs and make sure people pay the same for drugs, regardless of whether they are paid through an employer or the government."

The technology is already in place, he says. "The pCPA has the structure and IT capabilities to include everybody in the negotiations. We just have to make the decision and implement the appropriate processes and oversight, and then make the system more robust over time."

We are entering a new – and exciting – era in medicine with innovative drug therapies and health technologies and new treatments for rare diseases promising better outcomes. But what do these developments mean for the long-term sustainability of health care and health insurance providers? And how can we ensure Canadians have access to the drugs they need?

Responsible reforms, which don't damage the aspects that are working well, "can enable us move into the future, as more expensive drugs will hit the market," adds Mr. Frank. "By making the system better, we can lift everybody up."

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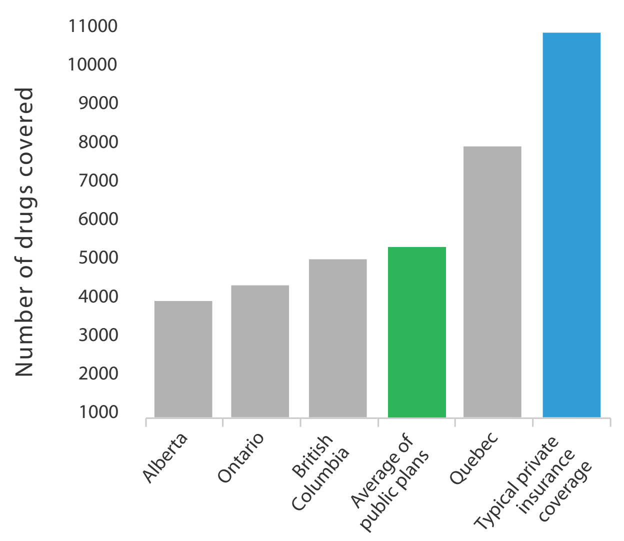
Private insurance plans offer access to a more comprehensive list of medications than public drug plans



Source: Institute of Fiscal Studies and Democracy. "National Pharmacare in Canada Choosing a Path Forward" (2018) and CLHIA data

TECH PLUS INSURANCE EQUALS ENHANCED SERVICES

Technology is transforming the Canadian health and life insurance industry, with organizations going beyond embracing digital platforms to look to natural language processing, bot technology and machine learning to gain further efficiencies and enhance services and products.

"The culture of insurance organizations is changing due to the realization that they have to innovate rapidly to stay competitive and serve their customers in a way they want to be served," says Doug Grant, partner at Insurance-Canada.ca, an organization that provides consumers and insurance professionals with independent information about the business of insurance and technology.

People – and especially younger generations – are drawn to across-the-board self-service functions, where they can submit and track claims, monitor benefits and programs, get updates on investments and more, he explains. "There is continued growth and competition to be technologically enabled to serve the digital natives who prefer engaging through digital tools and conduct transactions at their convenience rather than during call centre hours."

In addition to meeting consumer demand, technology can enable efficiencies, according to Mr. Grant. "As in any business with a large transaction volume, and particularly in the benefits space, there is a drive to focus on efficiencies as a way of cutting costs and improving customer service."

To leverage new technology tools, insurance providers partner with startups to tap their innovative analytics and underlying servicing capabilities, he says.

An example is the partnership between Sun Life Assurance Company of Canada and Rise People Inc., which offers an all-in-one HR, payroll and benefits administration solution. New digital connections and services help businesses to streamline the often complex group benefits and HR administration process and give administrators a once-and-done tool that enables greater cost savings and accuracy. "It also allows employees to manage their own details and create efficiencies in managing the resources for the benefits program," says Mr. Grant.

Enhanced services and convenience are also outcomes of a partnership between Great-West Life and Dialogue Technologies Inc., which offers a technology tool that is available through web or a mobile app and allows employees in participating group benefits plans to chat with nurses and see physicians through secure video consultations. The platform can be accessed in any location, seven days a week, saving the time spent in waiting rooms for non-urgent care.

Another program designed to enhance health outcomes is Manulife Vitality, which aims to encourage consumers to pay attention to – and improve – lifestyle choices. It suggests steps for living a healthier life, such as eating well and exercising and undergoing regular health assessments, with each step contributing to points and rewards.

"These collaborations serve to extend the functionality well beyond what insurance would traditionally be thought of – they are the result of the industry looking for ways to expand the engagement with their customers," says Mr. Grant. "Helping Canadians manage their health and improve their healthy habits and longevity also builds loyalty."

Having access to detailed information about somebody's health and wellness, for example from a history of claims or participation in health management programs, can enable insurance providers with data analytics and AI capabilities to predict health outcomes and help their customers better manage their health. But at the same time, Mr. Grant sees the need for responsible management and safeguarding of consumer data. "The increased automation of services also poses interesting challenges for managing privacy and security, and we are expecting further regulations that address relevant concerns."

And what's next? Mr. Grant says the application of voice will play a larger role going forward. "We have already moved from written documents to digital files. With natural language processing and voice capabilities, insurance can enable a new communications channel with customers, partners and staff to enhance the user experience and quality of service."

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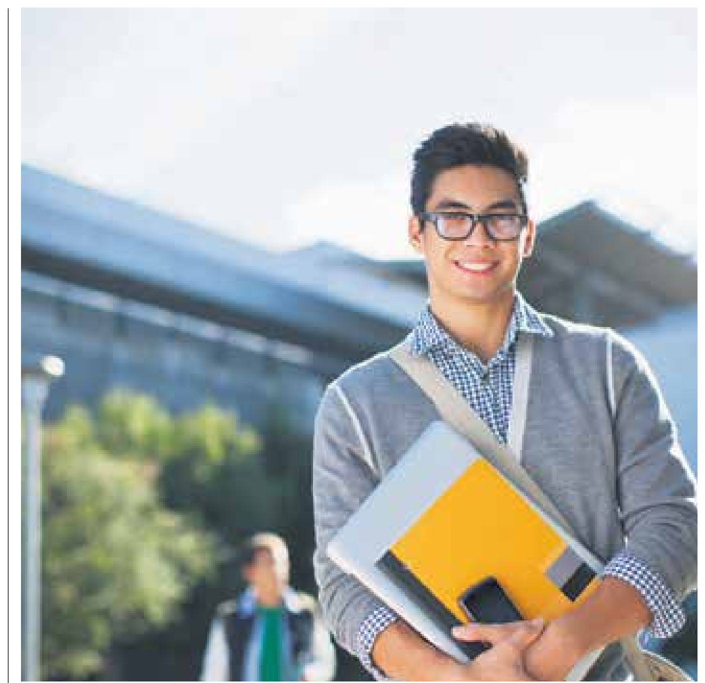
IMPORTANT MILESTONES FOR BUYING LIFE INSURANCE



In addition to starting university or college, starting a job, buying a home, getting married and starting a family, other milestones can inspire the decision to buy or change life insurance. They include having more children, upgrading the home and starting a business. ISTOCK.COM

Life insurance is seen as something that helps ensure the people you love are taken care of after you're gone. Some life insurance products can also be used to accumulate wealth and as a tax planning tool. But when's the optimal time to buy it? Everyone's personal and financial situation is different, but looking at the milestones in your life might help you decide when you should get or adjust your insurance.

STARTING UNIVERSITY/COLLEGE OR GETTING YOUR FIRST LOAN

Post-secondary education comes with a big price tag, and as a result, students may take out a loan or line of credit to help with the cost. "Most students don't think about life insurance at all until they're asked if they want to add it to their line of credit," says Steve Santoro, certified financial planner and president of Santoro Financial Group. "If mom or dad co-signed for the loan, you probably want some protection so they're not on the hook for paying back the loan if something were to happen to you." Buying insurance at a young age also has the added benefit of premium payments that are generally much lower than purchasing at older ages.

STARTING A JOB

If a new job offers group life insurance, that's a great benefit that often covers one to three times your salary. "You'll want to understand what happens to your coverage if you leave your job and balance your group insurance coverage with life insurance owned by you," says Mr. Santoro.

BUYING A HOME

If you're living by yourself and don't have anyone relying on you to make mortgage payments, life insurance might not be a priority. Once you're living with someone, sharing debt and expenses, it's often a good time to start thinking about it.

Banks and lenders may offer insurance as an add-on to the mortgage; however, Mr. Santoro says there are benefits to getting a personal policy. "Make sure your life insurance is attached to you – not your bank or lender. If you pay off your line of credit or mortgage, that coverage is gone."

GETTING MARRIED

If you didn't get insurance if you were living together, getting married might also be a good time to think about it. "While getting married doesn't in and of itself increase the need for insurance, the more committed you are to someone, the more likely you are to get insurance to protect them," says Mr. Santoro.

STARTING A FAMILY

When you start a family, life insurance becomes critical. If something happened to you, you'd want to know your family was financially taken care of. Having coverage can help your spouse afford time off work, help pay for extra child care and not be worried about finances in their time of grief. It can also help eliminate debt like a mortgage or help provide contributions towards an RESP for your child.

Having a child is also a time when parents or grandparents might take out a permanent life insurance policy for the child. At that age, it's more about gifting them an asset for later in life, and it also helps ensure they will have insurance coverage in the future.

OTHER LIFESTYLE CHANGES

Having more children or going from your starter home to your forever home is a good time to look at your coverage. Mr. Santoro says, "Anytime there's a lifestyle change that increases your debt or the cashflow needed to maintain that lifestyle, you should revisit your coverage needs."

Buying more property like a cottage or starting a business could also warrant more coverage or even a permanent policy. "Term insurance is for temporary needs like covering your loan or mortgage or protecting your children when they're young. Permanent insurance is for permanent needs, such as estate planning or as a long-term savings and tax strategy."

While there are certain milestones that can typically trigger a need to get life insurance, there's no one-size-fits-all insurance and financial plan – talk to your adviser. Mr. Santoro says, "You can't look at insurance as a siloed product. Work with someone who can look at everything holistically – mortgage, investments, insurance, family cash flow, business and tax planning – and provide you with a well-rounded financial plan."

For more information about life insurance, visit canadalife.com.

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> **Steve Santoro**
> certified financial planner and president of Santoro Financial Group

ENABLING CANADIANS TO RETIRE WITH CERTAINTY

Offering greater flexibility and decumulation products can give Canadians more confidence that they will not outlive their savings. ISTOCK.COM

The three pillars of the Canadian retirement savings system – public pensions, employer pensions and RRSPs and other sources of personal savings – provide Canadians with the means to retire. However, life expectancy across the country is rising, and Stephen Frank, CLHIA's president and CEO, sees the need to help Canadians manage the risk of outliving their savings.

"We effectively help Canadians accumulate savings for their retirement, but we can do more to assist them in their decumulation stage," he says, adding that CHLIA has been working with stakeholders to identify achievable and meaningful reforms for the time when people draw on their retirement savings.

Two of the life and health insurance industry's recommendations have recently been reflected in federal budget items. One proposes to allow Canadians to use part of their retirement savings to purchase annuities providing guaranteed income for life, commencing at ages up to 85, and Mr. Frank believes this option to select a secure and predictable retirement income "makes a lot of sense."

He also welcomes the budget proposal to allow individuals within defined contribution pension plans to pool longevity and investment risk. "Providing a middle ground between assuming such risks individually and fully transferring these risks to insurance contracts also helps to meet consumer needs. We look forward to working with government to expand these options."

Mr. Frank envisions expanding the concept of pooling employer plans to allow insurers the ability to spread some of the risks across multiple employer plans, thereby increasing the scale and improving efficiencies.

"We believe that Canadians start with a strong foundation that allows us to look for ways to make the system incrementally better," he says. "By offering greater flexibility and decumulation products, we can help to ensure they are not outliving their savings and can retire with certainty."