

Sun Life Financial

SERVICE REVIEW

Report to UBC Community

Released: April 6, 2010

UBC Department of Human Resources

[A] Introduction

UBC offers a wide range of benefits to faculty and staff members. In fiscal year 2008/09, \$194 million dollars was spent on health and welfare benefits (e.g., extended health and dental), pension (i.e., Faculty Pension Plan, Staff Pension Plan), and statutory benefits (e.g., Canada Pension Plan, WCB, and Employment Insurance). The University's portion of this was \$125 million, and employees paid \$69 million.

In an effort to ensure maximum effectiveness of the total spend on health and welfare benefits, the University undertook a public tendering process in 2002, and consolidated provision of benefit plans, with the exception of the employee and family assistance program (EFAP), under a single provider. Sun Life was the successful company. Prior to 2002, Pacific Blue Cross administered claims under the extended health and dental plans. Sun Life insured the University's life insurance plans. Manulife (formerly Confederation Life) administered claims under the long-term disability plan (called the Income Replacement Plan, or IRP).

A number of years have now passed since consolidating benefit plans with Sun Life. For that reason, and also in response to concerns raised by the University's unions and associations, we undertook a comprehensive review of Sun Life's services. There were three parts to the review:

1. A claims audit of the dental and extended health care plans;
2. A random survey of UBC faculty and staff; and
3. A formal assessment of Sun Life against a number of criteria from the perspective of the University as Plan Administrator.

This report summarizes the results of the review, followed by some general information that we learned in response to allegations last year that Sun Life invests in tobacco stock. The final section provides conclusions.

[B] Phase 1: Health, Dental, and Drug Plan Audit

In 2008, an audit was undertaken of Sun Life's administration of UBC's Extended Health and Dental Plans, for both the active and retiree plans.

The purpose of the audit was to determine whether the claim system was coded accurately, and whether claims are being paid in accordance with the terms of the plan documents. It provided a third party review of the accuracy of claim payment performance, identified any problem areas, and provided recommendations. Mercer was the third party benefits consultant that conducted the claims audit of Sun Life.

The four components of the audit and findings of each are presented below.

- **Health and Dental Claims Adjudication Audit** (a review of health and dental claims paid by Sun Life, which excludes prescription drugs)

This aspect of the audit showed a 3.4% "monetary error" (e.g., payment of ineligible expense, etc.) and 6% "procedural error" (e.g., coding error, etc.) in a random sample of claims. Note that this is based on paid claims, and the percentages would be lower if based on submitted claims.

A monetary error rate of 3.4% is reasonably good, according Mercer. A procedural error rate of 6% is a little toward the high side, but is nothing to be concerned about.
- **Prescription Drug Audit and Utilization Review** [a review of drug claims paid to detect any problems with the electronic payment of claims administered by TELUS Health Solutions, formerly known as Emergis (the Pharmacy Benefit Manager)]

This review showed no major concerns with respect to prescription drugs.
- **Claims Policies, Practices, and Procedures Review** (assessment via questionnaire)

This review showed Sun Life to have acceptable practices with respect to file retention, number of files internally audited, and claims turnaround time (86% within 7 calendar days; 10% within 8-10 days, and 4% within 11-15 days).

This aspect of the overall audit resulted in Mercer recommending the establishment of consistent guidelines that clearly specify under what circumstances payment in excess of reasonable and customary guidelines is warranted based on medical need.

▪ **Mapping Audit** (Review of claim systems coding in comparison to the insurer contract)

Some discrepancies and inconsistencies were found and corrected (e.g., Retiree Extended Health Plan 1 – annual deductible amount was incorrectly coded at \$25 for single and family coverage, when it should have been \$50 effective January 1, 2007).

The audit results, according to Mercer, were well within the acceptable range when benchmarking against results of other audits, and demonstrated that UBC has an insurer with good processes in place. They advised that, based on their experience, Sun Life is performing well for UBC. The audit identified some issues that needed to be addressed. It also provided valuable information about topics that require additional employee/plan member information and communication.

[C] Phase 2: UBC Survey of Faculty/Staff

In 2009 UBC surveyed a random sample of approximately 1,000 faculty and staff members who are enrolled in the extended health and/or dental plan. The survey asked about faculty/staff members' experiences and satisfaction with the following areas of Sun Life service:

- Customer Care Centre (1-800 phone line);
- Claims Processing (including pre-determinations/estimates); and
- Plan Member Services Website.

The response rate was 27%, with respondents from a variety of different UBC employment groups, including a high response rate from the Faculty and Management and Professional groups.

Overview of Results

Overall, the majority of respondents indicated that they were somewhat satisfied (53%) or extremely satisfied (19%) with Sun Life's services. 12% were dissatisfied, 3% were extremely dissatisfied, and 10% were uncertain.

Survey respondents expressed overall satisfaction with Sun Life services. Areas that need to be addressed fall within the service and communication categories.

Service:

- Better customer service - shorter wait times, more pleasant/polite interaction between Sun Life representatives and UBC faculty and staff;
- More complete/correct answers more often; less claims initially declined, but subsequently reimbursed after multiple follow-ups;
- Improved navigation of the Sun Life Plan Member Services website;
- Improved ease of signing onto the Sun Life Plan Member Services website; and
- Consideration of introducing an appeal or review process for members who have been cut off from electronic submissions for non-compliance to claim audit requirements.

Communication:

- Improved clarity of the Sun Life Explanation of Benefit Statements, particularly in cases when the claim is not reimbursed;

- More complete information on the Sun Life Plan Member Services website;
- Increased information for plan members about claim pre-determinations; and
- Some members perceive that they and their physicians and dentists are treated with suspicion. A better explanation of the reasons behind the requirements for additional supporting information and documentation would assist.
- Some respondents lacked awareness of services that are currently offered, such as the ability to file most claims electronically, and to receive reimbursement via direct deposit to their bank accounts.

Some issues raised by survey respondents were related to plan design (i.e., what is covered and what is not covered). As Sun Life does not control plan design (the University establishes plan design), these concerns are not relayed herein.

[D] Phase 3 – Plan Administrator Evaluation of Sun Life

The survey discussed in the section above was related to plan members' (i.e., UBC faculty and staff members) experience with Sun Life.

Another important perspective is that of the University as “plan administrator”. This pertains to interactions between the University (particularly Human Resources staff) and Sun Life, as well as effectiveness on global benefit plan issues such as price, flexibility, annual renewal processes, contract/plan document development and approval, and responsiveness to UBC’s requests to make changes in response to issues, including concerns raised by faculty and staff.

UBC’s overall rating of Sun Life on these criteria was 4 out of 5, meaning “good on most, but not all, issues”. Following are highlights of strengths, as well as areas for improvement.

Strengths

- UBC is consistently given an opportunity to provide feedback to influence Sun Life's priorities regarding service and product offerings via Plan Sponsor surveys;
- Sun Life has provided excellent participation and sponsorship of UBC events, such as Health Symposia held at both the Vancouver and Okanagan campuses;
- Sun Life has been willing to attend and participate in meetings with UBC and its unions and associations regarding the Income Replacement Plan (IRP). They have demonstrated flexibility and openness to listen to needs, provide explanations and data, and make required and requested changes;
- The Sun Life team that UBC works with has a broad range of expertise (i.e., general benefits/insurance knowledge, as well as an in-depth understanding of Sun Life plans, block of business, and services/systems);
- Sun Life’s Customer Care Centre has good hours of operation, generally with little or no waiting; data show that claims turnaround times are on target, with the exception of peak periods;
- Sun Life continually expands its Plan Member Services website, which provides members valuable resources such as the Health & Wellness Companion, which is an online wellness assessment tool;
- Sun Life’s education material and brochures are well presented and informative;
- Sun Life has demonstrated flexibility and willingness in assisting UBC with internal communication material related to benefits and related processes;
- Sun Life has demonstrated willingness and flexibility in ensuring effective disability management and return to work processes at UBC by working with the UBC team to resolve any gaps and concerns;
- Rehabilitation services for UBC employees on IRP claim are significantly less costly and more effective and objective since being transitioned to Sun Life;

- A high number of UBC IRP claimants are also in receipt of a Canada Pension Plan (CPP) disability benefit, which indicates that Sun Life is demonstrating a good understanding of claimants' situations and potential for CPP approval (Sun Life advises IRP claimants when to apply for the CPP disability benefit);
- Sun Life has clearly and consistently applied privacy policy with respect to releasing and sharing information (e.g., through aggregate reporting, etc.);
- The annual benefit plan renewal process and related negotiations have been timely, and Sun Life has been responsive with reasonable and relatively competitive rates over the past years; and
- When claims problems and issues have been raised by UBC, Sun Life has been proactive and responsive in investigating and taking follow-up steps such as providing additional training to their customer service representatives.

Areas for Improvement

- It would be helpful if Sun Life representatives were more proactive, without prompting, in providing solutions on a going forward basis in order to minimize future occurrences;
- Turnaround time for plan document changes and sign-off can be quite long, with many drafts required;
- There is less flexibility when negotiating renewals for the retiree benefits plans than for the active plans; and
- Additional interpretation of some of the UBC claims data would be helpful, particularly relative to benchmark data that Sun Life has access to from its other clients.

[E] Tobacco Issue

In 2009, an allegation came to light that Sun Life has large investments in the tobacco industry. This was of significant concern to the University, and we proceeded to investigate the matter with the assistance of the UBC Treasury department, who in turn involved UBC IMANT and other external advisors.

It was determined that Sun Life's position and public statements on their ownership of tobacco stocks (i.e., that this was not the case) were credible. The asset management company that is a subsidiary of Sun Life (MFS Investment Management) operates in the United States, and invests on behalf of third parties. The assets they invest are not the assets of Sun Life, but rather the assets of third parties who make the investment decisions that MFS implements. Some of these third parties do choose to invest in tobacco and related stocks, and give such direction to MFS to do so on their behalf.

Based on a review of public records and accounting rules for related organizations, it has been concluded that Sun Life has not used this structure as a means to circumvent their public statements.

Sun Life is aware that UBC would find a direct or substantive investment in tobacco stocks to be difficult to comprehend and problematic for the integrity of our relationship with them. In the circumstances, and with the advice that we received, we have concluded that this is not the case, and our relationship has not been compromised.

[F] Conclusions

The University's comprehensive review of Sun Life has resulted in a number of actions and decisions, as described below.

Follow Up Action

The University has responded to issues identified during the claims audit. UBC and experts from Mercer worked with Sun Life to rectify discrepancies identified by the audit.

UBC has recently provided Sun Life the detailed results of the UBC faculty/staff survey, including areas that faculty and staff are not happy with. We expect Sun Life to follow up on this feedback.

Sun Life is providing the University benchmark data from the industry in order to assist in interpreting claims data.

Contract with Sun Life

With respect to our ongoing relationship with Sun Life, our conclusion from the review is that Sun Life continues to provide good quality service and value to staff, faculty, and UBC. We will continue to work with them to improve service.

Due to a flurry of merger and acquisition activity over recent years, the Canadian insurance industry has narrowed to a choice of three large carriers (Sun Life, Great West Life, and Manulife). In addition, there are a handful of smaller carriers, including Pacific Blue Cross, which is localized in British Columbia. As a result, there are not a lot of Canadian insurance companies to choose from.

The finding that we are currently receiving good value from Sun Life, combined with the nature of the insurance industry, has led to a decision to remain with Sun Life for the time being. As with other large contracts, the University will go back to public tender at some point in the future. It is a very significant undertaking to go to tender and to transition from one insurance company to another. As such, the decision to go to tender must be made carefully, in consideration of the disruption that would result for faculty and staff, and in ensuring the best possible value.

Another factor reinforcing our decision not to go to public tender at this time is the current governance review that is underway for the Income Replacement Plan (IRP). The IRP governance review is an important consideration because Sun Life administers the University's IRP plan. The outcome of the IRP governance review could have a very significant effect on the type of services required from the insurance company. It would be more effective to undertake a public tendering process once the IRP governance review process has been completed.

A final consideration in the timing of a public tendering process has to do with the economy. Recent instability in the global economy means that it may not be the best time to obtain the most competitive pricing and best value from insurance companies.

Communication and Education

A very important insight gained through the three part review of Sun Life is that a number of faculty and staff may have incorrectly attributed "plan design" issues to Sun Life.

Plan design refers to the "rules" of the benefit plan – what's covered, what's not covered, what the deductible is, how much the employer pays, how much the employee pays, etc.

An important point to note is that what is covered by the benefits plans (and what is not covered) is *not* a decision that is made by Sun Life; rather, the University has entered into a contract with Sun Life to administer a particular plan.

For example, faculty/staff members are sometimes upset because certain dental procedures or a particular prescription drug is not covered by Sun Life. Sun Life's job is to pay the claims in accordance to the plan design that is in place, and that we have hired Sun Life to administer.

The test of a good quality insurance company, therefore, is not how much is covered by the plan, but whether the company is correctly processing claims in accordance with the plan document that is in place. The general finding of the review is that Sun Life is doing this very well.

This type of inaccurate perception reinforced the University's need to provide more information to faculty/staff about benefit plans and how they work. In response to this need, the Human Resources department is currently developing a benefits communication plan in order to determine the best way to relay information that faculty/staff members need about their benefit plans. We're aware that this

information is sometimes technical and complex, so we continue to try to identify the best way to convey the right information at the most appropriate time.

Recent Sun Life Achievements

As a final comment, it is noteworthy that Sun Life was recently selected as one of the Global 100 Most Sustainable Companies in the world. The Global 100 is derived from an initial list of 3,000 corporations from 24 countries. The final Global 100 list identifies the 100 corporations that have been most proactive in managing environmental, social, and governance issues. Sun Life is the only North American insurance company, and one of only nine Canadian corporations across all industries, named to the list.

Additional information on Global 100 Corporate Sustainability Benchmark rankings may be obtained at: <http://www.global100.org/>. Additional information on Sun Life's Corporate Responsibility Program is available at: www.sunlife.com ("Corporate Responsibility" link).

Contact Us for Additional Information

If you'd like additional information about this report or about the Sun Life review, or if you have any questions or comments, please contact Natasha Malloff in the Human Resources department at 604-822-8140 (or natasha.malloff@ubc.ca).

Thank you to all of you who provided valuable feedback by way of the survey or through other means. We look forward to an ongoing dialogue with you, and will continue to take further steps to improve the value you receive from your benefit plans.