



## Staff Report

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<b>Report To:</b>	<b>General Government Committee</b>		
<b>Date of Meeting:</b>	October 19, 2020	<b>Report Number:</b>	COD-019-20
<b>Submitted By:</b>	Marie Marano, Director of Corporate Services		
<b>Reviewed By:</b>	Andrew C. Allison, CAO	<b>Resolution#:</b>	
<b>File Number:</b>		<b>By-law Number:</b>	
<b>Report Subject:</b>	Health Benefit Program 2020 Renewal of ASO and Non-ASO Formula to November 1, 2021		

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### Recommendations:

1. That Report COD-019-20 be received;
2. That the Health Benefit Programs be renewed with Sun Life, to November 1, 2021 at an overall net decrease of 4.4 per cent, with the realized surplus from the current year to remain in the Municipal reserve fund; and
3. That the Library be advised of the renewal program, and that they continue to be invoiced for their portion of the benefit program as applicable.

## Report Overview

The annual renewal of the Health Benefit Program is presented for approval for the period of November 1, 2020 to November 1, 2021, with the net surplus from the first year under the ASO funding arrangement, recommended to be retained for offset to future funding of the Health Benefit Program.

## 1. Background

### Existing Program for Health Benefits

- 1.1 In 2019, under report [COD-016-19](#), the Extended Health and Dental Benefits program with Sun Life was approved to move to an Administrative Services Only (ASO) funding formula to November 1, 2020. The Non-ASO benefits which include Life, Long Term Disability (LTD) and Accidental Death & Dismemberment (AD&D) are not eligible for ASO funding and continued under the traditional program which are reflected in the overall decrease.
- 1.2 The net result from the 2020 program is an overall reduction in the cost of the program equating to a decrease of 4.4 per cent, and savings of \$168,532 entering the 2021 program.

## 2. The 2021 Program Renewal

### 2021 Rates and Overall Impact

- 2.1 The November 1, 2020 renewal rates applicable to the 2021 Health Benefits Program are detailed on Attachment #1. It identifies the savings achieved from negotiations undertaken by Mosey and Mosey on the initial proposal of a 3.8 per cent overall increase, to result in a final renewal rate of 4.4 per cent decrease.
- 2.2 The impact from COVID-19 might have been expected in some categories such as the Dental and paramedical services since most of the Dental, Vision, Physiotherapy, and other Paramedical Offices were closed for a portion of 2020. However, rates are determined by the experience over the time period from July 2019 to June 2020, therefore some of the COVID impact might be outside of the timeframe for rate calculation, but will likely be reflected in rates going forward – potentially, reductions from closures and increases from health related costs.
- 2.3 The overall net decrease for 2021 is largely driven by the 12 per cent reduction in the Extended Health Claims category, which makes up 45 per cent of the overall cost. As noted above, some of the reduction may be linked to COVID. Mosey & Mosey's claims analysis in arriving at the 12 per cent decrease considered the continued potential impact of COVID on the upcoming renewal period.

- 2.4 The increase in the Life Insurance at 9 per cent results in part from the increase in Long Term Disability claims and the waiver of premiums for the life insurance that would be related to those claims.

### **3. ASO Funding Status and Recommendations for 2021**

- 3.1 The Director of Financial Services reviewed the financial aspects of the ASO Funding from municipal funds set aside for this program and authored the following status and recommendations for the 2021 renewal.
- 3.2 As the Municipality has not yet had a full year history of ASO, particularly under normal circumstances where all services were available to plan members, it is premature to adjust costs downwards.
- 3.3 The Municipality has an established reserve fund that will be utilized to fund any budgetary shortfalls in a given year. In years where there is a budgetary surplus those funds should be transferred to the fund in order to ensure funding remains stable.
- 3.4 Staff will review the actuals again for the 2022 budget and determine if there is the ability to decrease the budgeted contribution for benefits. It is not advised to adjust each year as this creates uncertainty in budgets, the more prudent action is to utilize the reserve fund for year to year fluctuations.

### **4. Concurrence**

This report has been reviewed and contributed to, by the Director of Financial Services who concurs with the recommendations.

### **5. Conclusion**

The ASO funding formula contributed to a significant cost reduction, resulting in a successful first year, and it is respectfully recommended that the renewal of the Health Benefit Program be approved as outlined in this report, to November 1, 2021.

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Attachments:

Attachment 1 – Mosey & Mosey Monthly Renewal Rates and Cost Summary

Interested Parties:

The Clarington Library will be notified of Council's decision.