



DUPUIS LANGEN
FINANCIAL MANAGEMENT

The Benefit Brief

The employee solutions newsletter for the clients and friends of Dupuis Langen

A Quarterly Newsletter

Issue No. 13 March 2009



The Cost of Health

At a time when world economic news has been dominating the headlines – and people's thoughts – it seems appropriate to take a look at how much our health care system costs, who pays for it, and where all that money goes.

At the end of 2008, the Canadian Institute for Health Information (CIHI) released *National Health Expenditure Trends, 1975 to 2008*. In the report, CIHI expected Canada's health care spending for the year to come in at \$171.9 billion, about \$10 billion higher than the previous year. This figure represents 10.7 per cent of the country's gross domestic product, the highest ever.

"Health care spending is expected to grow faster than Canada's economy, outpacing inflation and population growth," says Glenda Yeates, President and CEO of CIHI. "In the context of recent changes in the economy, it is important to keep monitoring these trends in order to better understand how our dollars are being spent and how we compare with other countries."

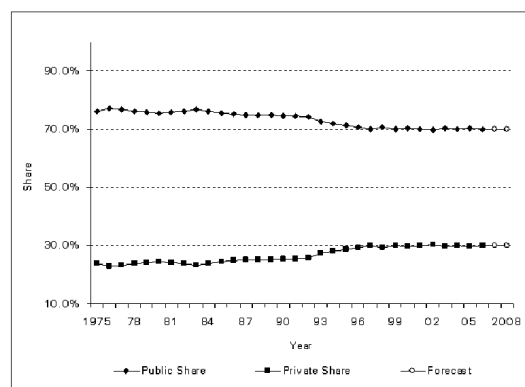
Top three expenditures in 2008

Hospitals	\$48.1 billion
Drugs (prescription and non-prescription)	\$29.8 billion
Doctors	\$23 billion

Public/private ratio

The ratio of public to private health care spending has been consistently stable at 70:30 dating back to 1997. In 2008 this translated into \$120.3 billion being spent by the public sector, compared to \$51.6 billion spent by the private sector (private insurance programs and out-of-pocket spending by individuals). Drug and dental expenses were the items that consumed the largest share of private spending: hospitals and doctors took the biggest bite out public health care dollars.

Public- and private-sector shares of the total health expenditure in Canada



Source: National Health Expenditure Database, Canadian Institute for Health Information.

On a per person basis, the CIHI report estimated that \$5,170 was spent on health care for each Canadian in 2008.

Source: Canadian Institute for Health Information, *National Health Expenditure Trends, 1975 to 2008*

210-13900 Maycrest Way
Richmond BC V6V 3E2
Phone: 604.270.1142
Toll Free: 1.888.766.6390
Fax: 604.270.3662
Toll Free Fax: 1.888.636.1430
Website: www.dupuislangen.com
Email: info@dupuislangen.com

Thank you for your referrals

Business is great but new clients are always welcome!

If you know of others who may like to receive our newsletter or who would appreciate an audit of their group benefits plan, please let us know!

E&oe

Group life and health plans * Registered pension plans * Group RSPs * Tax Free Savings Account (TFSA)
Critical illness plans * Long term disability plans * Integrated benefit solutions * Private Health Services Plans (PHSPs)



Most retirees are no more likely to be affected by tighter HR budgets than others, according to the survey data. Only 5% of respondents plan to cut retiree benefits.

Something to Talk About

One finding from the survey that was quite surprising was the fact that so few organizations are communicating with their employees about the impact the recession is having on their workplace. One-third had no plans to communicate about the economic situation at all. Whether or not layoffs are planned, the silence is very likely causing employees to be apprehensive, decreasing their productivity and engagement.

Of those that are talking to staff, the majority are addressing general business issues, rather than specifics around benefits, pension and compensation. Again, this communication void is bound to raise questions in employees' minds. Moreover, employers are missing an opportunity to explain their strategy and gain the support of the staff for cost-saving measures.

Despite the sombre statistics, Canadian organizations are focusing on using the HR budgets wisely, with a view to the future, before they resort to laying off employees.

Source: www.benefitscanada.com

What's Hot In Employee Benefits

A study, conducted by the Canadian Payroll Association (CPA) and the first of its kind in Canada, ranks all 39 categories of taxable employee benefits in terms of the percentage of organizations offering them.

The top 7 benefits offered to employees are:

1. 61% Life Insurance
2. 46% Motor Vehicle Allowance
3. 42% Tuition Fees
4. 42% Disability-related insurance
5. 39% Professional Membership Dues
6. 28% Employer paid RRSP premiums
7. 21% Counseling services for employees

To view the full article please visit:

<http://www.payroll.ca/content/navigationmenu/abouttheCPA/employmentbenefitsmediacoverage/sep24torontosun.pdf>

Alternatives to Layoffs

The media is increasingly featuring reports of companies that, due to the recession, are letting employees go. For many, there is no other alternative besides layoffs in order to salvage the business. For other organizations that still have options, all items on the HR budget are coming under scrutiny. Fortunately, there are ways of belt-tightening without job losses.

Certainly, layoffs are a last resort, as no employer wants to let workers go. Moreover, aside from the compassionate aspect, there is a real downside to layoffs. When the economy does recover, organizations may find themselves without the skilled labour they need to handle increased business. In addition, the "survivor's guilt" experienced by those who have kept their jobs, as well as the loss of morale, may persuade those who are still on the payroll to look elsewhere for a position.

Choose Where to Cut

Employers recognize the negative side of layoffs. In a recent Hewitt Associates' Rapid Response survey of 192 Canadian organizations, 57% of respondents indicated that they did not expect to implement layoffs within the next year, while another 12% didn't know what the future held. However, all respondents were certainly looking at other means to keep HR costs in check:

- 47% already have or expect to have hiring freezes in place within the next 12 months;

- 53% have cut back on their recruitment efforts, or plan to do so over the coming year; and,

- at the same time, 80% of employers have no intention of providing incentives to encourage employees to retire early. It would seem that organizations are keeping an eye on the future, ensuring they'll have the skills they'll need.

Hardest hit in the HR budget is discretionary spending. Fifty-eight percent of organizations are planning either slight or significant reductions in business travel, and 32% will cut back on expenses related to holiday celebrations.

Reduce Administrative Costs, Not Benefits

One area that will escape the chopping block virtually unscathed is benefits programs. Eighty percent of respondents have no plans to reduce their medical, dental and disability benefits plans, and some employers are even planning to improve their programs. Organizations are focused on using their HR dollars effectively by seeking low-cost ways to keep employees healthy. Benefits that improve employees' overall well-being and help them manage stress—including health and wellness programs and coverage for paramedical services such as physiotherapy or massage therapy—are on the upswing.

While benefits programs will remain intact, that doesn't mean that employers aren't looking to cut back on benefits expenses. About one-quarter of respondents indicated that they are seeking a reduction in benefits insurers' administration fees, commissions and outside supplier fees. Only about 11% plan to cut internal pension and benefits support staff.