

# Canadian Health Care Trend Survey Results 2013



## Introduction: Increases across most of the board

Buck's 2013 Health Care Trend Survey shows trends that were not entirely expected. The drug, health and dental cost trend factors will remain the same or will move higher in 2013.

Each year, we ask 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 compare these factors to those provided in our previous surveys in order to get a sense of the health care pricing trends for group insurance plans.

The insurers provide us with inflation factors for each type of coverage: prescription drugs, medical, hospital, and dental care. The factors account for the insurer's 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

Despite last year's reduction in inflation factors for all of components of health care, this year the overall trend in cost increases showed a slight increase. Looking at all of the health care components on a blended basis, insurers are using an average factor 11.79%, up from 11.67% last year.

With prescription drug costs representing the majority of private payer health spend, they have the greatest influence on employer benefit cost trends. Insurers have lowered their inflation factors for prescription drugs from 12.11% to 11.69%, a 3% decrease in trend factor.

Hospital inflation factors have been on the upswing since 2011, with a jump in 2013 from 8.41% to 9.73%.

Utilization of dental services has increased slightly from 5.21% to 5.50%.

Dental cost inflation varies across the country as each province publishes its own fee guide. Our composite fee guide factor over the previous five-year period reveals a slight increase in the fee guide. With both the rate of utilization and the dental cost on the increase, naturally when combined, there was a net increase in trend, from 7.99% in 2012 to 8.27% in 2013.

## Qualification

The trend factors in this survey reflect insurers' projected rates of increase in health 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 health care trend factors summarized in this report. Buck Consultants' Canadian Health Care Trend Survey is conducted and published annually, although some insurers may update their trends more frequently.

## Participating organizations

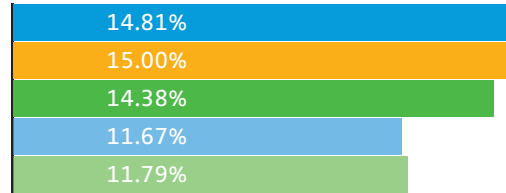
Desjardins Financial Securities  
Great-West Life  
Green Shield  
Industrial Alliance  
Manulife Financial  
Medavie Blue Cross  
SSQ Financial  
Standard Life  
Sun Life Financial

## Summary of survey results

### Health care

Overall blended health care trend <sup>1</sup>	
2009	14.81%
2010	15.00%
2011	14.38%
2012	11.67%
2013	11.79%

<sup>1</sup>Where insurers did not provide a blended health care factor, this was calculated using a breakdown of 70% for drugs, 25% medical (including vision) and 5% hospital.

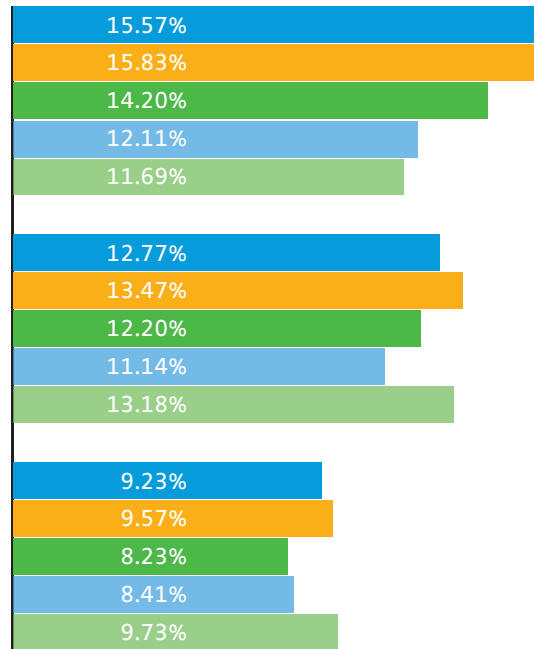


Although there was a slight increase from 2012, in general, the trend has remained stable and significantly lower than the high reached in 2010.

### Results by benefit

Four insurers provided trend factors for each of the health components separately versus using one trend factor for all components of health care. These results show the factors, broken down by component for those insurers who provided the breakdown.

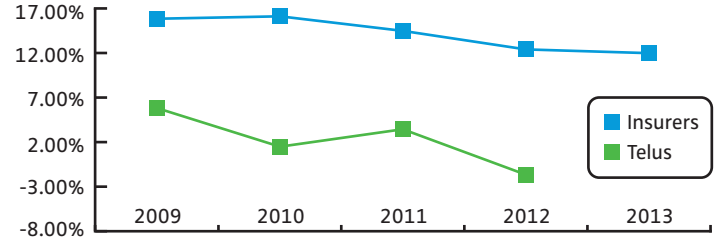
Coverage	Average annual total trend factor
<b>Prescription drugs</b>	
2009	15.57%
2010	15.83%
2011	14.20%
2012	12.11%
2013	11.69%
<b>Medical services and supplies</b>	
2009	12.77%
2010	13.47%
2011	12.20%
2012	11.14%
2013	13.18%
<b>Hospital</b>	
2009	9.23%
2010	9.57%
2011	8.23%
2012	8.41%
2013	9.73%



### Prescription drugs

Generic drug price reforms were initiated in Alberta, Ontario, Quebec, and British Columbia in 2010. These provinces introduced price reductions phased in over a period of three years, beginning in 2010. In 2011 Nova Scotia announced similar legislation, but it only applies for seniors and those covered under the provincial drug programs. It does not extend to employer plans. Generic drugs represent about 20%-25% of employer drug spend. The trend is also affected by the expiry of patent protection on a number of high cost brand drugs in 2010, 2011, and 2012.

Year	Average annual trend factor
2009	15.57%
2010	15.83%
2011	14.20%
2012	12.11%
2013	11.69%

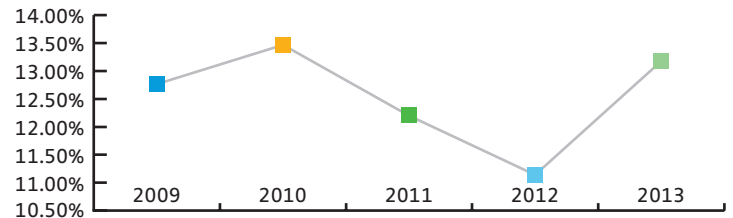


Note: Telus data is "actual", therefore only 2012 is available at the time of publication.

### Medical services and supplies (excluding prescription drugs)

The trend is up in 2013 after two years of steady decreases.

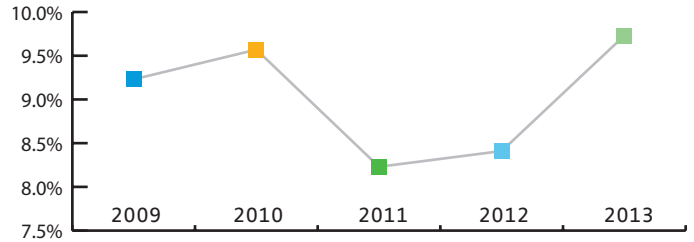
Year	Average annual trend factor
2009	12.77%
2010	13.47%
2011	12.20%
2012	11.14%
2013	13.18%



## Hospital

The hospital trend has increased to 9.73%, which is up from 9.23% at the beginning of the five-year period.

Year	Average annual trend factor
2009	9.23%
2010	9.57%
2011	8.23%
2012	8.41%
2013	9.73%



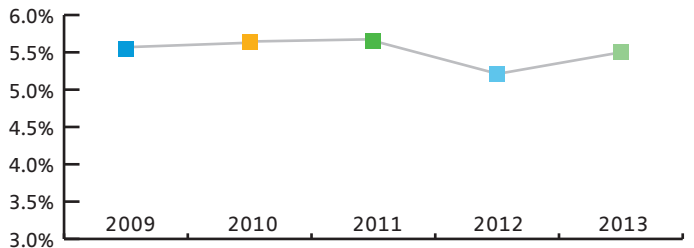
## Dental care

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 or the cost inflation of dental services from one year to the next. Trend factors representing fee increases are based on the fee guides that are published by the various provincial dental associations, and therefore tend to be consistent among insurers.

### Dental care (utilization only)

After the decline from 2011-2012, the trend is on the way back up, reaching 5.50% for 2013.

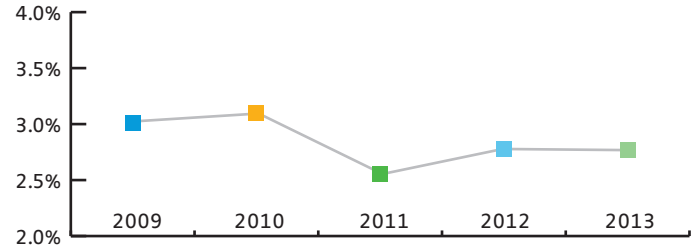
Year	Average annual utilization factor
2009	5.56%
2010	5.62%
2011	5.65%
2012	5.21%
2013	5.50%



### Dental care – fees

Dental fee guides are published annually by most provinces. To see 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. 2013 stayed relatively steady and showed no substantive change in the trend in fee guide increases.

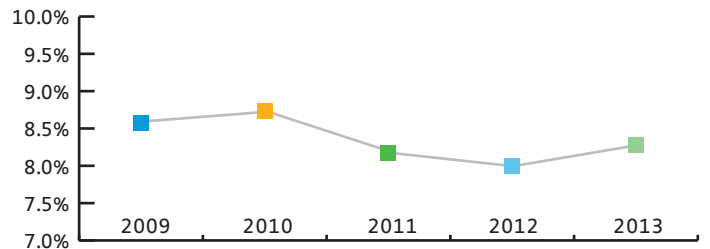
Year	Composite fee guide
2009	3.02%
2010	3.09%
2011	2.55%
2012	2.78%
2013	2.77%



### Dental care – 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. Following the decline from 2011 to 2012, the pricing of the combined utilization and fee component increased from 7.99% to 8.27%.

Year	Dental combined
2009	8.58%
2010	8.71%
2011	8.20%
2012	7.99%
2013	8.27%



### 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. The results were split, with five provinces showing an increase and five showing a decrease. Saskatchewan showed the biggest increase going from 3.00% in 2012 to 4.17% for 2013. New Brunswick posted the largest decrease – from 3.30% to 2.11%.

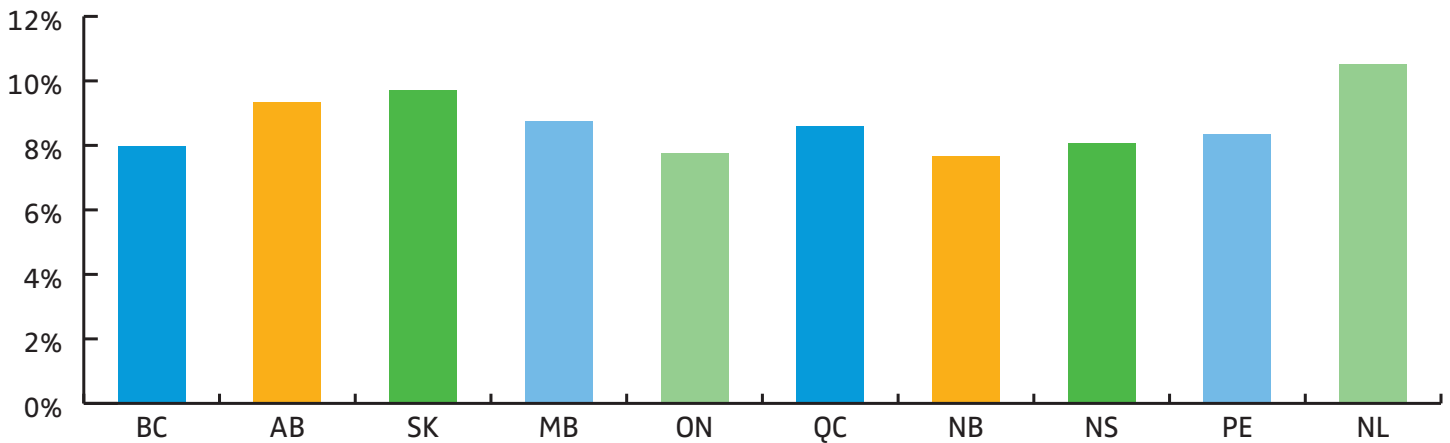
Province	2009	2010	2011	2012	2013
Alberta <sup>2</sup>	6.42%	5.57%	5.64%	4.24%	3.79%
British Columbia	2.70%	2.42%	1.88%	2.22%	2.42%
Manitoba	3.84%	3.36%	3.49%	3.24%	3.21%
New Brunswick	3.00%	5.00%	2.36%	3.30%	2.11%
Newfoundland & Labrador	6.00%	6.00%	5.98%	4.29%	4.97%
Nova Scotia	2.93%	2.04%	2.39%	2.58%	2.53%
Ontario	2.00%	2.43%	2.04%	2.66%	2.20%
Prince Edward Island	1.92%	2.07%	2.25%	2.34%	2.80%
Quebec	2.60%	2.90%	1.78%	2.29%	3.05%
Saskatchewan	4.95%	4.07%	3.07%	3.00%	4.17%

<sup>2</sup> Since the Alberta Dental Association does not publish a Fee Guide, it is common for insurers to use their own experience to determine increases required in conjunction with CLHIA data.

Dental – combined trend by province

The trend factor that insurers use in their pricing of dental services consists of a combination of the utilization factor and fee guide increase. The following table shows the combined trend by province across Canada. As in previous reports, Alberta and Newfoundland stand out as having high expected cost increases, both exceeding 9%, but Saskatchewan now shows the second highest expected cost increase at 9.67%. The remaining provinces fall between 7.5% and 9%. The cross-section shows that there is significant variation among the provinces and, while we typically consider dental cost trends to be close to half the level of health cost trends, it is clear that in some provinces the expected increase in dental costs is closer to three-quarters of the expected increase in health costs. Three provinces showed a decrease in the expected cost increase from last year: Alberta (9.45% in 2012), Ontario (7.87% in 2012), and New Brunswick (8.51% in 2012).

2013 Dental utilization and fee guide increases by province



Province	Increase
British Columbia	7.92%
Alberta	9.29%
Saskatchewan	9.67%
Manitoba	8.71%
Ontario	7.70%
Quebec	8.55%
New Brunswick	7.61%
Nova Scotia	8.03%
Prince Edward Island	8.30%
Newfoundland & Labrador	10.47%



## Contact us

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

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