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## **Decision Profile**

### **Employee Benefits Premiums & Coverage Changes**

#### **Decision Required:**

To recommend changes to DEXCOM regarding benefits premiums and coverage for the district extended health and dental plan to be in effect by October 1, 2022.

#### **Why It's Coming to the Finance Committee:**

Per the *DEXCOM Standing Committee on Finance Terms of Reference*, all substantive changes to the Employee Benefits Plan must be reviewed by the Finance Committee.

#### **Background:**

As of December 31, 2020, in the CPD self-insured extended health and dental plan reserve fund there was a balance of \$563K, which was a surplus accumulated over the years.

In 2021, in an effort to support CPD workers and their families and in light of the large surplus in the reserve fund, benefits were enhanced and included increased dental benefits, vision coverage, and other paramedical benefits. In conjunction with the enhanced benefits, claims began to increase as usage reached new levels as the pandemic began to wane. As a result of these factors, there have been deficits each month instead of surpluses. By the end of 2021, the reserve fund was reduced by \$287K down to \$276K. In 2022, increasing inflation also became a factor and is impacting costs for health services and medications.

In May 2022, DEXCOM approved a 10% increase in benefits premiums to deal with the ongoing deficits. It was anticipated that claims would begin to decrease as pandemic effects waned and that the reserve fund would be reduced to approximately \$132K by the end of the year. In the communication regarding the premium increase, it was noted that a further increase might be required in 2023. However, usage has remained higher than projections and as of July 31, the reserve fund is at \$77K. According to the CPD benefits consultant, a healthy level of reserve for a plan of our size is \$200K.

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## Decision Profile – Employee Benefits Premiums & Coverage Changes

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It is now expected that deficits will continue to reduce the reserve fund each month and that high inflation will continue to be a significant factor contributing to claim costs. At current rates, the reserve fund could be wiped out by the end of October 2022 if changes are not made to premium rates and/or coverage levels. It is therefore essential to have any changes in place by October 1<sup>st</sup>.

The CPD insurance broker reviewed the entire benefits plan and norms in the industry and has suggested to District staff a hybrid approach of reducing coverage and increasing benefits premiums to address the problem. After discussion, the following benefit reductions are recommended:

- **Paramedical Services** – Cap all services at a total of \$2K per person per year, with no limits to specific services within the paramedical category. This will save an estimated \$36K per year.
- **Vision** – Reduce coverage back to \$200 per person every 24 months. This will save an estimated \$26K per year.
- **Dental** – Prolong the recall timeline from 6 months to 12 months, which is the industry standard, and reduce coverage from 100% to 90%. This will save an estimated \$130K per year.

The total annual savings is estimated to be \$193K per year, with monthly savings of \$16K. With an average monthly deficit of \$30K, this still leaves a monthly deficit of \$14K per month. To meet this amount, it is recommended that benefit premiums be increased by 15%. This amount does not rebuild the reserve fund but instead solves the current deficit issue.

It is recognized that as with the May 2022 benefits premium increase, communication will need to be carefully crafted to explain the changes.

### District Staff Premiums

In the work to address the reserve deficits, it came to light that benefits premiums for District Office staff were not being paid into the plan, with a total cost of approximately \$51K per year. In the modified 2023 budget and all district budgets moving forward this will be rectified. This will not solve the current deficit issues but will mitigate some of the costs.

## **Alternatives Considered:**

District staff evaluated several other options:

- Make no changes to benefits premiums or coverage levels
  - Continue to await post-pandemic decreases in claim levels as originally projected in hopes that the reserve fund will stabilize.
- Increase benefits premiums only
  - Do not reduce any benefit coverage levels and instead increase premiums by 32% to eliminate the monthly deficit and stabilize the reserve to the desired \$200K amount. The CPD benefits consultant noted that other self-funded organizations have increased premiums by up to 60% as they are facing similar issues with increases.
- Reduce benefits coverage only
  - Rather than increase premiums, this would result in deeper cuts to benefits coverage to lower claim costs. The level of reduction would need to be determined. This option was not chosen as it may be perceived to be punitive, and it was believed there would be significant pushback from plan members.
- Move psychologist/counselling services to a separate category
  - This would keep the proposed hybrid solution on page 2, but move psychologist/counselling services into a separate category, keeping current coverage limits of \$1K per year. This change would result in a lowered savings amount of \$35K per year and would require that benefits premiums be increased to 18%.
- Move away from a self-funded plan
  - This would be a move to a fully funded plan (ex. Blue Cross) and the CPD benefits consultant estimates that there would be a 35% increase in premiums because our group is considered higher than average users. The risk is lower for the District, however, the cost is higher and the flexibility to change benefit levels is much lower and so this option was not recommended.

## **Two-Tier Benefits Plan**

At the April 2022 DEXCOM meeting, the following action item was created:

*District staff and the Finance Committee to investigate the possibility of having basic and enhanced tiers within the benefits plan.*

After investigation by District staff, it was determined that this is not a viable option and is not recommended. The CPD benefits consultant noted that a two-tier plan is very difficult to manage as it reduces flexibility for employees as it is necessary to limit movement between plans, which often causes employee frustration or difficulty when increased benefits are needed. It may also force churches to make judicious actions as to which employees are covered for each tier, cause relational staff issues, and significantly increases administration work for both churches, District staff, and the insurance broker. [An article](#) outlining the challenges may help give context to this.

### **Recommendation/Motion:**

THAT the Finance Committee recommends changes to DEXCOM regarding benefits premiums and coverage for the district extended health and dental plan to be in effect by October 1, 2022.