



**Employee Service Centre
Employee Services/TASS**

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June 29, 2021

Mr. Derek Hanson
President, CEMA
P.O. Box 47100
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Edmonton, Alberta
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Dear Derek:

RE: 2020 Underwriting Results for the Employee Benefit Plans

The Employee Service Centre has completed its annual financial review of the Supplementary Health Care, Dental, Group Life Insurance and Dependent Life Insurance Plans.

Underwriting Results

The annual experience for 2020 was mixed. Supplemental health and Group Life Insurance experienced negative annual results as expenses exceeded income. The dental and dependent life insurance plans experienced positive annual results as income exceeded expenses. All the plans though will see a premium increase.

The premium changes will be reflected on employees' **July 13, 2021** pay advice. At the same time, changes will also be made to the premiums paid by the City. Premium information by Plan is provided below.

Supplementary Health Care

The 2020 annual experience was not favorable in that expenses exceeded income by \$49,082. The year ended with a fully funded Claims Fluctuation Reserve (CFR) and a small year-end fund balance \$69,700.

Overall, the 2020 supplemental health cost increased by almost 17.90% over the 2019 costs. The primary reason for the increase was the enhancements added to management benefits which increased costs by 36.12% or \$254,500. Enhancements included moving coverage to 80% of the cost of a service such as psychologist services (\$88,700) and eye exams (\$11,000), adding massage therapy (\$177,300) and increasing hearing aid coverage to \$2,500 from \$1,000 (\$22,000). Offsetting the increases were decreases in the cost of services like physiotherapy (-\$21,500) and chiropractic services (-\$12,300) primarily due to COVID restrictions and office closures.

A second reason for the increased costs was an increase in prescription drug costs of 11.0% or \$186,600. One of the contributing factors of increased prescription drug costs is the increased expenses for high cost specialty drugs, most often biologic drugs. Two of the most highly used specialty drugs within Management are Remicade and Stelara, anti-inflammatory medication used to treat rheumatoid Arthritis, Crohn's and colitis. The cost of these two drugs made up almost 17% of the total drug costs but 0.46% of the total usage.

Industry anticipated increases in 2021 for extended health benefits are almost 9% and prescription drugs are almost 10%. The Plan is anticipated to incur a negative annual result in 2021. To maintain a

financially viable year-end fund balance and offset the anticipated 2021 health benefit costs a premium increase will be required.

Effective **June 20, 2021**, the bi-weekly rates will be as follows:

	Current			Premium Increase June 20, 2021		
	Employee (30%)	Employer (70%)	Total (100%)	Employee (30%)	Employer (70%)	Total (100%)
Single	\$12.76	\$29.79	\$42.55	\$14.67	\$34.26	\$48.93
Family	\$25.51	\$59.53	\$85.04	\$29.34	\$68.46	\$97.80

Dental

The Plan's 2020 annual experience was favorable in that income exceeded expenses by \$185,466. The CFR was fully funded and the dental fund ended the year with a surplus of \$609,130.

Overall, dental costs experienced a \$300,900 or 12.16% decrease over 2019 costs. This decrease can be primarily attributable to the COVID restrictions and dental office closures in 2020. Offsetting the decreases somewhat was an increase in orthodontic costs (\$54,400 or 34.42%) primarily due to the enhanced coverage in 2020.

Industry is anticipating an increase of approximately 20% to dental expenses in 2021. As Cema's dental costs are anticipated to increase in 2021, a premium rate increase is required to keep the CFR fully funded and the plan financially viable.

Effective **June 20, 2021**, the bi-weekly rates will be as follows:

	Current			Premium Increase June 20, 2021		
	Employee (35%)	Employer (65%)	Total (100%)	Employee (35%)	Employer (65%)	Total (100%)
Single	\$9.43	\$17.53	\$26.96	\$10.09	\$18.76	\$28.85
Family	\$23.58	\$43.79	\$67.36	\$25.23	\$46.85	\$72.08

Group Life

The 2020 experience under the Plan was not favorable as expenses exceeded income by \$387,455. The fund balance at the end of the year was in a deficit position of (\$60,199). Over the past five years, the Plan has experienced an average of one death per year at approximately \$250,000 per claim. In 2020, the Plan experienced two deaths at \$250,000 each.

The dollar magnitude of potential death claims is always a concern for a plan of relatively small size such as the Management Group Life Insurance Plan. With a deficit year end fund balance, a premium rate increase will be required.

Effective **June 20, 2021**, the bi-weekly rates will be as follows:

Current		Premium Increase June 20, 2021	
Employee (50%)	Employer (50%)	Employee (50%)	Employer (50%)
\$0.010	\$0.010	\$0.020	\$0.020

Dependent Life

The Plan’s 2020 annual experience was favorable as income exceeded expenses by \$20,723. Although the annual experience was favorable, the Plan is still funding a deficit from 2019. The 2020 year-end fund balance is in a deficit position of \$17,311.

The average annual number of death claims over the past ten years is approximately two with an average total claim payout of approximately \$12,500. There were no dependent deaths in 2020.

Based on the past experience and the deficit year end fund balance, the current premium rate will increase.

Effective **June 20, 2021**, the bi-weekly rates will be as follows:

Current	Premium Increase June 20, 2021
Employee	Employee
\$1.00	\$1.25

Communication of Changes in the Premium Rate

The Employee Service Centre will communicate the premium changes to employees on **onacity**, the Benefits Changes page and the CEMA home page. Derek, please call me at 496-7858 if you wish to discuss the results of the financial review.

Yours truly,

Lorraine Wohland
Senior Benefits Planner

c: Kent Sorochuk