



NOVA SCOTIA  
FEDERATION OF  
MUNICIPALITIES



# Nova Scotia Federation of Municipalities Health & Benefits Committee (HBC)

## **Benefit Plan Governance Guidelines**

Approved September 14, 2023

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# Section 1 – Overview of NSFM Plan

## Participants

Eligible Participating Organizations (“Participants”) may be any such organization that operates within the broader municipal sector (defined in **Appendix B**).

## Value of the NSFM Plan

The NSFM Group Benefit Plan (“Plan”) leverages the collective base of the Participants and has produced significant financial savings for Participants in addition to qualitative advantages that may not be available to individual Participants if they were managed as a stand-alone plan by an insurer.

**The following is an overview of the key advantages:**

## Qualitative

The critical mass of the Plan provides the leverage necessary to negotiate more favorable provisions and benefits than otherwise possible on a stand-alone basis.

Examples of the qualitative advantages realized as a direct result of the collaborative model include:

- Life & Long-term Disability (LTD) limits for overall maximums that are sufficient to cover the highest reported incomes without evidence of insurability.
- Higher non-evidence (i.e. no medical required) limits for benefits such as Life, LTD, and Member/Spouse Optional Life.
- Fewer pre-existing condition limitations for emergency out-of-country travel insurance.
- Enhanced Employee Benefits, including:
  - Wellness Modules: Smoking Cessation, Weight-Loss, Dieticians.
  - Wellness Program: Access to the NSFM/AMANS Wellness Coordinator and Program.
  - Flexibility to include additional benefits such as Short-Term Disability, Critical Illness, Healthcare Spending Account, and/or Personal Spending (Wellness) Account.
  - Employee and Family Assistance Program (EFAP): Access to the EFAP program.
  - Early Assistance support (feature of the LTD plan). Designed to support the employee and employer, resulting in earlier and more successful “return to work” efforts.
  - Virtual Care: virtual primary care services on demand. Members can meet with a physician/nurse practitioner virtually and receive a diagnosis, advice, prescription & refill, lab & imaging requisitions, and referrals when necessary.
  - Optional Life, AD&D, and Critical Illness benefits are available to members through the Health & Dental carrier.

- Individual Health & Dental coverage options available for retirees, without evidence of insurability, if applied for within a specific period from when group coverage is lost.

## **Quantitative**

Examples of the quantitative advantages realized as a direct result of the collaborative model include:

- With the Administrative Services Only (ASO) underwriting arrangement for health and dental benefits, Participants benefit from reduced administration fees and expenses, which leaves more premium in the plan to pay claims.
- When renewals result in claims being below budget for medical or dental premium, the Plan owns this surplus. In an insured arrangement, this money would have profited the insurer, and not gone back to the Participants and its members.
- Increased negotiation power for renewal rates, resulting in significantly lower rates, higher stability of rates compared to industry, and longer guaranteed periods for insured benefits.

## **Underwriting Methods**

The NSFM Group Benefit Plan employs a variety of underwriting methods based on the size, risk tolerance and benefit design of Pool A and Pool B Participants. The following is a brief overview of the underwriting method utilized by line of benefit with particular emphasis below to describe the risk management arrangements associated with the Life and LTD benefits.

### ***Health & Dental***

- Pool A is self-insured (Administrative Services Only – ASO) at the overall Pool A level. There is one (1) financial statement provided for all of Pool A.
- Pool B Participants are also self-insured (Administrative Services Only – ASO) at the Pool B Participant level. Each Pool B Participant receives their own financial statement for health and dental.
- Individual Large Amount Pooling (ILAP) for high individual claim amounts. This coverage is pooled with the insurer’s block of business.

### ***Travel***

- Fully insured (i.e. rates based on insurer’s pool/manual rates and the demographic/risk profile of the group).
- Individual Large Amount Pooling (ILAP) for high individual claim amounts.

### ***Optional Benefits***

- Premiums paid fully by employees.
- Coverage can be available for employees and dependents.
- Examples: Optional Life (Employee and Dependents), Optional AD&D (Employee and Dependents), Optional Critical Illness.
- Fully insured (i.e. rates based on insurer’s pool/manual rates and the demographic/risk profile of the group).

***Basic Life & LTD***

- Experience-rated, non-refund accounting arrangement.
- Rates are a function of both the overall claims experience and a manual rate based on demographic risk, plan design, and the insurer's overall block experience.
- In reviewing the rates for Life and LTD, it is important to ensure fair, competitive, and equitable rates amongst the Participants. There are number of variances that may impact each Participant's rate: demographics, manual rates, plan designs, as well as the Participants' claims experience.
- Rate changes are distributed amongst the Participants based on the above factors, to achieve the overall rate change necessary. It is intended that the review of the rate occur every three (3) years.

## Section 2 – Guidelines for Plan Governance

This document sets out the Benefit Plan Initiatives & Guidelines to be followed by NSFM Group Benefit Plan Health & Benefits Committee in the delivery of the Group Insurance Plan (the Plan).

The Plan refers to the Group Life, Long Term Disability, Short Term Disability, Dependent Life, Accidental Death and Dismemberment, Health and Dental Benefit plans, Out of Country Travel, and other services/programs provided.

The HBC works directly with Hub International Benefits Consultants (Consultant) on the following key deliverables:

Key Deliverables	Details	When / Who
1. <b>Financial Charges &amp; Rates</b>	<ul style="list-style-type: none"> <li>ASO Charges and Retention (risk, profit, and admin fees)</li> <li>Pooling charges</li> <li>Fully insured rates</li> <li>Reserves</li> <li>Interest rates</li> </ul>	<p>Provided by Consultant to HBC annually in conjunction with the renewal and discussed at the Annual Renewal meeting</p>
2. <b>ASO Financial Statements (Health and Dental)</b>	<ul style="list-style-type: none"> <li>HUB analysis, and review of financial statements for reasonableness</li> <li>Verification that all charges, interest rates, etc. are in accordance with the underwriting agreement</li> </ul>	<p>Overview provided at the Annual Renewal meeting</p> <p>Full review of Financial Statements completed annually in the Spring for Pool A and Pool B Participants</p> <p>Completed by HUB Consultant and provided to NSFM / AMANS for Pool A and to each Pool B Participant</p>
3. <b>Underwriting Arrangements</b>	<ul style="list-style-type: none"> <li>Awareness of risk in underwriting and pooling arrangements</li> <li>Monitored and reviewed by the HUB Consultant. Monitoring includes industry and market comparison and assessment of risk</li> <li>Education to HBC on underwriting arrangements and agreements</li> </ul>	<p>Provided by Consultant to HBC annually in conjunction with the renewal and discussed at the Annual Renewal meeting</p> <p>Education provided in orientation for new HBC members, as well as ongoing with the annual renewal</p>
4. <b>Annual Renewal</b>	<p>Anniversary year is April 1:</p> <ul style="list-style-type: none"> <li>HUB analysis of annual renewal from insurers for all group benefits, rates, and expenses</li> <li>Analysis and recommendations provided to the HBC for review/approval</li> </ul>	<p>Provided by HUB Consultant to HBC at the Annual Renewal meeting</p>

Key Deliverables	Details	When / Who
<p><b>5. Plan Governance</b></p>	<p>Governance documents:</p> <ul style="list-style-type: none"> <li>• HBC Terms of Reference</li> <li>• Benefit Plan Governance Guidelines</li> <li>• Participation Agreement</li> <li>• Confidentiality Agreement</li> <li>• Underwriting Agreements</li> <li>• Policy/Contracts with Insurers and Vendors</li> </ul>	<p>Periodic assessment of the governance structure and practices</p> <p>Confirm or amend the governance structure and practices, as the HBC considers necessary</p>
<p><b>6. Plan Design</b></p>	<ul style="list-style-type: none"> <li>• Conduct periodic, regular reviews of the Plan design</li> <li>• Review marketplace information to ensure the Plan is competitive with other association or industry plans</li> <li>• Implement changes to the plan required by governing legislation or common law. Plan amendments, booklet and contract review provided by HUB Consultant.</li> </ul>	<p>Analysis and recommendations provided by HUB Consultant (as needed)</p>
<p><b>7. Market Study</b></p>	<p>Reasons for market study include (but not limited) to the following:</p> <ul style="list-style-type: none"> <li>• Cost above market and/or test competitiveness of the market</li> <li>• Significant service concerns (or changes within carrier relationship)</li> <li>• New product needs</li> <li>• Service and innovation concerns</li> </ul>	<p>A market study may be performed on the full benefits portfolio, or a subset of the portfolio</p> <p>Given the size and scope of the NSFM Group Benefit Plan, typically every 5-7 years</p>
<p><b>8. Plan Administration</b></p>	<ul style="list-style-type: none"> <li>• Benefit plans to be communicated effectively to Plan Administrators and employees</li> <li>• Plan Administration is the responsibility of the individual Participant</li> </ul>	<p>HUB Consultant can coordinate orientation and ongoing education to the Participant's Plan Administrators (via communications/reminders, webinars, etc...)</p> <p>Day-to Day: The Plan Administrator works with the Third Party Administrator (Telus Health) Client Service Centre (CSC) online benefit portal, phone, or email</p> <p>Escalated: Plan Administrator has access to HUB Consulting team</p>

Key Deliverables	Details	When / Who
<p><b>9. Communication</b></p>	<ul style="list-style-type: none"> <li>Support participating Plan Administrators, and ultimately members through a program of communication including benefit plan, tools, and resources</li> </ul>	<p>Leverage and share insurer and other vendor communications and tools with the Participant</p> <p>Provide support to the Participants, examples include:</p> <ul style="list-style-type: none"> <li>CAO onboarding</li> <li>Benefit plan overviews for members via presentations / webinars</li> <li>Plan Administration templates</li> <li>Renewal communications</li> </ul> <p>As hoc as required</p>

## Section 3 – Plan Approval Matrix

Activity	Required Approvals and Notifications
<ul style="list-style-type: none"> <li><b>Annual Renewal</b></li> </ul>	<ul style="list-style-type: none"> <li>HUB Consultant provides analysis and findings/recommendations to the HBC (Annual Renewal Meeting).</li> <li>HBC Committee makes decisions on renewal</li> <li>HUB Consultant provides confirmation and communication directly to the Pool A and Pool B Participant.</li> </ul>
<ul style="list-style-type: none"> <li><b>Rating Methodology</b></li> </ul>	<ul style="list-style-type: none"> <li>Based on underwriting methods and best practice, HUB Consultant provides analysis and recommendations to HBC on rating methodology.</li> <li>Examples: Life / LTD rating methodology considers individual Participant manual rates; rate smoothing between Pool A options, etc...</li> </ul>
<ul style="list-style-type: none"> <li><b>Market Study &amp; Provider Selection</b></li> </ul>	<ul style="list-style-type: none"> <li>Decision to go to market based on market study considerations</li> <li>In consultation with HUB Consultant, HBC makes recommendation to the Board on final vendor selection</li> <li>Final approval required from the Board</li> </ul>
<ul style="list-style-type: none"> <li><b>Plan Design: Changes to plan provisions and amendments</b></li> </ul>	<ul style="list-style-type: none"> <li>For Pool A, HUB Consultant provides analysis and findings/recommendations to the HBC</li> <li>HBC approval required to implement changes and/or amendments for Pool A</li> <li>For Pool B, approval is required from the applicable Pool B Participant (i.e. CAO and/or Plan Administrator)</li> </ul>
<ul style="list-style-type: none"> <li><b>Underwriting Arrangements and Reserve Management</b></li> </ul>	<ul style="list-style-type: none"> <li>HUB Consultant reviews changes in underwriting arrangements or funding/reserve requirements and provides analysis/recommendations to the HBC</li> <li>HBC recommendation is required to implement amendments to Underwriting Arrangements. Must be approved by Board.</li> <li>For Pool A, HBC approval required on decisions with overall plan reserves (i.e. target level, uses/replenishment).</li> <li>For Pool B, approval is required from the applicable Pool B Participant for decisions with plan reserve (i.e. target level, uses/replenishment).</li> </ul>

## **Appendix A – Health & Benefits Committee Terms of Reference**

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## **Appendix B – Participating Organizations**

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## **Appendix C – Participation Agreement**

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## **Appendix D – Transition Pool A to Pool B**

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