

November 4, 2024

To: Benefit Administrators / Human Resource Personnel

From: Sarah Dedman
Administration Services Manager

Re: Out-of-Scope Extended Health Care and Enhanced Dental Plan Contribution Rate Increase Effective April 1, 2025

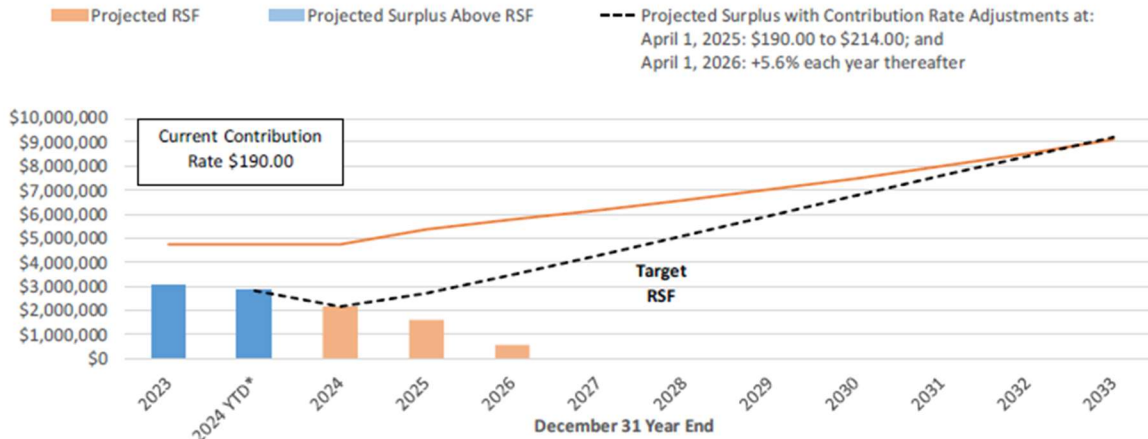
Following their annual review with the plan actuary, the Employee Benefit Plans Board of Trustees approved an increase to the out-of-scope extended health care and enhanced dental (OOS EHC & ED) plan contribution rate from \$190.00 per FTE to \$208.00 per FTE effective April 1, 2025.

The Saskatchewan Dental Association Fee Guide, effective January 1, 2024, saw a 4% increase over the prior year. Dental claims paid are trending as expected in the first half of 2024.

From January to June 2024, extended health claims paid increased by 8% compared to the same period in the prior year. Claims costs have continued to increase faster than expected.

The actual cost of claims and expenses are exceeding contributions. At June 30, 2024, the rate stabilization fund (RSF) held for claims plus expenses is approximately 3.6 months compared to the target RSF of 6 months. The RSF is forecasted to be down to 3.3 months at the end of 2024.

Out-of-Scope 10-Year Projection



- If the current contribution rate increases with an estimated inflation rate of 3.0% in 2025, 2.5% in 2026, and 2.0% thereafter, net assets are expected to be depleted by the end of 2027
- Preliminary estimates suggest contribution rate increases through 2028 exceeding expected claim inflation 5.6% would support the RSF until 2034

The extended health care portion of the Plan is underwritten on an insured refund basis. An insured refund arrangement means that the insurance provider insures the claims risk but surplus amounts remaining above the actual cost of claims, expenses, and reserves required by the insurer may be returned to the trust at the end of each plan year.

The enhanced dental portion of the Plan is underwritten on an administrative services only (ASO) basis. An ASO arrangement means that the plan covers the full cost of actual claims incurred plus an administrative fee for service to the insurance provider for paying the claims on the Plan's behalf.

The Employee Benefit Plans Board of Trustees will continue to monitor the OOS EHC & ED plan contribution rate closely. The plan actuary is projecting that further increases of approximately 5% each year will be required over the next five years. The rate will be reviewed next in October 2025. A rate increase will only be implemented if it is required.

If you have any questions about the OOS EHC & ED plan contribution rate for 2025, please contact Sarah Dedman at sarah.dedman@3shealth.ca or 306.347.5553.