



SUBJECT: 2021 to 2022 group health benefits renewal

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Human Resources Department

Report Number: HR-02-22

Wards Affected: All

File Numbers: 330-02

Date to Committee: February 2, 2022

Date to Council: February 15, 2022

Recommendation:

Retain Sun Life as the provider of major medical, dental, long term disability and life insurance for the benefit year December 1, 2021 to November 30, 2022.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation

Background and Discussion:

Since 2017 Sun Life has provided the City's group health benefits which includes the following:

- Medical;
- Dental;
- Basic Life Insurance;
- Optional Life Insurance; and
- Long Term Disability (LTD).

The plan, through Sun Life covers 1235 employees including retirees, dependents, and surviving dependents. For this renewal period, life insurance premiums will conclude a

rate guarantee effective November 30, 2021 and LTD premiums are no longer capped at a 20% increase.

Strategy/process

The City, through AON Consulting, has negotiated a 9.6% overall increase to its group health benefits. The increase is a result of the following:

Benefit	Proposed Increase
Long Term Disability	58%
Basic Life insurance	10%
Medical	4.5%
Dental	5.0%

Total Impact on the overall Premium: 9.6% (\$711,528)

The following will provide an overview of the current environment and an overview of the proposed increase by benefit line.

Long Term Disability (LTD)

Through HR-04-20 Council was alerted to the potential of a significant increase in Long Term Disability benefit premiums for this upcoming period. As identified in this report, the two main reasons for this include our claims history (we have had fifteen employees go on LTD since 2017 and of these 15 claims approximately 50% are for mental health) and an insurance industry report which concluded that insurers needed to expect a substantial increase in the number of employees going on LTD and therefore recommended that all carriers needed to increase rates to accommodate this increase in volume.

Long-Term Disability is underwritten on a non-refund accounting basis which means Sun Life uses our past claims history, trends, inflation, and our demographics to set the premium. Except for our demographics, all these factors are fueling the increase. Initially Sun Life was expecting a 120% increase, however through several rounds of negotiations, the increase was reduced to 58%.

The key to reducing future LTD premiums is to ensure employees seek and receive treatment as soon as possible. During the pandemic, the City has temporarily increased its disability management complement from one position to two to manage in a pandemic environment. As we are all aware, the medical community is stretched when it comes to providing basic health care services and this unfortunately impacts our ability to source medical resources such as counselling, assessments and treatments

for our employees. If we, or the employee's physician, cannot source timely and quality specialized healthcare, the likelihood of requiring LTD increases substantially. It is a challenge.

Health care agencies and our staff are spending considerable time on COVID related activities and trying to balance in support to help staff stay off LTD. Through Organizational Solutions Inc. (OSI), the City's third party medical advisor, we have been able to source timely mental health consulting that will assess and provide counselling to our employees in a timely way. We have other resources such as the City's Employee and Family Assistance Program that we are utilizing at an increased rate.

Basic Life Insurance

Basic Life Insurance premiums are calculated in a similar manner to LTD - Sun Life uses our past claims history, trends, inflation, and our demographics to set the premium. Our demographics have decreased slightly from 47.6 to 46.8 however our volume has increased slightly (the amount of insurance they are covering). With a recent claims history and inflation Sunlife originally proposed a 23.7% increase and 10% was negotiated by AON.

Medical

Medical premiums are underwritten on a refund accounting basis which means the premium is set based on claims history plus a fee to administer. If premiums paid exceed claims, the differences can be put into a reserve account. Sun Life initially proposed a decrease to our medical premiums however, upon the advice of AON we are accepting a 4.5% increase. The reason for this is focused on COVID – employees are not accessing care in the same manner as pre-COVID. To decrease our premium would be premature at this point. Based on how premiums are calculated if we find that we have paid more premiums than claims this amount can be put into reserves to offset future increase or paid out directly to the City and put into the Benefits Reserve fund.

Dental

Dental premiums are underwritten in the same manner as Medical premiums. Sun Life had initially proposed a 12% increase based on our experience however, through negotiation this increase has been reduced to 5%.

Financial Matters:

Not applicable

Total Financial Impact

The total financial impact over a twelve-month period is \$711,528

Source of Funding

Funds have been budgeted in the 2022 operating budget.

Other Resource Impacts

Not applicable

Conclusion:

It is recommended that the overall increase of 9.6% increase to group benefit premiums be approved and implemented effective December 1, 2021.

Respectfully submitted,

Laura Boyd

Executive Director of Human Resources

Ext. 7631

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.