



SUBJECT: Group Benefits Plan Service Provider

TO: Community and Corporate Services Committee

FROM: Human Resources Department

Report Number: HR-02-16

Wards Affected: All

File Numbers: 330-02

Date to Committee: July 11, 2016

Date to Council: July 18, 2016

Recommendation:

Retain Manulife Financial as the service provider for the Major Medical, Hospital, Dental LTD and Life Insurance plans for the July 1, 2016 to June 30, 2017 policy year.

Purpose:

Delete those statements that are n/a and then click and type here to describe your choices.

An Engaging City

- Good Governance

Background and Discussion:

Our benefits plan currently covers 1123 employees, retirees and surviving dependents. The original contract with Standard Life was issued November 1, 2003 and on January 20, 2015 Standard Life became part of Manulife. On March 1, 2016 the City of Burlington transferred its plan to the Manulife system.

Over the past nine years The City of Burlington has experienced very favourable premium renewals.

2007	-5.80%
2008	3.20%
2009	-2.40%
2010	0.50%
2011	-0.10%



2012	1.80%
2013	3.90%
2014	2.84%
2015	2.30%

There have been a number of factors that have contributed to the above results. Specifically there has been:

- 1) A number of high priced name brand drugs which have come off patent between 2009 and 2013; and
- 2) Aggressive, experience based renewal discussions each conducted by AON Hewitt, our benefits consultant, on our behalf.

Strategy/process

The five year average for premium increases has been 3.8%. For the benefit year July 1, 2016 to June 30, 2017, AON has negotiated an 8.2% increase in overall premium, which is an additional premium cost of \$484,762 annually. While recognizing this is a significantly higher than previous years, AON has recommended acceptance of the renewal. The Retention and Administration Charges were not increased for 2016.

To understand and therefore focus on the main drivers of the increase, the renewal rates are distributed as follows:

	Percentage Change	Premium Cost Increase
Life Insurance	0%	\$0
Long Term Disability	0%	\$0
Health Care	13.6%	\$450,863
Dental	2.0%	\$33,900
Total Annual Premium Differential	8.2%	\$484,762

Recognizing that the Health Care benefit is the main cost driver, a review of service areas/benefit levels was undertaken. The Health Care plan is a combination of several different types of benefit coverage such as drugs, paramedical services, and vision care. Following is a breakdown of the premium increase, by service/benefit, within the Health Care Benefit:



Drugs	\$249,778
Paramedical	\$132,554
Vision	\$31,560
Hospital	\$7,665
Other	\$29,306
Total Additional Health Care Premium	\$450,863

Drugs: While drugs represent over 50% of the health care premium increase, our drug utilization is within what would be expected for a group of our size. Within the drug plan, there are options to be considered which would assist in future premium reductions/containment.

Paramedical: Within the paramedical category several services are offered. After a review, it was determined that physiotherapy was the main cost driver. Charges to the plan for physiotherapy have increased by 45.1% since 2015. In the current plan design, physiotherapy has unlimited coverage however, a doctor's recommendation, outlining the medical need for the treatment must be submitted with the first claim. It is not uncommon to find a yearly maximum applied to this type of benefit with most employers.

Options considered

Several options are being considered for implementation in the 2017 premium year and can be found in Confidential Appendix A, attached.

Financial Matters:

Funding was included in the 2016 operating budget for employee benefits and the increased premium will be contained in the proposed 2017 budget.

Total Financial Impact

From July 2016 to June 30, 2017 \$484,762.

Source of Funding

Operating budget



Connections:

Not applicable

Public Engagement Matters:

Not applicable

Conclusion:

Staff recommends the renewal of the Manulife benefit plan and rates effective July 1, 2016.

Respectfully submitted,

Laura Boyd

Director of Human Resources

905-335-7600 ext 7631

Appendices: (if none delete section)

- a. Confidential Appendix A
- b.

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.