



Cost Increases for Extended Health & Dental Plans

Canadian employers will continue to experience year-over-year increases in the costs of their extended health benefit and dental plans. Overall, the cost increases in 2023 are higher than those in past years.

Annual Survey of Insurer Trend & Utilization Factors

Western Compensation & Benefits Consultants conducts an annual survey of insurers' extended health and dental trend and utilization factors. These factors reflect the insurers' anticipated increases to health and dental costs. The 2023 survey includes the following major Canadian insurance companies:

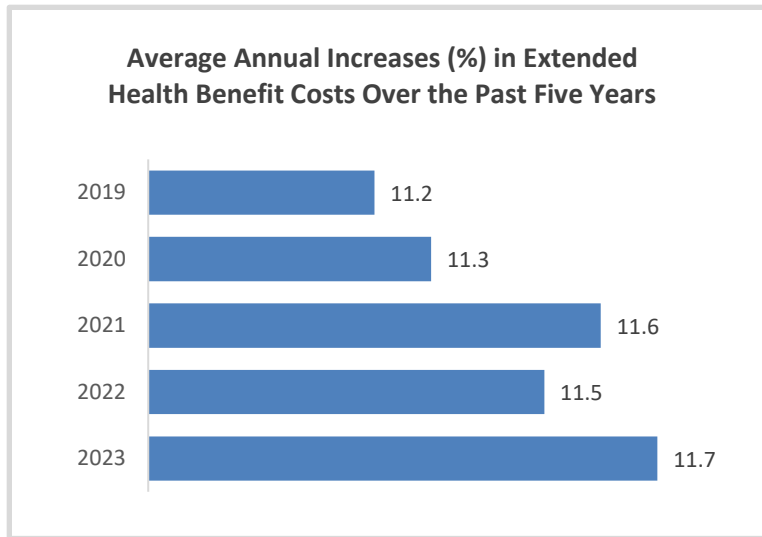
- ◆ Canada Life;
- ◆ Co-operators Life Insurance Company;
- ◆ Desjardins Insurance;
- ◆ Empire Life Insurance Company;
- ◆ Equitable Life of Canada;
- ◆ Industrial Alliance Insurance and Financial Services Inc.;
- ◆ Manulife;
- ◆ Pacific Blue Cross;
- ◆ SSQ Insurance (Beneva); and
- ◆ Sun Life.

Extended Health Benefits

Annual increases in extended health benefits costs will result from a number of factors, including:

- ◆ Impact of rising costs of drugs, services and supplies;
- ◆ Increasing utilization of extended health benefits by covered employees and their dependents, especially for paramedical services and high-cost specialty drugs;
- ◆ Increasing use of high-cost specialty drugs to treat a broader number of more common diagnoses;
- ◆ Increasing costs of providing more support for mental health;
- ◆ Removal or reduction of covered services from the government sponsored plans (e.g. Medical Services Plan of B.C.);
- ◆ An aging population; and
- ◆ A greater awareness of health and wellness.

The average insurer’s anticipated annual increases in extended health costs in 2023 and the actual increases in the previous four years are displayed in the graph below. As shown, the anticipated annual increase in 2023 is the highest. This is a reflection of the cost factors discussed above, coupled with a national high rate of inflation.



Dental

Increases in dental costs result from two main factors: 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 provincial dental fee guides contain recommended fees for various dental procedures and services. Insurers and employers use the guides as a benchmark for determining reimbursement levels for dental care. Over the past two years, dental fee guide increases have been at a historical high of between 5% to 10% across different provinces, whereas previous increases were in the range of 1% to 4%. The higher increases are attributed to two factors: the additional cost of preventative safety measures (i.e.: masks, face shields, gowns, air purifiers, etc.) adopted by dental practices since the pandemic; and the increases in the cost of supplies, labour, and overhead.

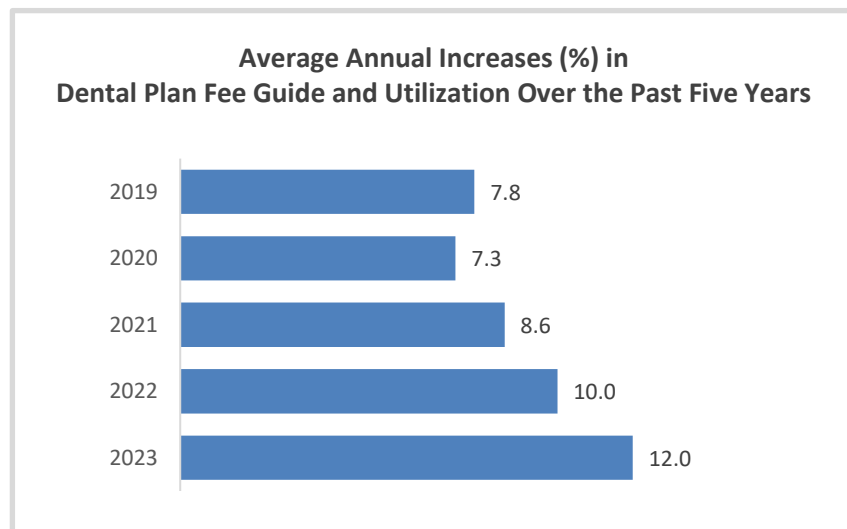
The table below shows the average increases in the provincial/territorial dental fee guides over the past three years. Some insurance companies base their increases solely on the fee guide increases, while other insurance companies also consider claims data. The average increase in plan utilization is noted at the bottom of the table. Taken together, the insurers overall anticipated dental cost increase is between 10.4% and 14.5%, depending on the province/territory.

Increases in Dental Plan Costs

Average Increase Based on Dental Fee Guide			
Province/Territory	2021	2022	2023
British Columbia	3.96%	6.36%	5.99%
Alberta	0.92%	3.96%	6.00%
Saskatchewan	3.16%	5.14%	5.62%
Manitoba	3.95%	5.28%	5.25%
Ontario	4.18%	4.37%	8.50%
Quebec	3.91%	4.70%	9.80%

Average Increase Based on Dental Fee Guide			
Province/Territory	2021	2022	2023
New Brunswick	2.75%	5.04%	5.90%
Newfoundland & Labrador	4.28%	3.73%	8.50%
Nova Scotia	3.24%	5.81%	5.92%
Prince Edward Island	2.81%	4.39%	4.88%
Northwest Territories	3.07%	3.74%	6.00%
Nunavut	2.99%	3.60%	6.00%
Yukon	2.68%	3.80%	4.00%
Average Increase in Plan Utilization			
All Provinces/Territories	5.18%	5.32%	5.53%

The graph below displays the average insurer’s actual and anticipated annual increases in dental plan costs over the past five years, including fee guide increases and utilization. As shown, the dental increases have grown significantly in the three years following the pandemic. In 2023 the anticipated increase is 12%, which is 2% higher than in the prior year and is the largest increase over the past five years.



Summary

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