



MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 06-23

TO: Chair and Members of the Board of Health

FROM: Emily Williams, Chief Executive Officer

DATE: 2023 January 19

CANADA LIFE BENEFITS – RENEWAL RATES

Recommendation

It is recommended that the Board of Health approve the renewal of the group insurance rates administered by Canada Life as described in Report No. 06-23 re: “Canada Life Benefits – Renewal Rates”.

Key Points

- Group benefits at the MLHU are administered by Canada Life as established in an annual contract from January to December. Coverage was extended to January 31, 2023 to allow time to present to the Board of Health for approval of a renewal.
- Staff reviewed contract details with AON Hewitt on December 5, 2022.
- The benefits are administered under two separate policies:
 1. The first policy covers Life, accidental death and dismemberment (AD&D), and long-term disability (LTD) which is premium based.
 2. The second policy covers extended health care (health, drug, vision) and dental which is ASO (administrative services only) based.
- The overall change to the annual premium is an increase of 7.2% or \$116,200 annually. For comparison, 2022 was a 7.3% increase which amounted to \$101,685.

Background

Since 2013, the Middlesex London Health Unit (MLHU) has been insured by Canada Life, formerly Great West Life, to provide benefits to staff. The MLHU has partnered with AON Hewitt (Aon), a consulting firm, to assist with negotiations with benefit providers. Premium rates were guaranteed and remained constant from 2019 to 2021 but are subject to review/increases beginning 2022 and thereafter. The proposed rates for 2023 are now on par with what was charged during 2018. (*Life is +3.1% higher; AD&D is 0.0%; LTD is -2.2% lower than 2018 rates*).

Proposed Rate Summary

The following table is a summary to illustrate the annual increase of 7.2% or \$116,200. (*current total \$1,612,200 to negotiated total \$1,728,400 = \$116,200 increase or 7.2%*).

Please note that Canada Life’s proposal was an increase to \$1,818,500 or 12.8%. Aon successfully negotiated a lesser increase from \$1,818,500 to \$1,728,400.

Benefit	Current	Canada Life's Proposition	% Change	Aon Negotiated Position	% Change
Basic Life Insurance	\$129,500	\$148,700	14.8%	\$144,900	11.9%
Basic Accidental Death & Dismemberment	\$13,900	\$14,900	7.2%	\$13,900	0.0%
Long-Term Disability	\$147,900	\$159,600	7.9%	\$154,400	4.4%
GMA/Virtual Health Care	\$5,800	\$6,200	6.9%	\$6,200	6.9%
Extended Health Care (Budgeted Rates)	\$836,400	\$924,200	10.5%	\$853,200	2.0%
Dental Care (Budgeted Rates)	\$478,700	\$564,900	18.0%	\$555,800	16.1%
Total (excluding Sales Tax)	\$1,612,200	\$1,818,500	12.8%	\$1,728,400	7.2%

Analysis:

Life (premium based): The proposed increase is driven by the difference in the MLHU's current billed rate vs Canada Life's manual rate. The manual rate is 12.8% higher than the current billed rate.

- 2018 rate \$0.255;
- 2022 rate \$0.235;
- Proposed 2023 rate \$0.263 (+3.1% higher from the 2018 rate)

AD&D (premium based): The rate is based on the carrier's manual rate and therefore negotiated no increase. The current rate is \$0.030/\$1000 per month which is competitive. Rates are typically between \$0.03 to \$0.05.

Long-Term Disability (premium based): The proposed increase is again driven by the difference in the MLHU's current billed rate vs Canada Life's manual rate. The manual rate is 24.2% higher than the current billed rate.

- 2018 rate \$2.890
- 2022 rate \$2.706
- Proposed 2023 rate \$2.825 (-2.2% lower than the 2018 rate).

With Life and Long-Term Disability rates less than the carrier's manual rates, the MLHU should expect Canada Life to continue to increase rates for 2024.

Health Care (ASO based): Canada Life reviewed 12 months of experience and suggested a combined 10.5% increase. Aon reviewed 24 months of experience and proposed a combined 2.0% increase. These increases are only estimates, as the Health Unit pays all claims.

Dental Care (ASO based): Canada Life reviewed 12 months of experience and suggested an 18.0% increase. Aon reviewed 24 months of experience and proposed a 16.1% increase. These increases are also only estimates, as the Health Unit pays all claims.

ASO Based:

ASO Expenses or Administrative Services Only: Calculated on deposit rates that are set based on claims activity for the previous 12 months, expected claims for the following year and the administrative fees incurred under the plan. The following table summarizes charges related to the administration.

ASO Fees	Current	Canada Life's Proposition	% Change	Aon Negotiated Position	% Change
General Administration	\$35,900	\$44,100	22.8%	\$43,000	19.8%
Claims Administration	\$31,300	\$44,800	43.1%	\$38,400	22.7%
Risk	\$2,100	\$2,300	9.5%	\$2,300	9.5%
Profit	\$18,700	\$18,700	0.0%	\$18,700	0.0%
Pooling charge	\$106,400	\$106,400	0.0%	\$106,400	0.0%
ASO Total (excluding Sales Tax)	\$194,400	\$216,300	11.3%	\$208,800	7.4%

The fees related to administering benefits will increase from \$194,400 to \$208,800 and are included in the budgeted rates.

Conclusion

The Health Unit's contract with Canada Life to provide group insurance has been extended to January 31, 2023. Renewal for the remaining of 2023 is awaiting Board approval. Based on the number of employees and benefits selected, the premium increase for 2023 is estimated to be \$116,200.

This report was prepared by Finance Team, Healthy Organization Division.

A handwritten signature in black ink that reads "E. Williams". The signature is written in a cursive, flowing style.

Emily Williams, BScN, RN, MBA, CHE
Chief Executive Officer