



Message from Todd Gilchrist

Vice President, People, Legal & Privacy

Follow-up to Cost Changes to Employee Benefits

To all Non-Union/Exempt Employees,

I am writing in response to the many messages I have received following my email last week on the increase to Long Term Disability (LTD) premiums for non-union/exempt employees (NUEE).

Thank you for taking the time to express your concerns to me. I understand your frustration, and recognize this feels like one more issue for our NUEE group to accept. This increase is especially difficult given your wages have been frozen for a number of years and will continue to be frozen until at least 2018.

I wish I could have prepared you better for this news. My intent in sharing the information was to be open and transparent about what was to come so you would have time to prepare for the impact.

I want you to know that I am taking your concerns, questions and your comments seriously. Today, I want to acknowledge the responses I have heard and provide more information to address questions that have been raised.

Our non-union/exempt employees are a hard-working, dedicated group. I see first-hand, every day, your commitment to this organization and to our patients and to each other. I thank you for that.

Q: Why am I just hearing about this now?

A: In the past, we have communicated premium changes as part of the Flex Benefit enrollment process. This year, given the size of the increase to LTD premiums, we chose to highlight it for staff as we didn't want anyone to be caught by surprise when doing their flex allocation.

Q: Why have the costs increased so much this year?

A: Long Term Disability claims have been steadily increasing — approximately 75 per cent over the past four years — to the extent that the NUEE plan ran a significant deficit last year, as actual claims costs were approximately 50 per cent over what we paid into the plan. Our plan is contractually required to guarantee there is an appropriate amount of money held in trust to take care of those who are disabled and this increase is to make sure the promise to provide past and future benefits is maintained.

Q: I've never made a claim so why are my costs increasing?

A: Like all our benefits, everyone is in a large pool. Plans are grouped by union/non-union affiliation (UNA, HSAA, AUPE and NUEE) for many reasons — different plan designs, taxability, etc. These large pools provide greater economies of scale, by reducing overall costs and allowing all employees the ability to obtain benefits regardless of their individual health status. AHS has negotiated some of the lowest administrative fees (costs charged by the insurance provider) in the country — this has been verified through a recent request for proposal. Our rising LTD premiums are highly reflective of our rising claims.

Q: What can be done to help prevent the number of claims or the length of time people are off work?

A: AHS is actively pursuing a number of strategies. One key strategy is to provide earlier intervention, increasing support to employees prior to their illness or injury reaching the point where LTD is required. Statistics show that early intervention can prevent an illness or injury from escalating into a long-term or permanent disability and/or reduce the length of time spent on Long Term Disability. Other strategies will be to continue to promote health and wellness amongst our employees, to focus on psychologically safe workplaces and to promote a work-life balance.

Q: How do we know that all the claims are legitimate?

A: To ensure the payment of disability benefits are appropriate, our disability insurer carefully assesses all claims before they are approved. To qualify for LTD, a claimant is required to provide significant medical proof of disability. Claims are monitored on an ongoing basis and ongoing proof of disability is required for benefits to continue to be paid. AHS works with employees and the insurer to return people to work following disability and is always looking at ways to continuously improve this process.

Q: Will there be a salary increase to offset the cost of this increase?

A: AHS continues to operate under the salary freeze for non-union exempt staff that was announced by government earlier this year. Salary adjustments cannot be made to offset the premium increases.

Q: Can AHS pay the increased premium cost?

A: Because LTD premiums are 100 per cent paid by NUEE staff; any benefits, when paid to claimants, are non-taxable. If AHS were to pay for a portion of the premium costs, LTD benefits would become taxable, reducing the amount of benefit for staff.

Q: Can I opt out of LTD?

A: No, opting out is not possible. Opting out is not a feature of disability insurance plans. AHS ensures LTD plans are in place to provide income protection for employees who become disabled due to illness or injury. Allowing optional participation would expose individuals who opt out to the risk of disability without income. It could also result in a smaller pool of participants, driving premiums even higher.

Q: Where are we now?

A: The increase in Long Term Disability claims and costs is a concern for AHS and we are working to help manage this. Although premiums have significantly escalated, this plan is intended to provide security for those on claim or those who may become disabled in the future. From a broader perspective, all our other plans are in good shape. No increases are required in LAPP, Life, Accidental Death and Dismemberment and Dental, with only a small change to our Health plans. AHS regularly conducts a review of its benefit programs to ensure they provide market-competitive benefits to NUEEs. As part of our regular due diligence, within the next calendar year AHS will be conducting a review of the NUEE flex benefits program in order to assess its market competitiveness.

Thank you once again for your feedback. I am open to continuing to hear from you on this topic and any other topics that matters to you.

Sincerely,

Todd Gilchrist

Vice President, People, Legal & Privacy