



Municipality of North Grenville

Report No.
FIN-009-2018

File No.
C7-FIN

Agenda Date:	July 3rd, 2018 – Committee of the Whole
Subject:	2018 Group Health Insurance Renewal
Attachments:	Appendix 1: 2018 Great West Life Group Policy Renewal

RECOMMENDATION

The following recommendation is provided for Committee of the Whole’s consideration:

That Committee of the Whole recommend to Council that the 2018 Municipal group health insurance renewal with Great West Life Assurance be authorized for a period of one year.

BACKGROUND

The Municipality of North Grenville provides a comprehensive benefit package to full-time Municipal employees. The renewal date for group insurance was July 1, 2018.

ANALYSIS

Staff met with representatives of Great West Life on May 30th to discuss the renewal of the Municipal group insurance plan for full-time Municipal employees.

The benefit program is comprised of two very distinct segments:

1. Pooled Benefits such as Life Insurance, Dependent Life, AD&D and Long-Term Disability

The rates for these benefits are determined by industry and demographics of the group such as age and the male/female ratio.

These benefits, due to the very nature of their risk profile, are pooled with the entire block of Great West Life business and as a result, should a claim arise for these benefits, the effect on any renewal rate adjustment would be minimal. The pool charges are reviewed annually and as a result of this review, the pool charges are to be increased slightly to 20.67% from 17.85% in 2017. The pool charges are included in the health and drug rates.

2. Experience-Rated Benefits such as Healthcare, Drugs & Dental Care

These rates are calculated taking into account the utilization of each benefit. For the most part, utilization for the 2017 policy year was in line with historical trends.

While the actuaries’ financial model would indicate the need to increase and/or decrease various rates by class of benefit, the final negotiated renewal rate has been established at 0% from 2017, which also includes the pool charges identified above.

ALTERNATIVES

- 1. Cancel the health insurance plan. This alternative is not recommended as health insurance has been offered to employees of the Municipality since its inception.

FINANCIAL/STAFFING IMPLICATIONS

This item has been identified in the current budget: Yes **X** No N/A

This item is within the budgeted amount: Yes **X** No N/A

There are no financial implications with this renewal due to the 0% increase.

Staffing implications, as they relate to implementing Council’s decision on this matter, are limited to the existing staff complement and applicable administrative policies as approved by Council.

LINK TO COMMUNITY STRATEGIC PLAN

The North Grenville Community Strategic Plan does not speak to this issue.

Prepared and submitted by:

**Recommendation submitted for
Committee of the Whole
consideration by:**

Original signed _____
Judy Carroll
Treasurer

Original signed _____
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May 10, 2018

Mr. Craig Molson
Select Wealth Management Ltd.
9 Broad Street, Suite 306
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Re: Corporation of the Municipality of North Grenville
Group Policy #161602

Dear Craig,

We have recently completed our review of the financial results for the above benefit program which is approaching its renewal with Great-West Life on July 1, 2018.

We have enclosed complete financial results for the current period.

Following are our comments by line of benefit.

I Life Insurance, Dependent Life, AD&D, and LTD

Premium rates for the pooled benefits are driven by the census composition of the employee group and distribution of coverage amounts.

Based on current demographics, the following rate adjustments are warranted:

- Employee Life Ren'l Rate is \$0.42 Represents a 2.4% increase
- Dep Life Ren'l Rate is \$4.15 Represents a 2.5% increase
- AD&D Ren'l Rate is \$0.05 No change
- LTD Ren'l Rate is \$4.28 Represents a 3.6% increase

On Life, we have not paid any death claims but do continue to hold Life Waiver reserves on behalf of 1 claimant. A demographic summary and detailed claim listings are included with the renewal material.

On LTD there is currently one active claimant. The Disabled Life Reserve is \$73,660.

A demographic summary LTD Reserve listing are included with the renewal package.

II Contact

This rate will remain unchanged for the July 2018 renewal at \$3.95.

III Short-Term Disability

The incurred loss ratio ending Feb 28, 2018 is running at 84.81%, slightly above our breakeven of 83.5%. Due to the volatility of the claims activity seen on this benefit, our analysis is based on the past 44 months of experience.

In setting the July 2018 renewal rate, the following factors have been taken into consideration:

- Credibility to the experience is limited to 58.65%
- The remaining credibility has gone to the manual rate of \$0.50

The result is an increase of 14.98%.

IV Pooling

The current pooling provision allows us to pool claims paid in excess of \$10,000 per individual with OOC claims pooled at 1st dollar.

- Between July 1, 2017 and Feb 28, 2018 (8 mos) we pooled \$252 in claims.
- Between July 1, 2016 and June 30, 2017 we pooled \$11,255 in claims.

Our pool charges are reviewed annually and as a result of this review, the pool charge will be increasing slightly to 20.67%. The pool charge is included in the health and drug rates.

V Health

The current year loss ratio for Health is performing at a loss ratio of 40.33% in the current 8 month period and at 163.95% in the prior 12 month period. After accounting for experience and applying the trend factor and pooling, a 6.6% rate increase is indicated for Health.

VI Drugs

The Drug benefit is running at a 75.6% loss ratio in the current 8 month period and 74.12% in the prior 12 month period. A 3.5% increase in Drug premium is indicated.

VII Vision

The Vision benefit is running at a 103.31% loss ratio in the current 8 month period and 82.88% loss ratio in the prior 12 month period. A 24.14% increase is indicated to the Vision premium.

VIII Dental

The Dental benefit is running at loss ratio of 68.33% in the current 8 month period and 80.81% in the prior 12 month period. After accounting for the trend factor and experience, a (4.66)% premium decrease is indicated.

Refund Retentions

There is no change indicated to the current refund retention charges for the upcoming period.

Summary:

Effective July 1, 2018 an overall premium increase of 2.3% is indicated.

Important changes about your plan

Great-West Life is making important drug coverage contract wording changes designed to manage rising insurance premiums without compromising the value of coverage you offer to your employees. This new standard contract wording is included with your renewal.

Why change is needed

We're in an era of high-cost specialty medication drug development. Beyond the development of new drugs, additional indications or uses are being approved for existing high-cost drugs. They're not exclusive to treatment of rare diseases or small pockets of the population; they're also being used to treat common conditions that affect a high percentage of the population.

What's changing

Sustainable, Managed, and Reasonable Treatment (SMART)

We're introducing new standard contract wording that's designed to meet customers' needs in the current and future drug landscape. This is our SMART drug plan. SMART is the foundation of decisions we'll make around drugs. It's planning for the future and having the ability to quickly react to both anticipated and unanticipated changes.

Our new SMART drug plan lets us target drugs that have high dollar impact and allows us to:

- Introduce our **SMART assessment**, which applies a review period to determine if a drug, or new indication on an existing drug, should be excluded from coverage
- Enhance our **SMART claims management** practices by strengthening our prior authorization program

What's included in this package

Materials in this package include a contract amendment with new standard wording for your records, and a modified booklet page you may want to share with your plan members.

We look forward to reviewing this with you at your earliest convenience. If you have any questions please do not hesitate to contact me.

Sincerely,



Adam Skube

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