

WorkSafeBC Classification, Rate Setting and 2014 Base Premium Rates

Health Care

Summer 2013



WORKING TO MAKE A DIFFERENCE

worksafebc.com

Topics

- Overview of the 2014 rates
- Overview of the classification & rate setting system
- Distribution of payroll and premiums across health care
- Historical rates for key health care industries
- 2014 rates
- Capital Adequacy Reserve

Overview of 2014 Rates

- The average base premium rate is projected to increase to \$1.70 per \$100 of employers' assessable payroll – less than the required rate of \$1.90, and less than a 1/10th of 1% increase to the average employer's total payroll costs.
- 77 percent of employers will experience a base rate increase
- 18 percent of employers will experience a base rate decrease
- 5 percent of employers will have their base rate remain unchanged
- Prior year rate changes are as follows:

	Increases	Decreases	Unchanged
2013	65%	31%	4%
2012	39%	53%	8%
2011	56%	37%	8%
2010	54%	40%	6%

The key rate drivers for 2014

INJURY RATE AND COST RATE

- The injury rate increased 3.1% in 2011 and remained at the same level in 2012. Current estimates indicate a slight decrease to the 2013 injury rate.
- The 2014 benefit target cost rate increased by 8.3% from 2013 (mainly due to increases for LTD and health care in 2012).

RATE GROUP BALANCE DEFICIT

A deficit increase from \$552M to \$1.2B to the rate group balance driven by:

- Higher claim costs projected for 2013 than contemplated by the 2013 rates.
- A planned return of surplus of -\$122M (includes a loss of -\$80M for amortization, -\$26M loss for capping, together with other minor elements).
- Projected weak investment returns.

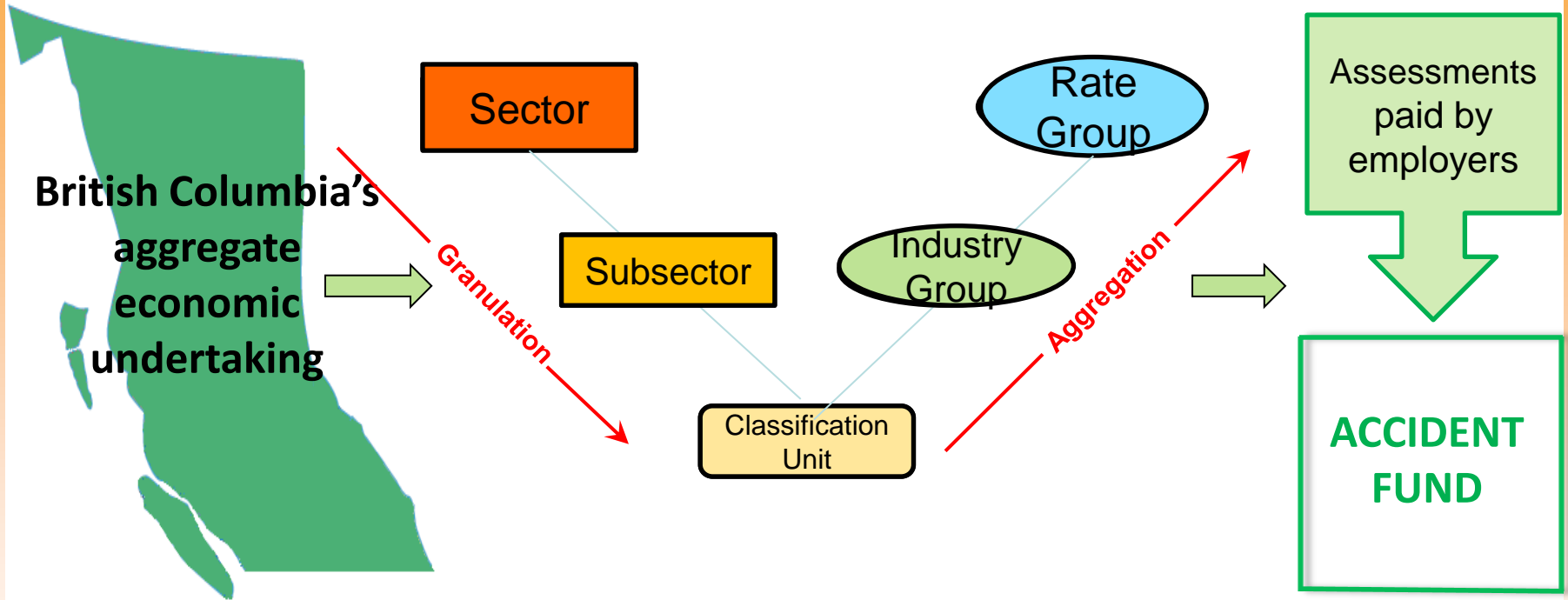
INVESTMENT RETURNS

- Smoothed investment income returns in 2012 of 4.6% were slightly above actuarial requirements of 4.2%. However, the projection for 2013 is for a smoothed return of 3.7% compared to an actuarial requirement of 5.0%. This is projected to result in a \$129M shortfall for rateable employers in 2013.

RATE DAMPENING MEASURES

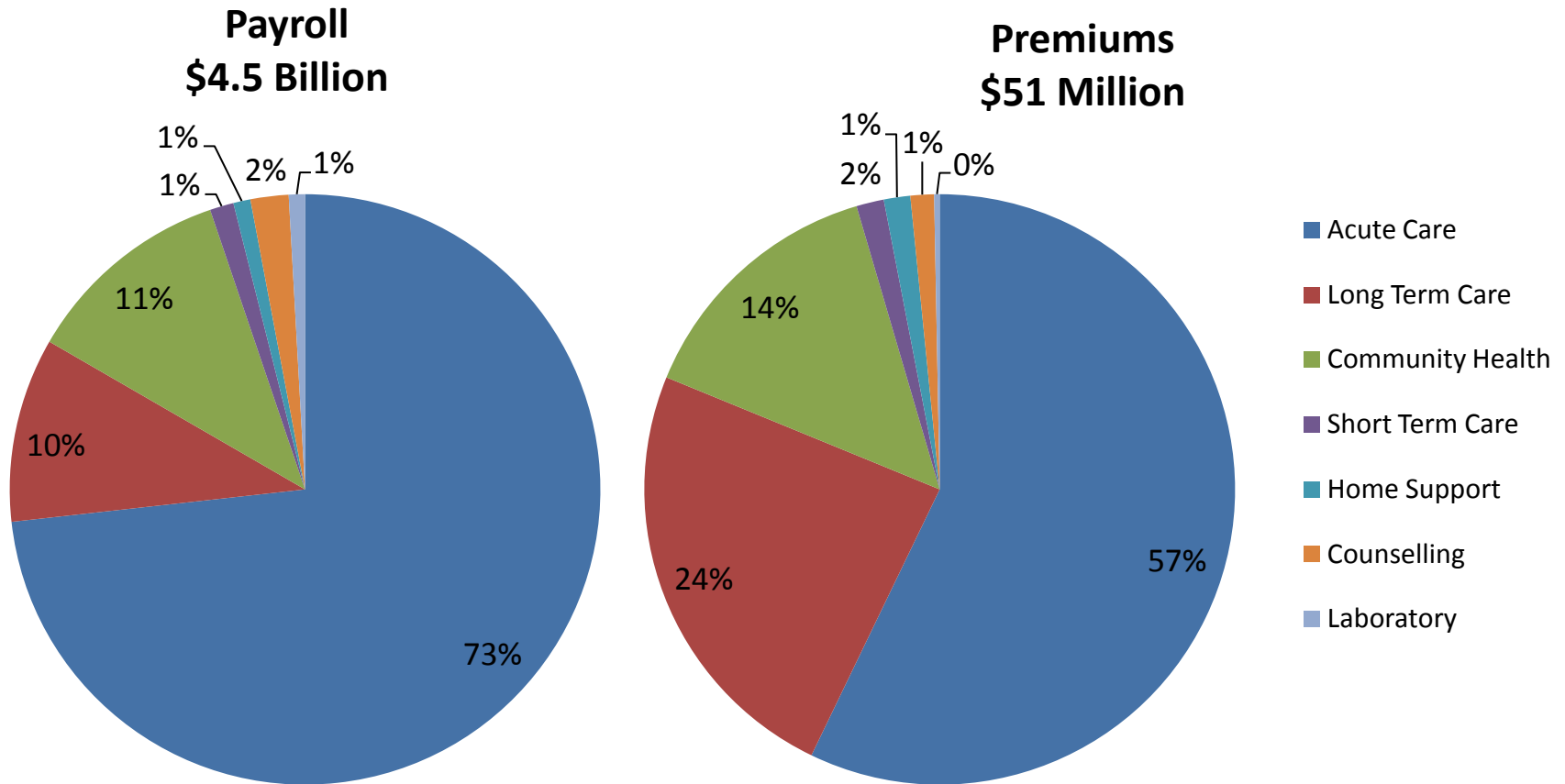
- Each classification unit's 2014 base rate change is limited to a maximum increase of +10%.
- \$278M drawdown will be drawn from the Capital Adequacy Reserve at 2013 year end.
- Together these reduced the rate increase by 20 cents.

Industry Classification & Rate Setting



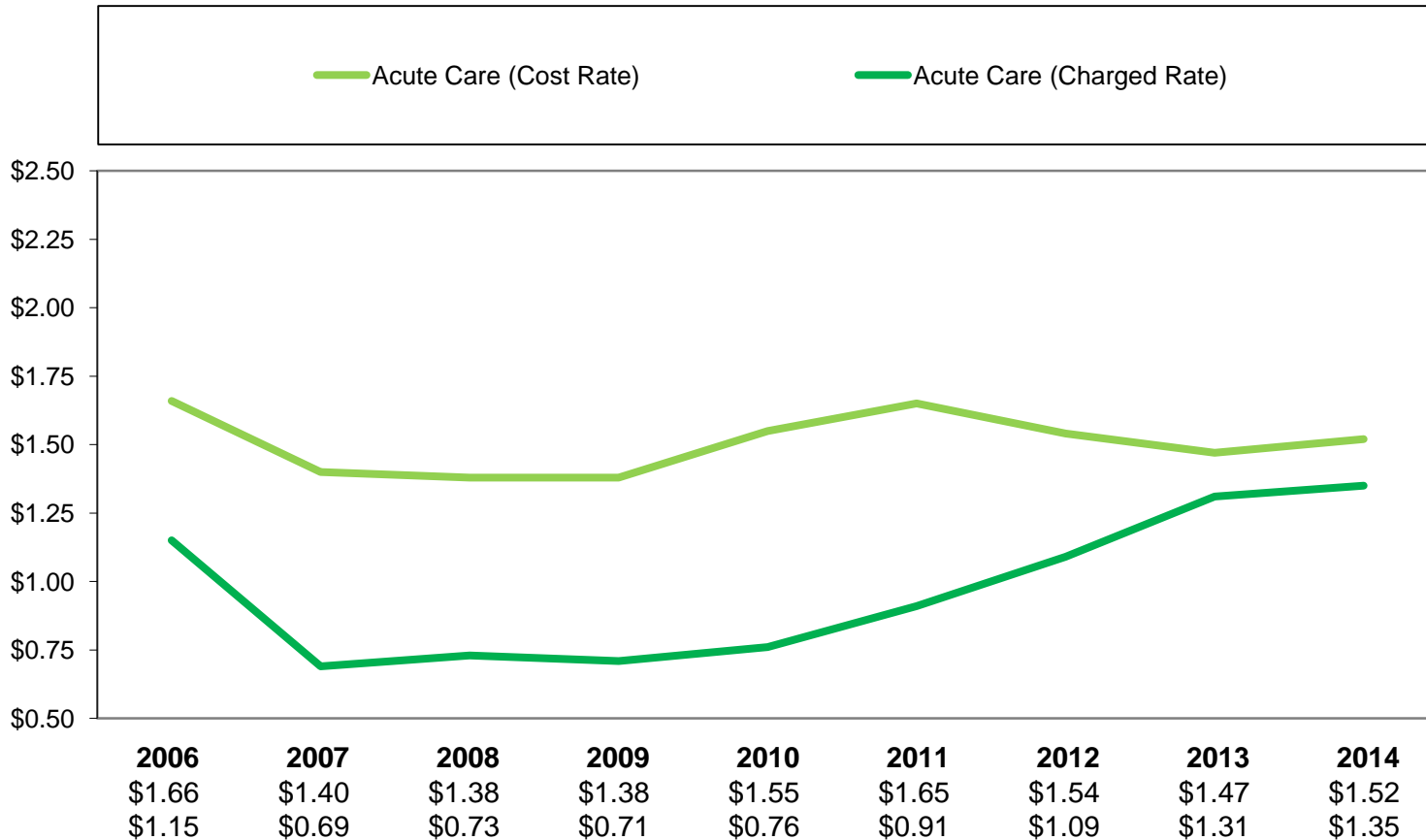
Classification units are gathered into industry groups based on similarity of industrial undertaking to permit long term claim cost analyses. Industry groups are gathered into rate groups based on similarity of long-term cost rates unit to permit the calculation of stable insurance rates. Industry groups with higher or lower cost rate trends get moved to more appropriate rate groups.

Health Authorities in 2012

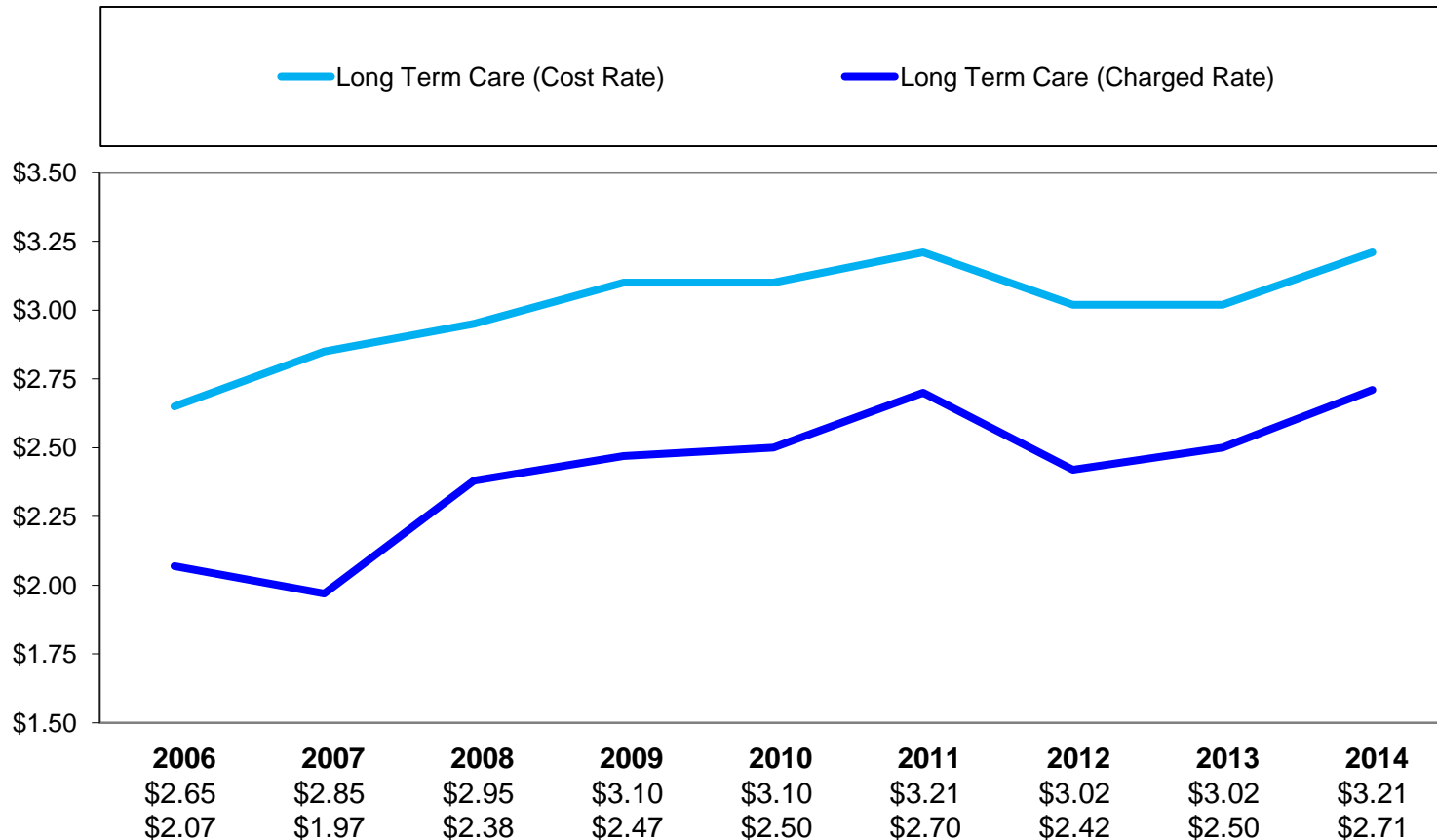


Acute Care, Long Term Care and Community Health Support together represent over 90% of Health Authority payroll and premiums.

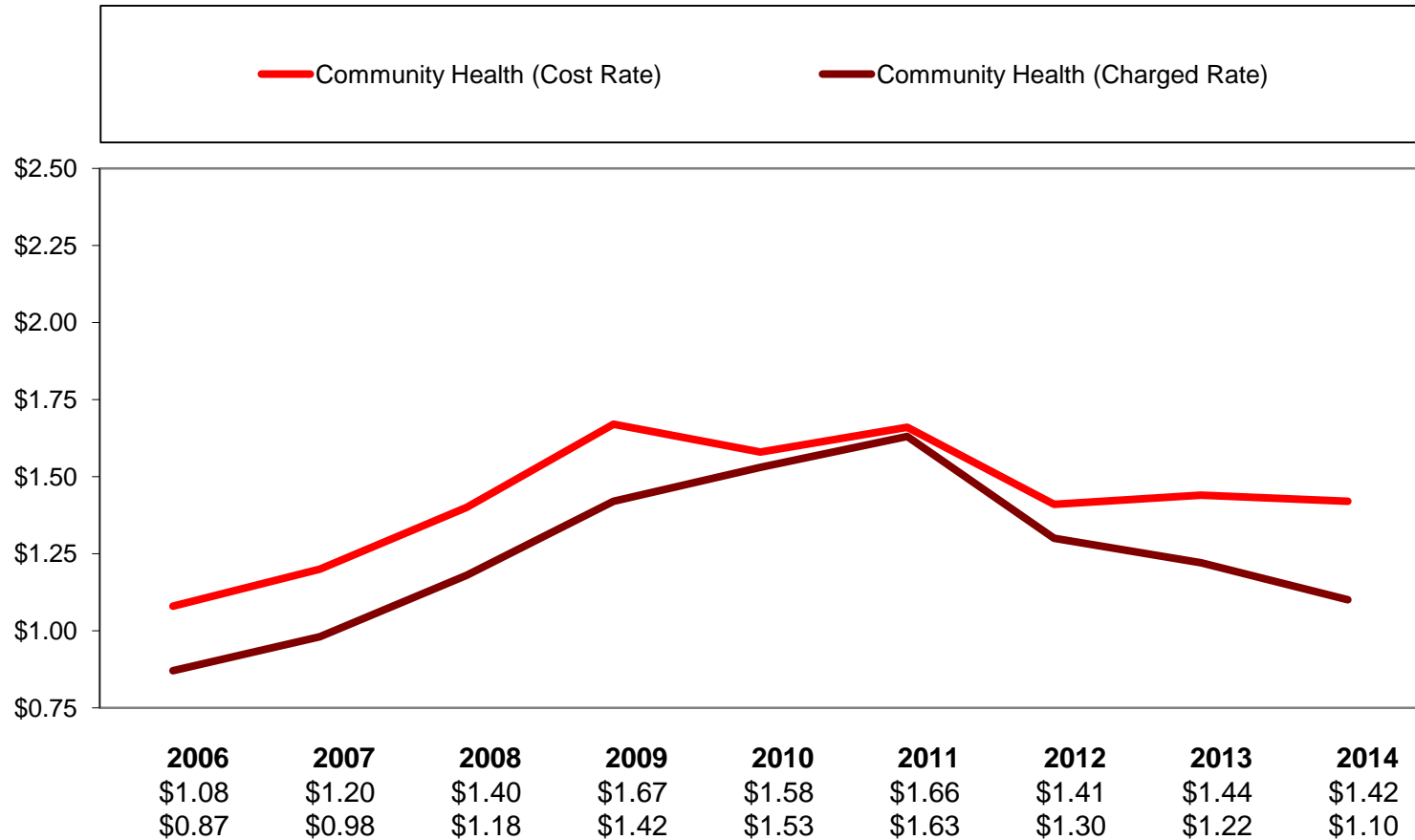
Historical Rates: Acute Care



Historical Rates: Long Term Care





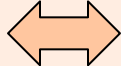


Historical Rates: Community Health



Health Care Rates (1 of 2)

Rate Group	Health Care CUs	Rate Change (* 10%)	Cost Rate	Injury Rate	Duration	Rate Group Balance
<u>AN</u>	766001 Acute Care 766004 Ambulance or First Aid Services					
<u>AO</u>	766011 Long Term Care					
<u>FE</u>	766006 Community Health Support					
<u>FP</u>	766010 Life and Job Skills Training*					
<u>FT</u>	766017 Residential Social Service Facility* 766018 Retirement of Seniors Home* 766019 Short Term Care*					
<u>FY</u>	766022 Laboratory Services					
<u>GB</u>	766002 Alcohol and Drug Treatment Centre* 766007 Counseling or Social Services*					

Health Care Rates (2 of 2)

Rate Group	Health Care CUs	Rate Change (* 10%)	Cost Rate	Injury Rate	Duration	Rate Group Balance
<u>GQ</u>	766003 Alternative Health Care* 766005 Chiropractic* 766008 Dentistry* 766012 Massage Therapy* 766013 Optometry* 766014 Physiotherapy or Occupational Therapy* 766015 Medical Clinic or Medical Practice* 766020 Supplementary Health Care* 766021 Surgical Centre*					

The Capital Adequacy Reserve

- The Capital Adequacy Reserve (CAR) was created in 2007, with two purposes:
 1. To manage the risk of unforeseen events with adverse financial consequences; and
 2. To limit the increases of employer premium rates.
- CAR has been built up over time using excess investment returns
- There is \$962 million in the CAR at December 31, 2012, and so far the CAR has been used to limit increases to the balance component of average rate to \$0.05 for the 2009, 2012, 2013 and 2014 rate years.
- The current target for the CAR is to help the organization achieve a funded ratio of 137%, and to contribute \$100 million (or 75% of smoothed surplus) per year until the target is reached
- WorkSafeBC is proposing to drop the target to 130% and to remove the minimum contribution of \$100 million.