

# 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. Overall, the cost increases in 2019 are consistent with the increases over the past several years.

## Annual Survey of Cost Increases

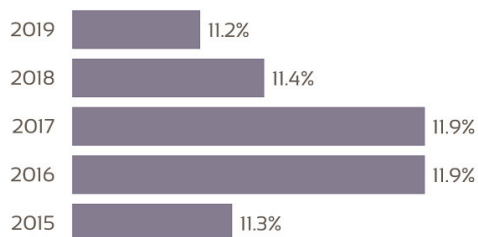
Western Compensation & Benefits Consultants conducts an annual survey of increases in extended health and dental plan costs. The 2019 survey includes the following major Canadian insurance companies:

- Canada Life (formerly Great-West Life Assurance Company)
- Co-operators Life Insurance Company
- Desjardins Insurance
- Green Shield Canada
- Industrial Alliance Insurance and Financial Services Inc.
- Manufacturers Life Insurance Company
- Pacific Blue Cross
- RBC Life Insurance Company
- Sun Life Assurance Company of Canada

## Extended Health Benefits

The average annual increases in extended health costs for 2019 and the previous four years are displayed in the graph below. As shown, the annual increase in 2019 is comparable to the increase in 2018 but slightly lower than the increases in 2016 and 2017.

**Average 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.

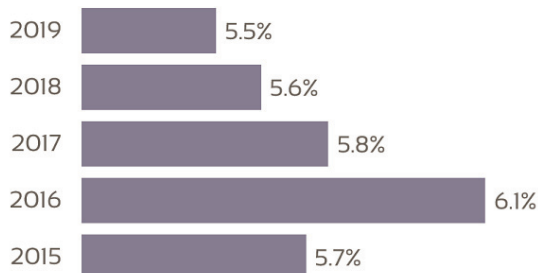
The table below shows the average 2019 increases based on increases in the provincial dental fee guides. Some insurance companies base their increases solely on the fee guide increases while other insurance companies also consider claims data. The average increase in plan utilization is noted at the bottom of the table. Taken together, the overall cost of dental is increasing by between 7% and 9% for all the provinces and territories except for Alberta. Alberta has a lower overall increase of 4% because there was no change in the Province's 2019 fee guide.

### Current Increases in Dental Plan Costs

<i>Province/Territory</i>	<i>2019 Average Increase Based on Dental Fee Guide</i>
British Columbia	2.66%
Alberta	-1.26%
Saskatchewan	2.21%
Manitoba	2.89%
Ontario	3.71%
Quebec	2.24%
New Brunswick	2.36%
Newfoundland & Labrador	2.52%
Nova Scotia	1.94%
Prince Edward Island	2.73%
Northwest Territories	2.17%
Nunavut	2.17%
Yukon	2.07%
	<i>2019 Average Increase in Plan Utilization</i>
	5.51%

The graph below displays the average annual increases in dental plan utilization over the past five years. As shown, there have been marginally lower increases each year since 2016.

### Average 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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