

COST INCREASES

for Extended Health & Dental Plans

Canadian employers continue to experience high annual increases in the costs of extended health benefit and dental plans.

The magnitude of the increase in extended health costs remained unchanged in 2016 and 2017. However, the annual increase in extended health costs in 2018 was marginally lower than the increases in the previous two years.

The average annual increase in the cost of dental plans in 2018 was approximately the same as the annual increases in the previous four years.

Annual Survey of Cost Increases

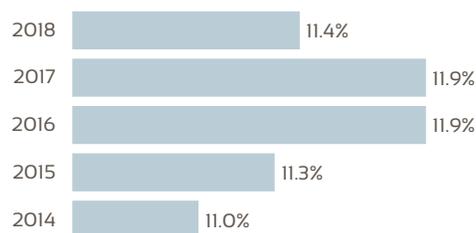
Western Compensation & Benefits Consultants conducts an annual survey of increases in extended health and dental plan costs. The 2018 survey includes the following major Canadian insurance companies:

- Co-operators Life Insurance Company
- Desjardins Financial Security Life Assurance Company
- Great-West Life Assurance Company
- Green Shield Canada
- Industrial Alliance Insurance and Financial Services
- Manufacturers Life Insurance Company
- Pacific Blue Cross
- RBC Life Insurance Company

Extended Health Benefits

The overall annual increases in extended health costs for 2018 and the previous four years are displayed in the graph below. As shown, the annual increase in 2018 was lower than the increases in 2016 and 2017 and was closer to the level of increases in 2014 and 2015.

Overall Annual Increases in Extended Health Benefit Costs Over the Past Five Years



Dental

Increases in dental costs result from two factors, including increases in the fees charged by dentists coupled with increases in the utilization of the plans by covered employees and their dependents. Utilization is influenced by factors in the economy and the introduction of new dental procedures.

The table below shows the 2018 average increase in the provincial dental fee guides as well as the increase in plan utilization. Taken together, the overall cost

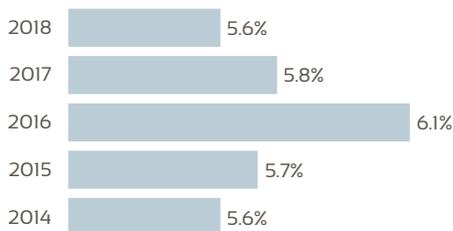
of dental increased by between 7% and 9% for all the provinces and territories except for Alberta. Alberta had a lower overall increase of 3% due to the fee guide introduced on January 1, 2018 which contained a reduced fee schedule.

Current Increases in Dental Plan Costs

<i>Province/Territory</i>	<i>2018 Average Increase in Dental Fee Guide</i>
British Columbia	3.72%
Alberta	-2.92%
Saskatchewan	2.61%
Manitoba	2.72%
Ontario	1.77%
Quebec	2.32%
New Brunswick	1.97%
Newfoundland & Labrador	2.85%
Nova Scotia	1.91%
Prince Edward Island	1.97%
Northwest Territories	2.04%
Nunavut	2.04%
Yukon	1.96%
	<i>2018 Increase in Plan Utilization</i>
	5.59%

The graph below displays the overall annual increases in dental plan utilization over the past five years. As shown, the increase in plan utilization in 2018 was lower than the increases in the previous three years and was the same as the increase in 2014.

Overall Annual Increases in Dental Plan Utilization Over the Past Five Years



Summary

Trend and utilization factors should be used to project the increases required in premium rates to ensure that extended health and dental plans are appropriately funded. However, the claims actually incurred by an organization's own employees are the biggest driver of plan costs. It is therefore important to regularly review the financial experience (i.e. claims incurred and premiums), the appropriateness of the funding (or risk sharing) arrangements with the insurance company, as well as the trend and utilization factors when negotiating appropriate renewal rates.



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