Consulting

2019 Canadian Healthcare Trend Survey results

BUCK

About Buck

Buck is an integrated HR and benefits consulting, administration, and technology services provider. Headquartered in New York City, with global operations, Buck is focused on helping its clients realize the best organizational performance for their business while driving positive health, wealth, and career outcomes for their people. Driven by best-in-class technology and leading analytics capabilities, our consulting solutions and easy-to-use administration platforms are helping the world's most forward-thinking companies re-envision and re-design the way that employees work and live.

Changing population, new technology point to upward cost trends

Executive summary

Our 2019 Healthcare Trend Survey follows on the heels of last year's controversy over how the private market cost drivers affect premiums. While insurance providers quite properly look at claims experience over the prior year (as well as a number of other factors we describe in this report), they also add a "market inflation" factor – and that factor takes the projected renewal premium from say 5% to 12%.

It's important to understand that, based on claims experience alone, in a properly rated health plan, most plan sponsors would see about 3% - 5% change, year over year, in premiums, reflecting their own trend. It's the additional "market inflation" factor that keeps premiums increasing.

In this report, we look not only at the cost trends, but at the ways plans can – and likely should – evolve.

- A generally younger employee population hints at making plans more "stage appropriate" as their needs may differ from traditional healthcare.
- Developments in diagnostic technology can lead to earlier detection of health conditions (and perhaps to lower plan costs overall, especially if the cost of absence is considered), but covering the cost of new technology may actually drive plan costs up.
- The advent of a National Pharmacare program should mean a consistent drug formulary and give the government a boost in bargaining power with drug makers, while the termination of the OHIP Plus plan will increase cost pressures on employer plans in Ontario.
- New genetic testing may encourage more individuals to take genetic pre-screening tests when appropriate, which will in turn create better health outcomes.
- Wellbeing plans can provide necessary support services, leading to healthier outcomes and lower plan cost trends.

Those are some of the plan considerations sponsors should be aware of – and are discussed in more detail in this report.

The overall numbers

With that in mind, our 2019 Survey demonstrates that drug, health, and dental cost trend factors have remained relatively consistent over the last several years.

Overall trend dipped slightly from 2018.

Following last year's slight increase in inflation factors for all of components of healthcare, this year the overall healthcare trend showed a slight decrease. Looking at all of the healthcare components on a blended basis, insurers are using an average trend factor **11.43%**, down slightly from 11.92% last year.

Prescription drugs trend dropped.

With prescription drug costs representing the majority of private payer health spend, they have the greatest influence on employer benefit cost trends. Insurers' inflation factors for prescription drugs demonstrate a decrease from 12.45% in 2018 to **10.99%** for 2019.

Hospital inflation, however, exploded.

Hospital inflation factors were consistently reducing from 2015 to 2018. This trend reversed in 2019 with the insurer trend increasing from 2.60% in 2018 to **10.03%**.

Dental utilization crept up.

Expected utilization trend of dental services has increased slightly over the past two years to **5.86%** in 2019.

Dental cost (composite fee) also edged up.

Dental cost inflation varies across the country as each province publishes its own fee guide. Our composite fee guide factor shows a slight increase in the fee guide factor over the last year to a rate of 3.13% in 2019. With the rate of utilization and dental fee guide inflation both increasing slightly, there was a slight increase in total dental trend, from 8.00% in 2018 to **8.99%** in 2019.

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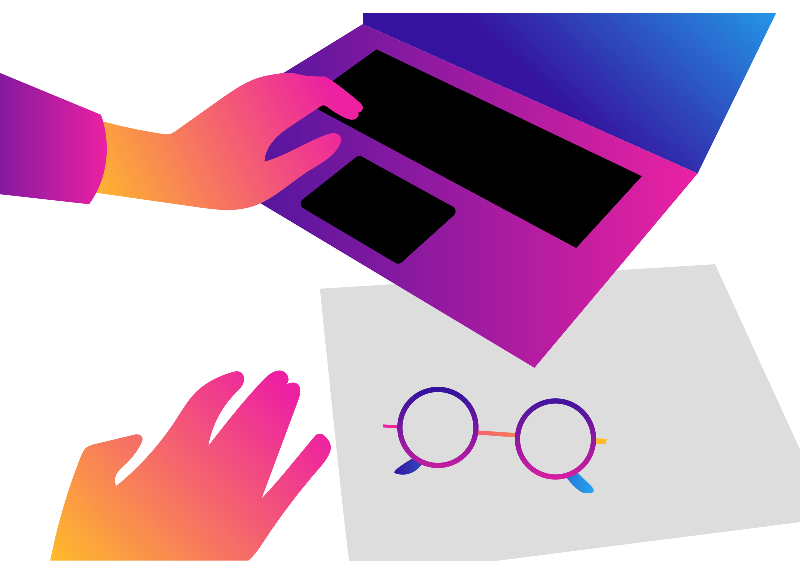
Canadian Healthcare Trend Survey

Methodology

As we do every year, we asked the major Canadian group insurance carriers to provide the annual inflation factors they are using to project health and dental claim costs for the upcoming year in the pricing of their premium rates. We then compared these factors to those provided in our previous surveys in order to get a sense of the long-term healthcare pricing trends for group insurance plans.

The insurers provided us with inflation factors for each type of coverage: prescription drugs, medical, hospital, and dental care. The factors account for the insurers' expected increases in claims resulting from the following:

- Cost inflation
- Increases in utilization of services
- New services and products entering the market
- Legislative changes
- Changes in the mix of services
- Shifting costs from the public to the private sector



Plan considerations

Flexibility

Plan members are looking for flexibility and customization. Studies indicate that flexibility is important to millennials – but all generations are looking for "stage appropriate" benefits.

Now that millennials have overtaken the baby boomers as the largest cohort in the workplace, benefit plans need to evolve to reflect their needs. This generation is delaying parenthood, so they do not have the same needs for coverage to protect their families as in the past. However, their needs will also change as they age. If benefit plans are to remain a tool for attraction and retention as the labour market shrinks, plans will need to evolve to address the need, or perceived need, of the new generation of employees while still providing for the needs of other employees.

Plans can provide flexibility to their employees in a number of ways. A flex plan or a Health Spending Account allows employees to cover the benefits that they care about. In addition, companies could consider adding online wellbeing programs that help employees deal with health, financial, and even legal concerns that they might have that otherwise would require time off work to deal with.

Technology

Technology can be used as a tool for engagement, cost containment, and to improve health outcomes. It can also improve communication, facilitate consumerism, and improve treatment adherence.

Technology is advancing at a rapid pace and changing our daily lives. On the health side, technology means not only new drugs, but new ways to administer and monitor treatment and increase engagement with targeted communications.

Previously invasive testing can be done with cameras that are swallowed like pills. Pill bottles can be monitored to ensure compliance and caregivers can be automatically updated when the routine is disrupted. Continuous glucose monitors can keep caregivers informed of the blood sugar of a family member or patient 24/7.

Genome mapping can help determine the best course of treatment for certain cancers, some mental illnesses, and even high cholesterol.

How this will impact plans is currently unclear. Early detection of illness and improved treatment plan compliance should reduce overall benefit plan costs when we factor in the cost of employee absence. However, the enhancements technology can provide are not free. We may see some Health plans expanding to cover the cost where better outcomes are a benefit to the plan. We may spend more time reviewing the cost of absenteeism and presenteeism for data to validate the use of new technology. We believe there will be future engagement and productivity benefits from technology that will help to offset the cost.

National Pharmacare on the horizon

The Advisory Council on the Implementation of National Pharmacare (Advisory Council) has released the final report commissioned by the federal government in Budget 2019. As detailed in the Budget and the subsequent final report, a National Pharmacare program includes the following:

1. Creation of the Canada Drug Agency (CDA):
This new national agency will assess the effectiveness of new drugs, serve as a single negotiator for drug prices, and identify, in connection with provincial and territorial partners and other stakeholders, drugs for inclusion in the pharmacare formulary.

2. Development of a National Drug Formulary (Formulary):
The CDA's work will include the creation of a comprehensive, evidence-based list of prescribed drugs and provide the basis for a consistent approach to formulary listing and patient access nationwide. The program will focus on "essential drugs" and will be developed over the next seven years.

3. Creation of a National Strategy for High-Cost Drugs and Rare Diseases (Strategy):
Developed in cooperation with provincial and territorial governments and other stakeholders, the Strategy will gather and evaluate evidence on high-cost drugs for rare diseases, improve the consistency of decision-making and access, and negotiate prices with drug manufacturers. The strategy on high-cost drugs and rare diseases will take effect in 2022.

4. Extensive modern administration systems:
In order to deliver the program effectively, the report acknowledges the need for a system of administration that does not currently exist.

Thoughts and questions

Canada is currently home to a hodgepodge of federal and provincial pharmacare programs. The replacement of the current patchwork of programs, which provide what Budget 2019 acknowledges as "inadequate and inconsistent coverage," will be welcomed by most Canadians. In order for the CDA to operate effectively, all provinces and territories must participate. A single negotiating entity will have greater bargaining power, and a single formulary will be of greatest benefit to all Canadians. As detailed in the Advisory Council's final report, each province and territory will decide whether to participate or not. Less than 100% participation will weaken the bargaining power of the CDA, particularly if the provinces with the largest populations opt out of the plan.

The Advisory Council's final report did not provide information on a number of important issues, including:

- Details on how the plan will be funded, beyond vague wording indicating it should be funded through general tax revenues
- Any coverage restrictions (deductibles, annual/lifetime maximums, income cut-offs, etc.)
- The interaction of the national program with existing employer/private programs, although it did indicate that Canadians should continue to have access to private plans to supplement the Pharmacare coverage.

There will be a federal election in 2019 and not all parties are committed to the idea of National Pharmacare. Further, we anticipate many changes to this plan before it is implemented, in event the current government is re-elected. We believe the high-cost and rare disease program is an important step for the Canadian health plan. It is crucial to both the patients and their employers as it will improve health outcomes and help to mitigate risk and cost.

OHIP Plus

In Ontario, the Liberal government extended the provincial drug plan to residents under age 26 effective January 1, 2018. This program is called OHIP Plus. A subsequent election resulted in a replacement of the government and the new Conservative ruling party has denied OHIP Plus coverage to anyone with private insurance coverage of any form. While the claims for people under 26, largely dependent children tend to be a small portion of the drug claims, the termination of OHIP Plus will have an unanticipated impact on the drug trend factors for 2019.

Genetics

According to the 2017 Sanofi Canada Healthcare Survey, two out of three plan members would be interested in pharmacogenomics testing. Pharmacogenomics (or pharmacogenetics) refers to the study of how a group of genes (or one gene alone) can influence responses to certain drugs.

While a pharmacogenomic test comes at a cost, it can reduce drug plan waste and shorten duration of disability. It enables doctors to pick among a variety of different treatment options based on a patient's genes rather than through trial and error that could take months of ineffective treatments, driving up drug costs.

When the topic of genetic testing is discussed, some people believe the general public doesn't have the capability of dealing with the genetic information they could receive, although this is not a serious concern with pharmacogenomics as the information is limited to the effectiveness of drugs and does not deal with health risk factors. Others raise concerns that the results of a genetic test could lead to negative implications with insurance and employment.

In response to this concern, the Genetic Non-Discrimination Act became law in May, 2017. This is an important piece of legislation that protects Canadians from discrimination on the basis of genetics in the purchasing of insurance or in seeking employment. This legislation positions us as a society to protect vulnerable people from discrimination while harnessing the power of technology with the potential to change health outcomes.

It bars providers from requiring individuals to undergo a genetic test or disclose the results of a genetic test as a condition of providing goods or services, or entering into a contract. So those with test results showing a genetic predisposition to a disease are protected from the threat of higher insurance rates. Hopefully, this will encourage more individuals to take genetic pre-screening tests when appropriate which will in turn create better health outcomes.

The legislation makes certain step therapies more difficult to manage – an insurance company cannot require a plan member to take a genetic test before paying for an expensive drug, but the insurance company can educate the plan member and suggest that they speak with their doctor to ensure the best possible outcome.

Cannabis legalization

As of October 17, 2018, cannabis became legal in Canada. Many employers have questioned how this will impact their drug plans. A recent Conference Board of Canada survey reported that 52% of employers were worried about the impact of legalization. While there is a definite impact to employers (we recommend reviewing and possibly updating Health and Safety, Disability and Accommodation, and/or Drug and Alcohol policies), there is very limited impact to drug plans in the near future.

Cannabis is now effectively an over-the-counter drug, which insurers do not typically cover. Unlike situations such as Reactine, where certain strengths are available over the counter and others require a prescription, Canada has deemed all cannabis equally available without the recommendation of a physician. Only plans that intentionally cover cannabis, or cover drugs that have been prescribed by a physician (rather than drugs that require a prescription), would have marijuana claims approved.

Cannabis will be a topic of interest as the Canadian market shifts and additional health information is collected. According to the 2018 Sanofi Healthcare Survey, 64% of plan members agree that medical marijuana should be covered by the workplace benefit plan. In the future, as evidence of improved medical treatment resulting from cannabis accumulates, costs stabilize, and active ingredients are shown to be consistent, insurers may be more inclined to cover marijuana. The ultimate impact on Health trends will not be known until we have more details regarding how prices will be set and the anticipated utilization.

Some insurers have added or are adding coverage to insured plans for a limited number of conditions, including MS spasticity, chemo-induced nausea, and HIV neuropathy.

According to Medical Marijuana Facts and Stats Canada – Statista, the average authorized amount of medical cannabis in the quarter of April to June 2017 was 2.3 grams per day. At an estimated cost of $8.18/gram this amounts to approximately $7,000 per year.

Parental leave

Effective March 18, 2019, new parents in provinces other than Quebec have an additional 5 (or 8) weeks of parental leave benefits available to them from Employment Insurance. The measure, which was announced in the 2018 federal budget, applies when parents (including adoptive and same-sex parents) agree to share parental benefits. Originally, 35 weeks of paid leave was available to new parents to split between themselves in whichever way they saw fit. This new option will give them 40 weeks of paid leave, as long as the second parent uses at least 5 weeks of it. For those who elect the extended parental leave (61 weeks rather than 35 weeks), 69 weeks will be available, as long as the second parent uses at least 8 weeks.

These additional weeks are intended to promote greater gender equality, Employment and Social Development Canada said in a news release last fall. This move is intended to shift the “disproportionate” responsibility of child care away from primarily women, and to make sure that new mothers have the option to return to work sooner if they so choose.

Quebec, which introduced an additional five weeks of non-transferrable parental leave for fathers in 2006, saw a huge increase in the proportion of men who took leave (or intended to) afterward — from 27.8 per cent in 2005 to 85.8 per cent in 2015, according to Statistics Canada.

Employment Insurance (EI) pays parental leave benefits of 55% of earnings up to $562/week or 33% to $337/week for extended plan. These benefits are not retroactive. Babies must be born on or after March 18, 2019 in order for the parents to be eligible for the additional weeks of parental leave.

Mitigation of trend / educating employees

Some claims patterns can be changed through better consumer behavior. This can be encouraged by sharing the claim costs through co-payments, plan design that promotes the use of lowest cost alternatives, step therapy, and preferred providers, and of course targeted communication educating employees around mitigating costs and shopping smart.

Behaviour change is difficult to achieve, however, it can be impactful.

Our framework for future cost management proposes an employer-employee relationship based on the concept that employers can create a workforce of informed, engaged consumers. These consumers will make better decisions to further modify their claims patterns, reflecting positive outcomes through behaviour changes in other aspects of their lives and that will reduce the trend line in the future.

In addition to educating employees on how to be better consumers, we can also educate employees on how to be better patients. Whether it is teaching them about the advantages of genetic testing for certain conditions (and their legal protection from discrimination based on their test results) or giving them more information on chronic conditions that they may have or develop in the future, helping employees stay healthy is in everyone’s best interest.

Diabetes is just one of many chronic conditions that can be better managed or even avoided with some education and lifestyle change support. Diabetes is the number two therapeutic drug class representing 8.1% or 9.6% of overall Canadian drug spends according to 2018 reports from TELUS and Express Scripts Canada respectively. Approximately 90% of diabetes cases are type 2 diabetes and many of these cases can be influenced by controllable lifestyle factors like exercise and healthy eating. Sharing information with employees on the prevalence and dangers of diabetes and other avoidable and controllable chronic conditions can only help to maintain a healthier workforce and reduce drug costs.

Buck can work with your insurance provider to prepare general education materials for your employees and managers that can help to control or avoid certain chronic diseases. In addition, in some circumstances, your insurance provider may also be able to send targeted communications directly to employees with more expensive or modifiable conditions, offering alternate therapy options, all while maintaining an appropriate level of employee privacy.

Wellbeing

As detailed in the results of Buck's Working Well – A Global Survey of Workplace Wellbeing Strategies 2018, a concern for employee wellbeing has replaced concerns for wellness. Wellbeing includes physical, mental, and financial health. But the impact of wellbeing programs on benefit cost is not widely measured globally, with only 50% of employers indicating that a return on investment is measured. The top four Canadian wellbeing outcomes identified by participating employers are:

- Improving performance/productivity
- Reducing healthcare costs
- Maintaining work ability
- Reducing employee absences

These outcomes can all be quantified to some degree, however Canadian employers do not typically leverage risk assessments or even their plan cost data to tailor wellbeing initiatives to their employee population with the intention of addressing modifiable health risk factors or improving treatment compliance for better outcomes.

The respondents to our Working Well survey identified stress as the top challenge in Canada – especially financial stress. Stress was one of the top challenges for employers globally. We note that stress increases the cost of absenteeism and presenteeism and impacts mental health. In fact, disability studies show mental health issues are a leading cause of absence and disability claims. Employers and insurers are expanding benefit coverage to address mental health including increases in the benefit maximum for psychologists and social workers and coverage for online treatment options. As utilization of these services increases, Health benefit costs and trend will follow.

We recommend a holistic approach to wellbeing through not only plan design but supportive tools that can assist employees in mitigating and managing challenges when they arise. Early intervention in all health challenges is key to improving outcomes and minimizing plan costs.

Trend Survey results

Healthcare

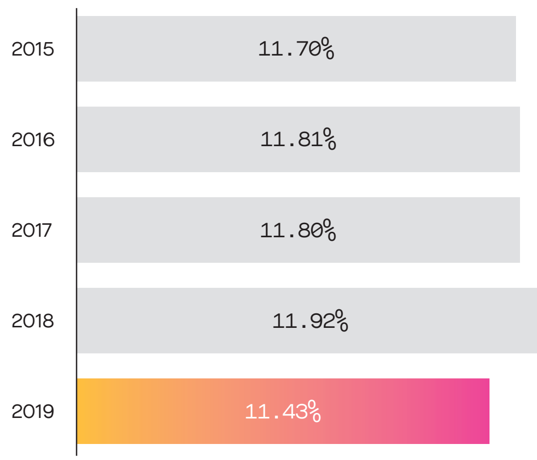
Insurers are projecting lower increases in healthcare claims than in any of the previous four years, as shown in the table below.

Where insurers did not provide a blended healthcare factor; this was calculated using a breakdown of 70% for drugs, 25% medical (including vision), and 5% hospital.

While the trend factor used by insurers to project Health costs has remained relatively stable over the past five years, we note the fairly steady escalation has reversed with 2019 having the lowest trend factor in the last five years. It is also important to recognize the impact of increases of this magnitude compounding year over year.

Additional commentary follows by component.

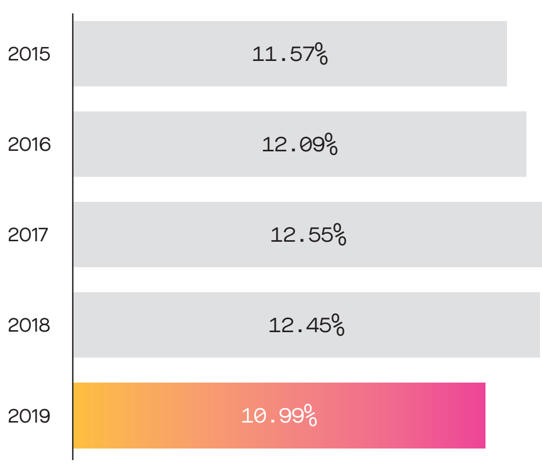
Overall blended healthcare trend



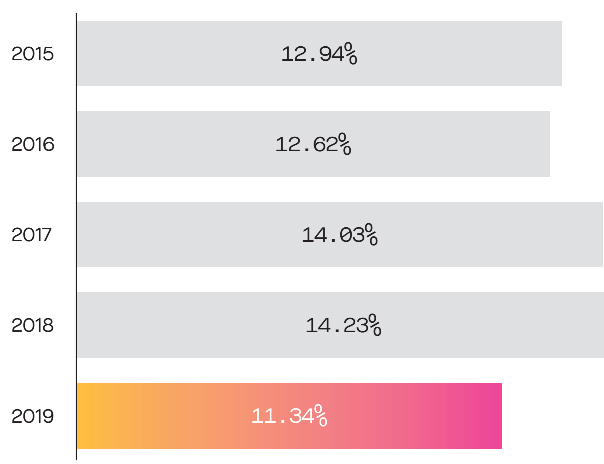
Health trend factors by component

Four insurers provided trend factors for each of the health components separately versus using one trend factor for all components of healthcare. This provides an opportunity for a deeper analysis of the utilization of plans and cost drivers in the marketplace. This table shows the factors, broken down by component for those insurers who provided the breakdown.

Prescription drugs annual trend



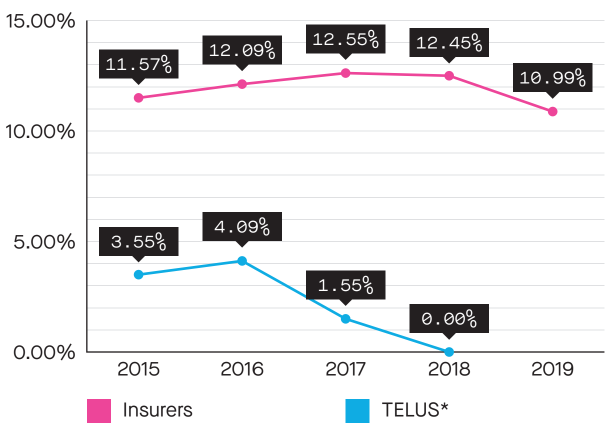
Services and supplies annual trend



Prescription drugs

The trend for Prescription Drugs continues to rise well above the actual increase in average drug claims seen in the marketplace. Insurers continue to be focused on the increased usage of drugs and the new high-cost treatments coming into the market. The chart below highlights the insurer-projected trend for prescription drugs since 2015 compared to the actual increase in the cost of drug claims reported for each year by TELUS Health. TELUS adjudicates the pay-direct drug claims for several of the largest insurers in Canada.

Prescription drugs (non-blended data rates)



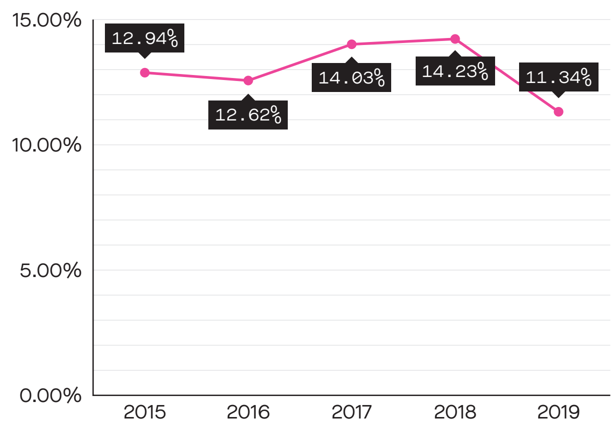
Insurers are reducing their trend assumptions in 2019 with a decrease to 10.99% from 12.45% in 2018. In support of the magnitude, according to TELUS Health, more than 140 drugs are braced for launch from Canada's drug pipeline as they await regulatory approval from Health Canada. Cancer therapies dominate the drug pipeline and a fair share of them will be available as pills that can be taken outside the hospital which means that more cancer patients will turn to private drug plans first for coverage. Estimated costs for these drugs could reach $150,000 to $520,000 annually per patient. However, these new cancer therapies are for highly targeted uses only, based on genetic biomarkers.

Ongoing plan management is key to sustainable drug plans. Mandatory generic substitution, prior authorization, and employee co-payments can have a favourable impact on escalating drug costs. Several insurers are focused on initiatives to eliminate waste and improve compliance in an attempt to help plan sponsors maximize their return on investment. At this time, there are few statistics to indicate these initiatives have been successful. As, historically, there is limited cross analysis between medical treatment and absence/disability, these benefits may never be fully quantified.

Medical services and supplies (excluding prescription drugs)

The expected inflation for medical services and supplies has decreased from its four-year high in 2018. In contradiction, claims experience under most plans indicates increasing utilization under many of the categories under services and supplies. Coverage for psychologists falls into this category and many plan sponsors and insurers are expanding coverage in response to an identified need. In the typical benefit plan, medical services and supplies account for significantly less of the total plan cost than drugs.

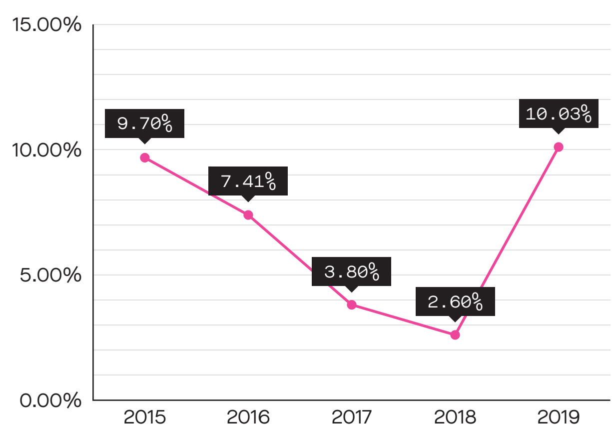
Medical plans (non-blended data rates)



Hospital

Hospital trend expected by insurers increased significantly this year from its five-year low in 2018. Those insurers that provide non-blended hospital trend rates have increased their hospital trend rates while decreasing their drug and medical services trend rates. The result is non-blended trend rates that are closer to the average blended trend rates. Hospital claims account for a small portion of costs in the typical benefit plan.

Hospital (non-blended data rates)

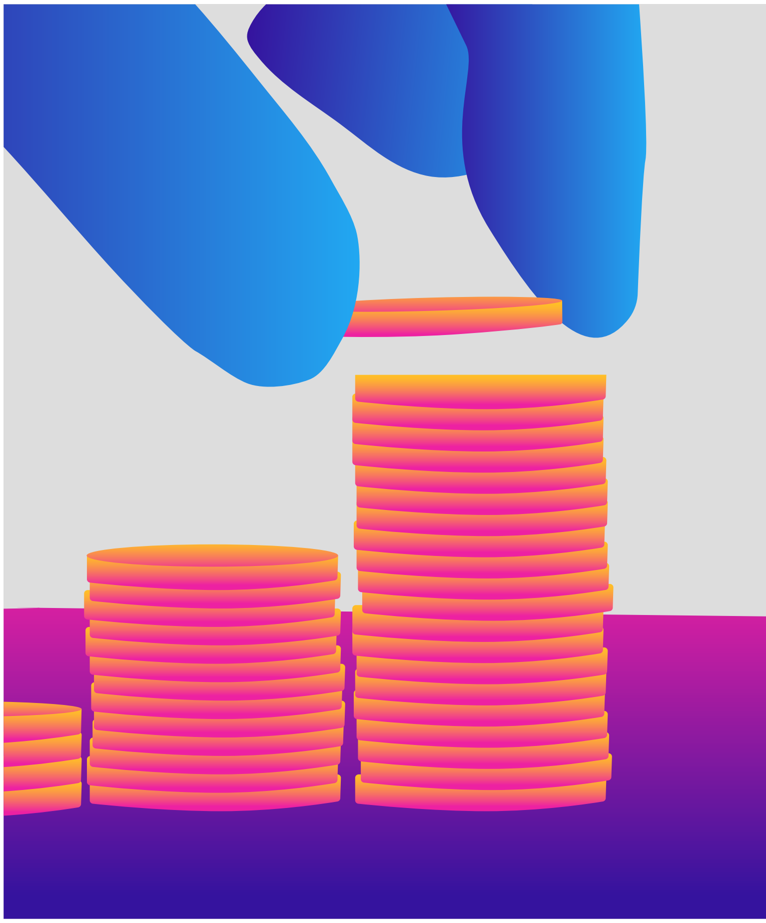


*** Note:** TELUS data is "actual"; therefore only 2018 is available at the time of publication.

Insurer cost shift

Recognizing the risk of new high-cost drugs to their bottom lines, insurers continue to change pooling arrangements and increase pool charges. While inflation has been the driver of cost for some time, we are seeing a continuing trend toward escalation of pool charges at a much higher rate than healthcare trends. Health claims pooling shifts the risk of high claims from the policyholder to the insurer. The pooling limit is the risk threshold, for each plan member or each employee and dependent unit. It is generally determined by the policyholder in mid-size and larger plans and the insurer in small plans. Claims in excess of the pooling limit are removed from the experience, shifting the cost of these claims to the insurer. The results recently released by TELUS indicated that in 2018, specialty drug claims (complex drugs potentially costing in excess of $10,000) accounted for 29% of the drug costs reimbursed for claimants under age 65, up from 27% in 2017 and 19% six years ago. While accounting for 29% of the drug costs reimbursed, specialty drugs are only being claimed by 1.1% of claimants.

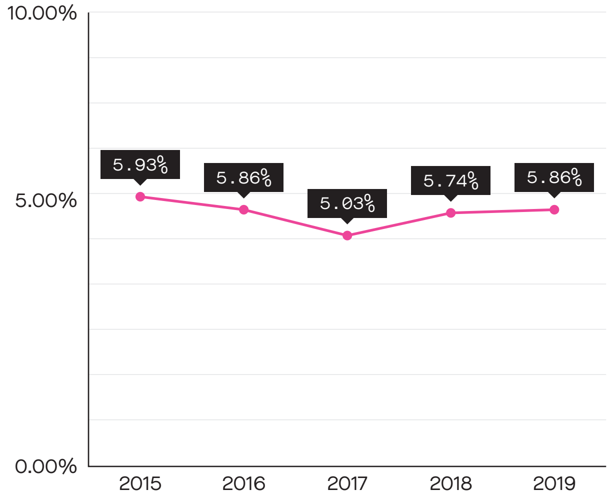
Pooling charges vary significantly by plan design, threshold level and insurer. The insurers report pool charges of between 8% and 17% for a pooling threshold of $15,000. Naturally, the pool charge imposed by the insurer should reflect the plan design and the risk of claims. The pooling threshold, by contrast, should reflect the policyholder's tolerance for risk of unexpected high claims. Pooled premium, while non-accountable and not experience-rated, is predictable for the policyholder, but a sudden significant claim may negatively impact cash flow.



Dental care

Dental trend factors are made up of two components. One is a utilization factor representing the expected increase in utilization of dental services from one year to the next. Each insurer sets this factor according to its own experience and projections. The other component is the increase in fees charged by dentists for dental services from one year to the next, as recommended by the provincial dental associations. Over the past five years, the overall dental care trend used by the insurers has remained very steady.

Dental care (utilization only, all carriers)



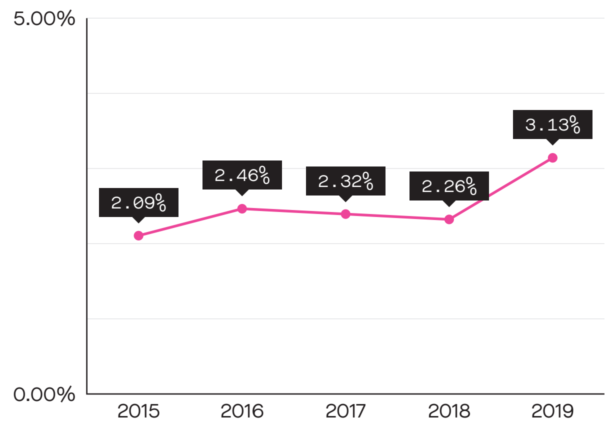
Utilization

The anticipated trend is up slightly from 2018's 5.74% to 5.86% for 2019. An increase in utilization may reflect more plan members using the benefit, but more frequently, due to the aging population, it reflects a shift from lower cost treatment, such as a filling, to a higher cost treatment, such as a root canal.

Fee guide

Dental fee guides are published annually by the Dental Associations in most provinces. In the annual review, the Dental Associations determine the cost adjustment of each procedure code. A blended trend is used by insurers reflecting the typical spread of dental procedures claimed and the distribution of the population of a group throughout the provinces. To determine the five-year trend in overall fees, we developed a composite fee based on the distribution of Canada's labour force according to recent StatsCan labour statistics. The trend increased slightly in 2019 to 3.13% from 2.26% in 2018.

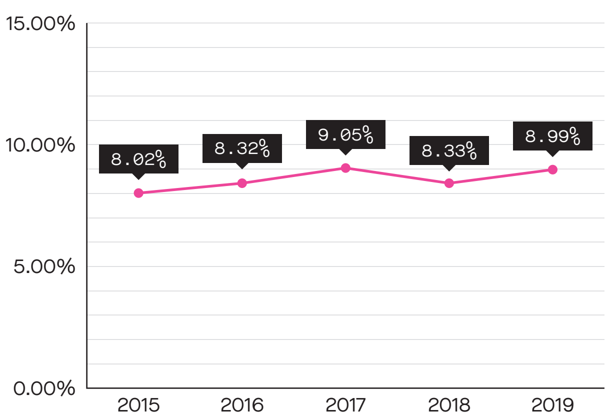
Dental care (fees)



Dental care trend (utilization and fees combined)

Pricing for employer dental plans incorporates trend factors that combine both the utilization and fee components depending on the location or distribution of the workforce. The trend for the combined utilization and fee components increased slightly from 8.00% in 2018 to 8.99% in 2019.

Dental care (utilization and fees)



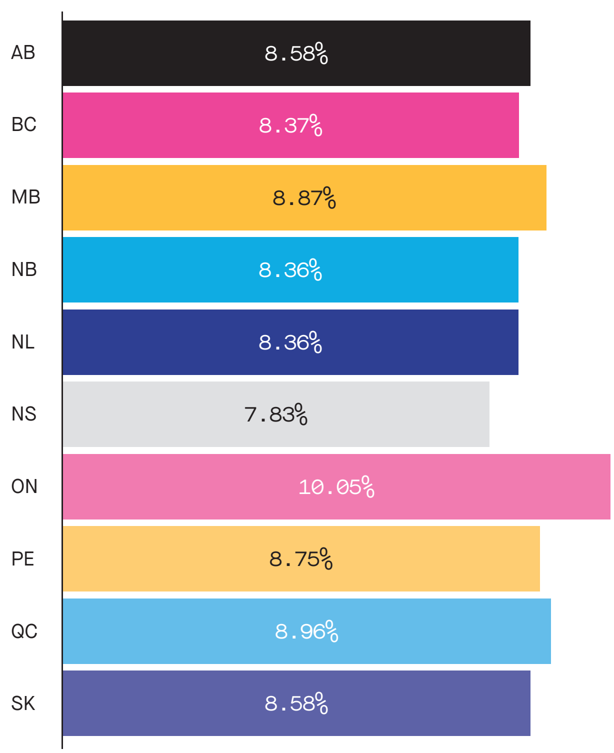
Provincial general practitioner fees

The following shows the average increase in general practitioner fees set out in the fee guides published each year across Canada by the provincial Dental Associations. The results show six provinces have a higher increase than in 2018 and four provinces have a lower increase than in 2018.

Province	2017	2018	2019
Alberta[2]	9.22%	8.23%	8.58%
British Columbia	10.50%	9.45%	8.37%
Manitoba	9.76%	8.89%	8.87%
New Brunswick	8.83%	8.12%	8.36%
Newfoundland & Labrador	9.30%	8.67%	8.36%
Nova Scotia	8.77%	8.37%	7.83%
Ontario	8.41%	7.85%	10.05%
Prince Edward Island	8.44%	7.97%	8.75
Quebec	9.16%	8.57%	8.06%
Saskatchewan	8.96%	7.87%	8.58%

1 Since the Alberta Dental Association did not publish a Fee Guide prior to January 1, 2018, it was common for insurers to use their own experience to determine increases required in conjunction with CLHIA data.

Overall blended healthcare trend



Managing rising dental costs

While Dental trend factors are typically lower than Health and Drug trends, they are still a driver of cost. Plan sponsors can help control rising costs by encouraging plan members to be better shoppers. The traditional way to achieve this is by building cost containment features into the plan:

- Member paid coinsurance – If the member is required to pay 20% or more of the total cost of any services rendered, they are more likely to have discussions with their dentist about which services are actually required and which might be more elective in nature.
- Maximums on services – Reviewing the annual plan limits for typically used services like dental scaling (teeth cleaning) is advisable for plan sponsors so that they can be comfortable that an appropriate maximum is included on their plan. In addition, plan sponsors can consider other plan maximums, for example, reducing the maximum number of times a member can see the dentist for non-emergency services.
- Using an insurer who applies reasonable and customary limits reflective of the lowest acceptable market cost and who requires dentists to use best and most cost effective procedures for treatment.

All of these changes have a better chance of reducing claims costs if the plan members are educated on the cost of dental services, the benefits of good consumerism, the meaning of dental codes, and reasons for plan maximums. Changing the plan without educating the employees will probably lead to negative feedback from employees who feel that the company is trying to shift costs. If the employees are educated on how plan costs are related to their dental bills and what various dental codes mean, they will have the ability and hopefully the interest to review their bill and question their dentist if anything seems off.

Conclusion

Medical, prescription drug and dental care coverage make up an important component of employees' total compensation. The coverage provided by an employer's plan is invaluable as it is almost impossible to obtain as an individual. This means generally, employees recognize the value of the benefit plan and appreciate the security it brings, but, as benefit plans are quite personal, each employee attempts to maximize it to their advantage.

A changing population and advances in technology suggest that the trends will continue upward for the foreseeable future. Prudent plan design may help control the cost escalation without impacting health outcomes. Ultimately doing the right thing through plan design, partnered with encouraging a healthy lifestyle for employees and embracing the advantages technology brings, may help contain costs while engaging employees and attracting new talent.

If you would like to discuss the details of your plan and possible enhancements or modifications to better align with corporate objectives or to reduce the trend rate of your plan, contact us at **talktocanada@buck.com**.

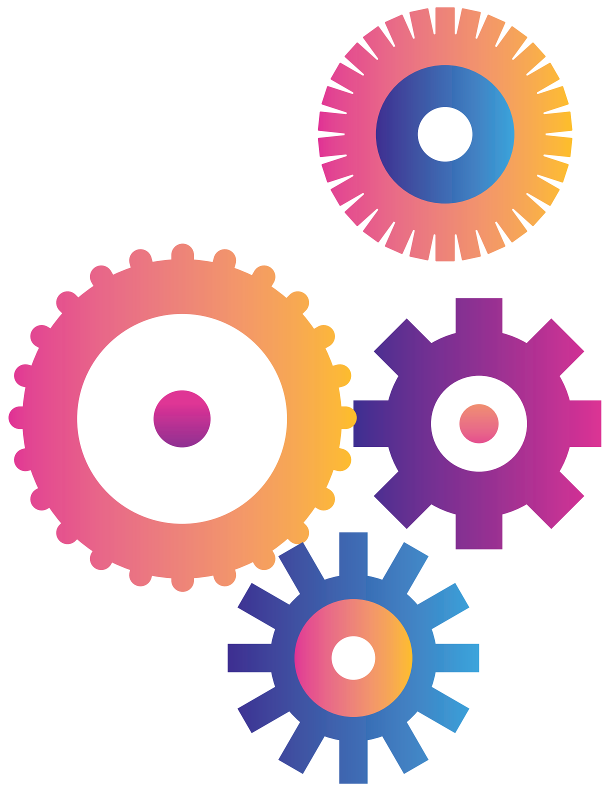
Qualification and commentary

The trend factors in this survey reflect insurers' projected rates of inflation/claims trend in health and dental care costs.

The final premium rate adjustment requested by an insurer may also reflect:

- Actual plan experience which is higher or lower than originally projected
- Changes in the insurer's administration expenses
- Cost of capital and risk charges
- Funding of any insurer reserve requirements
- Changes in any explicit margins for conservatism
- Recovery of any prior period losses

Plan sponsors therefore may see annual premium rate adjustments that differ from the healthcare trend factors summarized in this report. Our Canadian Healthcare Trend Survey is conducted and published annually, although some insurers may update their trends more frequently.



Participating organizations

- Desjardins Financial Securities
- Equitable Life
- Great-West Life
- Green Shield
- Industrial Alliance
- Manulife Financial
- Medavie Blue Cross
- SSQ Financial
- Sun Life Financial

Who is Buck?

Consulting

We look at your needs across the health, wealth, and career spectrum, informing and consulting with industry-leading knowledge and innovation

Health

Managing and improving the health of your employees to transform the overall performance of your workforce.

Wealth

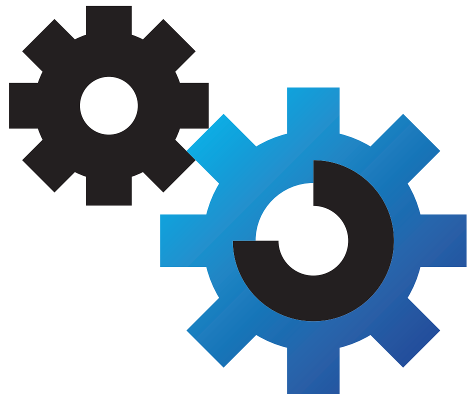
Guiding you to make informed decisions that position your investment and retirement programs to meet your organization’s objectives.

Engagement

Delivering the right programs to the right people at the right time in the right way, so your employees invest in your business in the same way you invest in them.

Compliance

Ensuring that your employee benefit plans are in compliance with the rules, helping to shield you from strategic mistakes.



Administration

We work with you to implement benefits administration services for workplace health and retirement plans while recognizing your budget, strategy, and communications needs

Defined benefit administration

Comprehensive, cost effective administration services on a fully outsourced or co-sourced basis.

Defined contribution administration

We offer broad coverage of defined contribution type plans, administering all DC/CAP plan types in Canada as well as all equity-based plan types typically offered under executive compensation plans. And we administer global plans featuring multi-language and multi-currency capabilities.

Health and welfare administration

Benefit services and strategies that ensure you can deliver on your promise to your employees in a cost-effective way.

Group annuity administration

We provide end-to-end solutions including integrated pension administration, customer service centre, fulfillment, and pension payroll services on a white-labeled basis.

Technology

We develop innovative ways to engage your employees, from predictive analytics and behavioural economics, to social media and ethnographic studies

BuckConnect™

Platform that brings together LifeConnectTM, administration capabilities offered through any provider, and consolidated back-end analytics.

Modelers

Decision support tools that allow your people to simulate healthcare and retirement scenarios using personal data.

Onboarding and offboarding

Using robotic process automation to streamline and simplify the employee experience.

LifeConnect™

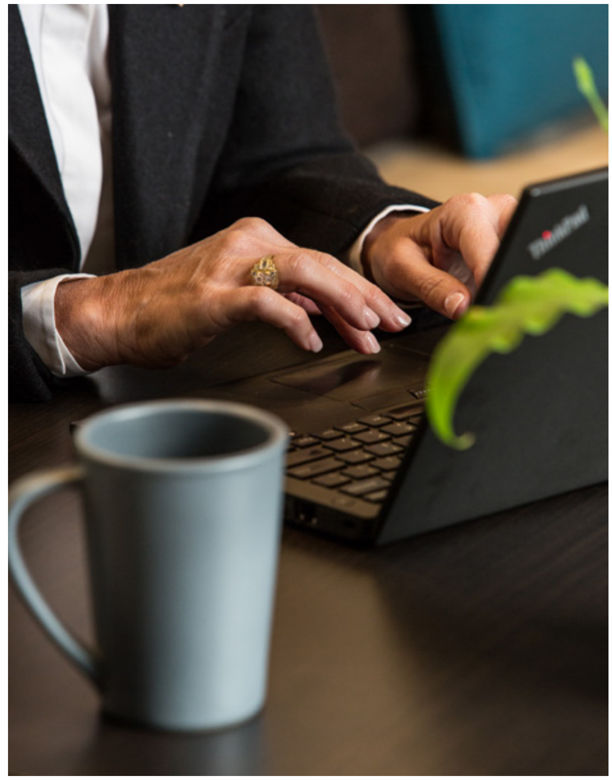
A comprehensive view into your people data to help you get deeper insights and empower them to take the right actions to be their best selves.

Analytics

Data-driven recommendations that are informed by the return on employment from your people's perspective and the return on labour from yours.

Mobile apps

Reach individuals where they are and when they need access to personalized rewards information.



Contact us

Promoting a culture of health in your organization has never been more important. We can help you develop, update, or enhance your healthcare programs to keep your offerings competitive, your costs under control, and your employees healthy and productive.

To get started, contact us at **1 866 355 6647** or **talktocanada@buck.com**.

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This survey is also available electronically at **Buck.com**.

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