



# 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 2020 are consistent with the increases over the past several years. Although there has been a reduction in extended health and dental claims since March 2020 due to the COVID-19 pandemic, there is uncertainty as to how long the drastic reduction in claims will continue for and what the rebound in claims will be like once the pandemic subsides.

## Annual Survey of Cost Increases

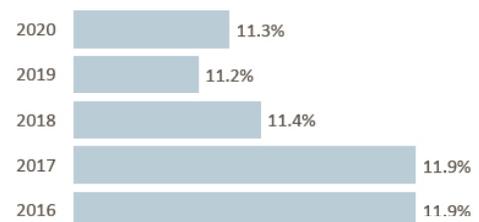
Western Compensation & Benefits Consultants conducts an annual survey of increases in extended health and dental plan costs. The 2020 survey includes the following major Canadian insurance companies:

- Canada Life
- Co-operators Life Insurance Company
- Desjardins Insurance
- Green Shield Canada
- Industrial Alliance Insurance and Financial Services Inc.
- 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 2020 and the previous four years are displayed in the graph below. As shown, the annual increase in 2020 is comparable to the increases in 2018 and 2019 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.

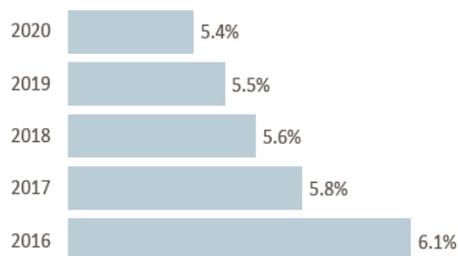
The table below shows the average 2020 increases based on increases in the provincial/territorial dental fee guides. Some insurance companies base their increases solely on the fee guide increases while other insurance companies also consider claims data. The average increase in plan utilization is noted at the bottom of the table. Taken together, the overall cost of dental is increasing by between 7% and 9% for all of the provinces and territories.

#### Current Increases in Dental Plan Costs

Province/Territory	2020 Average Increase Based on Dental Fee Guide
British Columbia	3.76%
Alberta	4.02%
Saskatchewan	2.21%
Manitoba	2.49%
Ontario	1.42%
Quebec	2.56%
New Brunswick	1.94%
Newfoundland & Labrador	2.50%
Nova Scotia	2.35%
Prince Edward Island	2.20%
Northwest Territories	2.12%
Nunavut	2.12%
Yukon	2.49%
	2020 Average Increase in Plan Utilization
	5.43%

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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