

Fidelity Benefits Consulting

International Health Care and Wellness Newsletter

October 2018

Fidelity's international Health Care and Wellness newsletter focuses on the key issues surrounding employer-sponsored health and wellness issues globally.

Issued on a bi-monthly basis, this update from our international team seeks to keep you informed of upcoming changes to local legislation and market trends while providing thought-provoking articles to keep you up-to-date in the ever changing landscape.

What's Inside

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Legislative & Regulatory Update



Hong Kong

The government in Hong Kong plans to introduce a new individual, comprehensive insurance product called the Voluntary Health Insurance Scheme (VHIS). The move is to regulate and address the coverage and exclusions usually placed on individual products. It will relieve in the long term pressure on the state system by encouraging utilization of the private facilities by including tax deduction allowances and clarity of cover.

Such certified products should offer the following conditions:

- Guaranteed renewal up to 100 years of age (without re-underwriting)
- No "lifetime benefit limit"
- Removal of pre-existing "unknown" conditions after 4 years
- Tax deduction ceiling of \$8,000 per person

Expected to be implemented in 2019



UK

The government announced at the end of July that specialist doctors in the UK will be able to legally prescribe cannabis-derived medicinal products. Sativex, a cannabis derived pharmacy is available in restricted circumstances via the NHS. Consultation over the triggers and conditions under which cannabis derived products are prescribed is the core of the current review.

Date effective:
Autumn 2018 (no specific date specified)



South Korea

Employees in one of the most overworked countries in Asia are about to get a break after South Korea passed a bill to reduce the typical work week in an effort to improve quality of life and boost employment. The maximum workweek is being reduced from 68 to 52 hours (40 hours normal work, 12 hours overtime).

From 1st September 2018 employers in only 5 industries can negotiate with employees to waive the new 12 hours of overtime: marine, air and land transportation, postal delivery and health care.

Date effective:
(no specific date specified)



Japan

The "Work Style Reform Bill" was recently passed in Japan which will see changes to the Labour Standards Act and other employment laws. The three main pillars involve a revision of overtime limitations, exemption agreements targeted at "high-level professionals" and equal treatment of all types of employees (full-time, agency, part-time, temporary).

The policy of equal pay for equal work may lead to increases in costs for lower paid and temporary staff including equalization of allowances for areas such as transportation and living costs. The restriction of overtime may lead to the requirements of organizations to track working hours effectively.

Date effective:
April 2019-April 2021



Jordan

Government-supported health insurance coverage for elderly Jordanians is being gradually rolled out. People over 60 will be exempt from annual health insurance premium. The Jordanian government hope in 4-5 years' time all citizens will have health insurance coverage.

Date effective:
2018

Market Trends - Life extending pharmacy: a new revolution

There has been an increase in the number of life extending drugs being approved by governing bodies for those with terminal illness. Whilst advancement in pharmacy science continues to accelerate, the introduction of a new form of medicines does pose a question of what is appropriate corporate coverage and should it cover therapeutic drugs or only those which have positive long term outcomes. Examples of these drugs, which according to some studies may extend life* by 6 to 9 months, include:

- Nivolumab is a drug that extends life for those who have lung cancer at an annual cost of \$143,000 – in some countries it is covered by state systems.
- The diabetes drug metformin has been shown to extend the life of animals, and the Food and Drug Administration in the US has now given the go ahead for a trial to see if the same effects can be replicated in humans.
- Kadcylla – which costs just under \$120,000 per year per patient – is available from some state systems for women who have HER2-positive breast cancer.

The cost of the new breed of drugs is significant and their inclusion in the corporate program can potentially add significant cost to a company's health care costs. In the US, we are already seeing providers automatically including these drugs as standard in scope treatments

– often without the plan sponsor being aware that they have become exposed to the escalation in cost. Companies are therefore in a position where they need to manage costs by reviewing the list of treatments covered, and those which could be added, to determine appropriate coverage. They should also look to understand what benefits can be provided from the State. This process is a fine balance between financial affordability and providing care to their employees at their time of need. In response some organizations are considering limiting access to such treatments but offering critical illness policies which could be used in part to meet the cost of any such drugs.

It is therefore our recommendation that multinationals undertake a review with the following specific actions:

1. Understand current pharmacy provisions and coverages and how new drugs are added, and the impact of doing so. This review should also consider what drugs can be provided through the State.
2. Put in place an oversight process to ensure any additions to coverage are made through informed decision rather than at the behest of the pharmacy provider.
3. Develop a policy and be prepared to provide employees with support and guidance where needed.

In the Spotlight – Global attitudes to smoking cessation

Since awareness of the dangers of smoking were highlighted in the 1970's, governments and organizations have been actively encouraging individuals to stop smoking. Firstly, by taxation (the WHO estimates that 70% of the cost of a cigarette is tax¹) and secondly, through provision of cessation support. Attitudes around the globe to the restriction on where and when you can smoke have also evolved over the last few years to encourage people to stop. Even in developing countries legislation to outlaw smoking in work places and public areas has grown considerably.

- Although the per-person consumption of cigarettes has fallen the overall global volume of legal cigarette sales rose from approximately 5.1 trillion in 1990 to approximately 5.9 trillion in 2012, largely due to population growth².
- About 80 percent of the 1.3 billion estimated smokers age 15 years or older in the world live in LMICs (Low and Middle Income Countries)².
- The global smoking cessation and nicotine de-addiction market is expected to reach over USD 21.8 billion by 2024 according to Grand View Research³.

Many multi-national organizations support the cessation of smoking through wellness portals and providing a range of support to those considering quitting, but have found globalization difficult due to the disparate attitudes of governments and employees. However, we have recently seen a change in attitudes towards smoking in many countries previously not supportive of cessation change- this is creating an opportunity for a more globalized cessation model to be adopted.

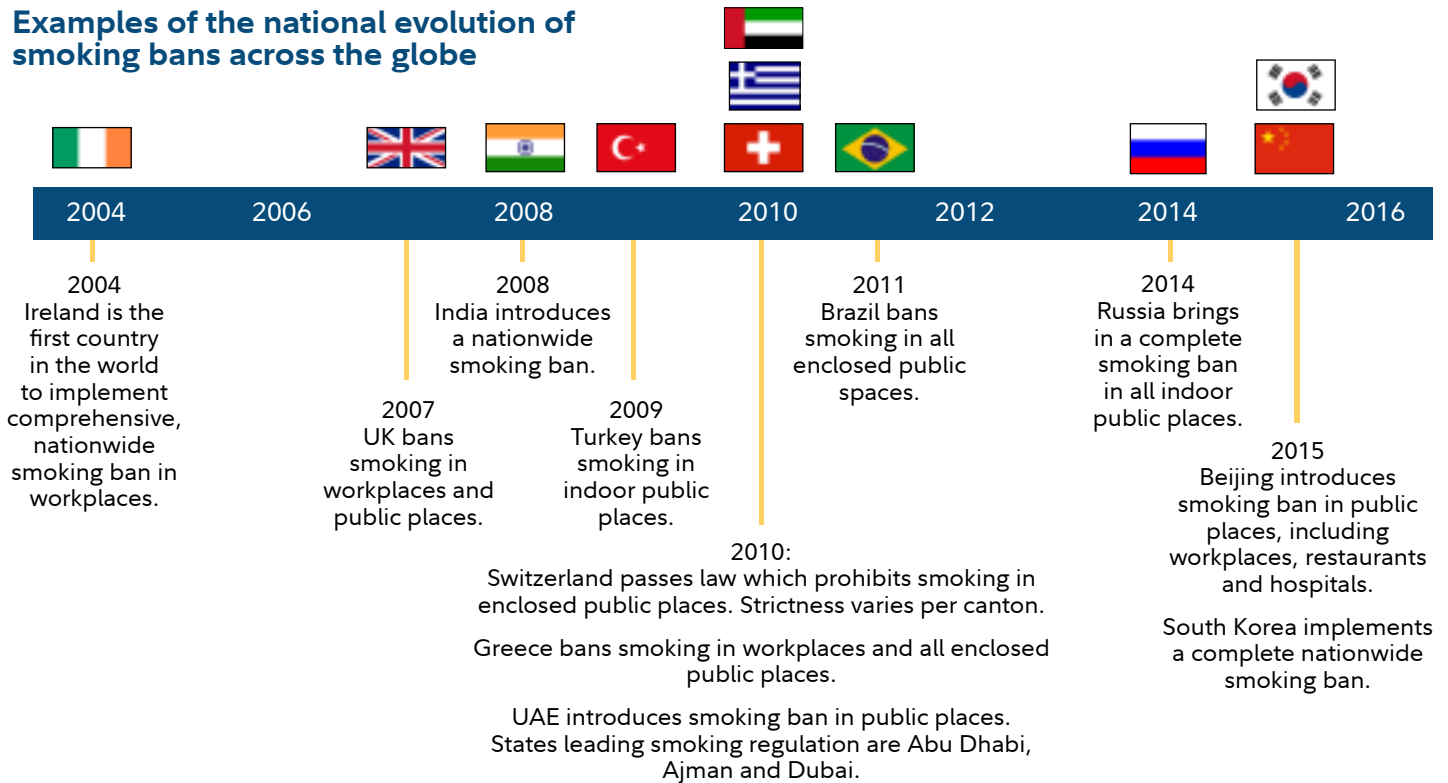
*Subject to individual circumstances

¹<http://www.who.int/tobacco/economics/taxation/en/index1.html>

²<https://www.ncbi.nlm.nih.gov/books/NBK343639/> - book: Global Hazards of Tobacco and the Benefits of Smoking Cessation and Tobacco Taxes

³<https://www.grandviewresearch.com/press-release/global-smoking-cessation-nicotine-de-addiction-market>

Examples of the national evolution of smoking bans across the globe



Looking at the practices deployed by different countries

China

China is the world's largest consumer and producer of tobacco and is home to approximately 300 million smokers⁴, more than any other country; about half of men are regular smokers. However there is evidence that the attitude to smoking is changing and this is being reinforced by regulation:

- In Beijing smoking in offices, restaurants, hotels and hospitals is punishable by fines⁵.
- There are inspections of workplaces for tell-tale signs of smoking – fines are issued if traces of smoking are detected. Smoking rates in Beijing have decreased by an estimated 1.1% after the implementation of tobacco control⁵.

Russia

Around 35% of adults⁶ are smokers and the Russian cigarette market is estimated to be worth more than \$22 billion

- There is a comprehensive ban on smoking in indoor workplaces, indoor public places, and on public transport.
- Russia's health ministry is considering a permanent ban on selling cigarettes to people born in 2014/15 or later. It's part of a tough anti-tobacco strategy the country's politicians are trying to make a reality. The ban on the sale of tobacco to this generation and younger would continue even after they reach adulthood – at this stage this is only a proposal⁷.
- All forms of domestic and cross-border tobacco advertising, promotion and sponsorship are prohibited, with extremely limited exceptions⁸.
- The number of prevention service units providing smoking cessation support has grown from 503 to 3,065 over three years⁹.

⁴<http://www.wpro.who.int/china/mediacentre/factsheets/tobacco/en/>

⁵<http://www.chinadaily.com.cn/a/201801/13/WS5a59a7aca3102c394518f029.html>

⁶<http://www.tobaccopreventioncessation.com/Tobacco-control-and-smoking-cessation-in-healthcare-system-in-Russia-successes-and-challenges,71165,0,2.html> – PDF called "2nd ENSP Conference on Tobacco Control from the European Network for Smoking and Tobacco Cessation, pg. 20, abstract 26.

⁷<https://www.independent.co.uk/news/world/europe/russia-cigarette-sale-ban-anyone-born-after-2015-tobacco-lung-disease-cancer-health-ministry-a7518691.html>

⁸<https://tobaccoatlas.org/country/russian-federation/>

⁹<http://www.tobaccopreventioncessation.com/Tobacco-control-and-smoking-cessation-in-healthcare-system-in-Russia-successes-and-challenges,71165,0,2.html> – PDF called "2nd ENSP Conference on Tobacco Control from the European Network for Smoking and Tobacco Cessation, pg. 17, abstract 20.

Brazil

It is estimated that 53 billion cigarettes produced in Brazil in 2016 with cigarette imports exceeding exports. However, only 32% of retail price of cigarettes is excise tax which falls considerably short of the WHO benchmark of 70%¹⁰.

- Brazil has some of the strictest smoking laws in the Americas – smoking is forbidden in all enclosed public spaces except for specifically designed smoking areas.
- Tobacco advertising is restricted to posters in shops¹¹.
- In the cessation model adopted by Brazil, after initial assessment appointment, smokers receive intensive cognitive-behavioural therapy, which combines cognitive interventions with training of behavioural skills.

Switzerland

There is a 25% smoking prevalence in Switzerland, with recent figures suggesting that 17.3% of smokers light up daily¹². In Switzerland, the number of smokers has dropped at a much lower rate compared to other countries, such as the UK and the US.

- The Swiss Federal Railways is considering making all of its stations smoke-free in December 2018. Smoking in trains was banned in 2005¹³.
- Tobacco is less regulated in Switzerland than in most other European countries. With respect to three key tobacco control measures – taxation, smoke-free policy in public places and advertising bans.
- The Lung Association Basel launched the project “Enterprise Smoke-free” which supports companies interested in regulating smoking at their workplaces. The program was further strengthened in 2010, when a nationwide law that limits second-hand smoke exposure in most workspaces and public indoor areas was implemented¹⁴.

South Korea

Male smoking is among the highest at 36.2% while female smoking by far the lowest at 4.3% in developed countries in the OECD¹⁵.

- The country has strict smoking bans in most, if not all public places¹⁶.
- Approximately 65% of the price of cigarettes in South Korea is excise tax (WHO benchmark is 70%) which is higher than countries such as Brazil and Russia¹⁷.
- South Korean soldiers are rewarded if they quit smoking¹⁸.
- To smoke 10 of the most popular South Korean cigarettes on a daily basis, a smoker would need to spend 2.58% of their average annual income¹⁹.

¹⁰<https://tobaccoatlas.org/country/brazil/>

¹¹<http://untobaccocontrol.org/impldb/brazil/>

¹²http://www.suchtmonitoring.ch/docs/library/gmel_ig1f1nkdw5wd.pdf

¹³https://www.swissinfo.ch/eng/society/clean-air_swiss-stations-could-be-smoke-free-by-2019/43644244

¹⁴<https://smw.ch/article/doi/smw.2014.13983>

¹⁵<https://data.oecd.org/healthrisk/daily-smokers.htm>

¹⁶<http://english.yonhapnews.co.kr/news/2017/03/29/0200000000AEN20170329006400315.html>

¹⁷<https://tobaccoatlas.org/country/south-korea/>

¹⁸<https://www.bbc.com/news/blogs-news-from-elsewhere-36420010>

¹⁹<https://tobaccoatlas.org/country/south-korea/>

From a multinational perspective the ability to leverage country initiatives in conjunction with corporate programs is expected to reduce costs and deliver better outcomes in driving lower smoking rates in the workforce.

For more information on any areas covered by this newsletter or to discuss your International Benefit programs, contact:

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About Fidelity International Benefits Consulting

Fidelity's International Benefits Consulting team is independent and focuses on supporting clients in meeting their business objectives through the provision of impartial, but tailored, advice reflecting market trends and best practice.

| Global Benefits Governance | International DC Governance | International Retirement & Financial Wellbeing | International Health Care & Wellness | International Miscellaneous |
|--|---|--|--|--|
| Governance structure & operating model International audit, benchmarking and compliance review Management and reporting Ongoing support to global benefits committees Advice on global financing opportunities | Fiduciary and compliance oversight Best practice implementation Development of preferred provider arrangements Enhancing employee experience | <i>Financial Wellbeing</i> Benchmarking/ implementation of global best practice Design/ implementation of programs to support financial wellbeing Vendor selection and oversight | <i>International Health Care</i> Vendor selection Strategic plan management advice Cost optimization | Global insurance programs Corporate transactions Second opinions on local advice Strategy to respond to legislative changes Facilitation of global stock plan advice |
| | | <i>International Retirement</i> Benchmarking/ setting of financing assumptions Advice on opportunities for de-risking Consolidation of financial reporting & budgeting | <i>Wellness</i> Global wellness education strategies & programs Benchmarking and deployment Vendor selection | |