



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. Extended health and dental claims returned to normal levels following the pandemic-related dip in claims during the spring of 2020 and they continue to trend upward. Overall, the cost increases in 2021 are in line 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 2021 survey includes the following major Canadian insurance companies:

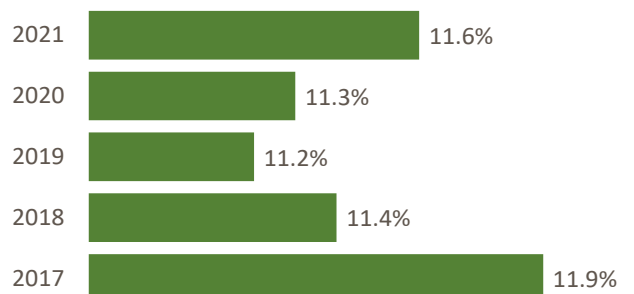
- Canada Life
- Co-operators Life Insurance Company
- Desjardins Insurance
- Equitable Life of Canada
- Green Shield Canada
- Industrial Alliance Insurance and Financial Services Inc.
- Manulife
- Pacific Blue Cross
- RBC Life Insurance Company
- SSQ Insurance (Beneva)
- Sun Life

Extended Health Benefits

Increases in extended health benefits costs are due to increases in the cost of services and supplies, especially prescription drugs, and the removal or reduction of covered services from the government sponsored plans (e.g. Medical Services Plan of B.C.). Increasing utilization of extended health benefits by covered employees and their dependents also drives costs up. An aging population and a greater awareness of health and wellness are factors that impact utilization.

The average annual increases in extended health costs for 2021 and the previous four years are displayed in the graph below. As shown, the annual increase in 2021 is slightly higher than the increases in the preceding three years.

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.

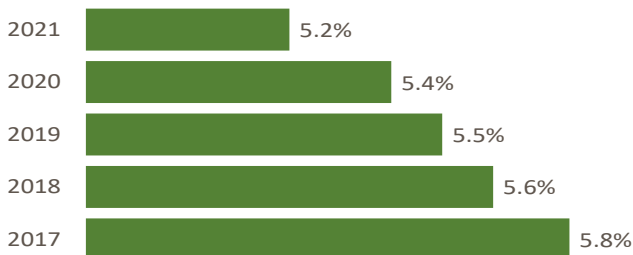
The table below shows the average 2021 increases based on increases in the provincial/territorial dental fee guides. Some insurance companies base their increases solely on the fee guide increases while other insurance companies also consider claims data. The average increase in plan utilization is noted at the bottom of the table. Taken together, the overall cost of dental is increasing by between 6% and 9% for all of the provinces and territories.

Current Increases in Dental Plan Costs

Province/Territory	2021 Average Increase Based on Dental Fee Guide
British Columbia	3.96%
Alberta	0.92%
Saskatchewan	3.16%
Manitoba	3.95%
Ontario	4.18%
Quebec	3.91%
New Brunswick	2.75%
Newfoundland & Labrador	4.28%
Nova Scotia	3.24%
Prince Edward Island	2.81%
Northwest Territories	3.07%
Nunavut	2.99%
Yukon	2.68%
	2021 Average Increase in Plan Utilization
	5.18%

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 2017.

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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