



Rising Benefits Costs

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Survey Highlights

The costs of some components of the compensation package have increased significantly over time. Perhaps this is best illustrated by the fact that the rate of increase in the costs of extended health benefit plans has been approximately four times the rate of increase in salaries since 2000. As a result, many employers are concerned regarding the future sustainability of their existing group benefit plans.

To measure the level of concerns which employers have, along with what initiatives these employers are taking to address those concerns, Western Compensation & Benefit Consultants (“WCBC”) completed a survey of a broad cross-section of Canadian employers. The survey was completed in September/October, 2014 and included 200 organizations.

Virtually all of the survey organizations provide employee benefits programs, which include:

- ◆ extended health benefits;
- ◆ dental plan;
- ◆ sick leave and/or insured short-term disability plans;
- ◆ long-term disability insurance; and
- ◆ basic life insurance.

Twenty-nine percent of the organizations also provide a critical illness insurance plan for employees.

Changes In Costs

Over the past two years, the survey organizations have experienced the following changes in benefits costs:

| | Costs of Plan Have | | |
|-------------------------------|--------------------|-----------------|-----------|
| | Increased | Stayed the Same | Decreased |
| Extended health benefits | 62% | 27% | 11% |
| Dental plan | 54% | 38% | 8% |
| Sick leave | 30% | 67% | 3% |
| Insured short-term disability | 50% | 43% | 7% |
| Long-term disability | 43% | 47% | 10% |
| Basic life insurance | 24% | 63% | 13% |
| Critical illness insurance | 21% | 77% | 2% |

Levels of Concern

The organizations which experienced cost increases expressed the following levels of concern:

| | % of Survey Organizations Which Expressed | | |
|-------------------------------|---|--------------|------------|
| | Great Concern | Some Concern | No Concern |
| Extended health benefits | 18% | 69% | 13% |
| Dental plan | 5% | 67% | 28% |
| Sick leave | 33% | 45% | 22% |
| Insured short-term disability | 28% | 49% | 23% |
| Long-term disability | 14% | 53% | 33% |
| Basic life insurance | — | 46% | 54% |
| Critical illness insurance | 8% | 33% | 59% |

Reasons For Cost Increases

Possible reasons for the cost increases experienced are:

Inflation/Utilization — the levels of claims under the plan increased due to an increase in the cost of covered services and supplies and/or an increase in the utilization of the plan by employees.

Growth — the organization has grown significantly with respect to the number of employees participating in the group benefits program.

Plan Design Change — the organization enhanced the plan resulting in a higher level of coverage.

The table below sets out the reasons for the cost increases experienced by the survey organizations.

| | Reasons For Cost Increases | | |
|-------------------------------|--|-------------------------------|-------------------------|
| | Inflation/ Increased Utilization | Growth in No. of Employees | Plan Design Enhanced |
| Extended health benefits | 94% | 36% | 11% |
| Dental plan | 94% | 32% | 7% |
| Sick leave | 84% | 49% | 4% |
| Insured short-term disability | 89% | 23% | 9% |
| Long-term disability | 84% | 29% | 6% |
| Basic life insurance | 72% | 39% | 11% |
| Critical illness insurance | 58% | 33% | 25% |

Note: Rows do not sum to 100% because there are multiple reasons for the cost increases.

Cost Management Initiatives

Those organizations which expressed concern with respect to increased benefit plan costs indicated whether or not they have implemented initiatives to manage these costs, as summarized below:

| | Initiatives to Manage Costs (% of Organizations) | | |
|-------------------------------|--|-----------------------------|-----------------|
| | Implemented | Reviewing/ May Implement | Not Considering |
| Extended health benefits | 26% | 43% | 31% |
| Dental plan | 18% | 28% | 54% |
| Sick leave | 49% | 37% | 14% |
| Insured short-term disability | 22% | 36% | 42% |
| Long-term disability | 13% | 37% | 50% |
| Basic life insurance | 5% | 24% | 71% |
| Critical illness insurance | 20% | 40% | 40% |