



HEALTHCARE EMPLOYEES BENEFITS PLAN

# 2002 ANNUAL REPORT

[www.hebp.mb.ca](http://www.hebp.mb.ca)



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## HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA

For more detailed financial information or additional information about HEBP, please contact us.

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# Introduction

The Healthcare Employees Benefits Plan (HEBP) offers Group Healthcare, Dental, Disability and Rehabilitation (D&R) and Life Insurance Plans to eligible healthcare employees and their families throughout Manitoba.

Employers don't necessarily participate in each of the benefit plans offered by HEBP. Employees should check with their employer for coverage clarification.

Additional information on benefits and maximums is available in Plan brochures and on the HEBP website: [www.hebp.mb.ca](http://www.hebp.mb.ca)

## *Plan Membership*

Active Members						
Year (As at Dec.31)	Group Healthcare			Dental	Life Insurance	D&R
	Basic	Enhanced	Total			
<b>2002</b>	8,165	12,444	20,609	19,153	28,987	26,912
<b>2001</b>	7,778	12,237	20,015	17,891	28,953	23,965
<b>2000</b>	7,713	12,415	20,128	17,042	27,200	23,885

Retired Members		
Year (As at Dec.31)	Healthcare Plan (Levels I & II)	Post-Retirement Life Insurance
<b>2002</b>	3,694	3,283
<b>2001</b>	3,484	3,008
<b>2000</b>	3,571	2,696

# Report from the Chair of the Board

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The year 2002 brought significant changes for members of the HEBP Plans.

In both the Group Healthcare and Dental Plans, utilization increased making it necessary to increase premium rates.

HEBP conducted a Group Healthcare and Dental survey, designed to solicit input from Plan members regarding covered benefits and premium rates. The HEBP Board will continue to gather information from members on a regular basis to assist in future planning.

During the year, HEBP undertook a major initiative to improve the Disability Plan. An in-house Disability and Rehabilitation (D&R) Plan was inaugurated on June 1, 2002 with the primary purposes of improving service to members and committing resources to the rehabilitation of disabled members. The previous Plan incurred significant deficits and did not provide the desired level of rehabilitation services deemed necessary by the HEBP Board of Trustees. Statistics on the progress of the new Plan will be available next year.

Also during 2002, in order to make the D&R Plan viable into the future, the HEBP Board approved adjustments to both contribution rates and benefit levels, effective April 1, 2003.

The Board of Trustees of HEBP and the Board of Trustees of the Healthcare Employees Pension Plan (HEPP) have appointed Mr. John McLaughlin as Executive Director. Reporting to the jointly trustee HEPP/HEBP Boards, Mr. McLaughlin will direct HEPP/HEBP's activities to achieve the organization's strategic objectives and enhance service to members and employers.

Over the next two years, HEBP will be upgrading systems and processes to provide more timely information to members. The Board members wish to express their appreciation to the HEBP management and staff for their renewed commitment to improving systems, processes and data, and enhancing service to members.



Mark Nekar  
Chair

# Report from the Executive Director

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It has been five years since the inception of HEBP. In 2002, HEBP staff focused on evaluating and analyzing processes, procedures, systems and data. This process has led to a renewed commitment to improve service and provide more timely and accurate information to members.

Management changes have invigorated the process of change. Initiatives include reducing administration costs through automation of processes, addition of data validity checks and document imaging.

It is intended that HEBP members will receive benefit statements in the future with details on individual benefit coverage. HEBP members who are also members of the Healthcare Employees Pension Plan (HEPP) will receive one consolidated pension and benefit statement.

In addition to striving for steady and noticeable improvement, HEBP will improve accountability to the Board of Trustees by providing reports that monitor service levels to members.

I would like to take this opportunity to thank the HEBP Board for their guidance and support in initiating changes and improvements and HEBP management and staff for their commitment to improvement.

The administrative staff appreciates the cooperation and understanding of members and employers as HEBP embarks on change. Please continue to send your feedback and suggestions to enable HEBP to be more responsive to your needs.



John McLaughlin  
Executive Director

# Governance Structure

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## Board of Trustees

HEBP is governed by an independent, 10 member Board of Trustees equally representing both unions and employers:

- Five trustees are appointed by participating employers.
- Five trustees are appointed by healthcare related unions in Manitoba.

Board members and their affiliations are listed on page 22.

## Management and Staff

HEBP management and staff provide administrative and member services for both the Healthcare Employees Benefits Plan (HEBP) and the Healthcare Employees Pension Plan (HEPP).

## Service Providers

HEBP works in partnership with Manitoba Blue Cross and The Great-West Life Assurance Company to deliver benefits to members.

# Management's Responsibility for Financial Reporting

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The financial statements of all the Benefit Plans have been prepared by management and approved by the Board of Trustees. Management is responsible for the contents of the financial information within the annual report.

The financial statements have been prepared in accordance with generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2002 Annual Report that relates to the operations and financial position of HEBP is consistent with that in the financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

HEBP's external auditors, KPMG LLP, have conducted an independent examination of the financial statements in accordance with generally accepted auditing standards, performing such tests and procedures as they consider necessary to express the opinion in their audit report. The external auditors have full and unrestricted access to the Board to discuss the audit and related findings as to the integrity of HEBP's financial reporting and adequacy of internal control systems.



John McLaughlin  
Executive Director



Rohini Halli, CA  
Director of Finance

# 2002 Highlights

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## Group Healthcare Plan

### Benefit Coverage for Active Employees

There are two coverage levels under the Group Healthcare Plan providing for many healthcare related expenses. **Basic coverage** covers ambulance service, semi-private hospital rooms, travel healthcare insurance, cardiac rehabilitation, prosthetics, rental or purchase of medical equipment, prescription drugs, private duty nursing, athletic therapy and services by the following paramedical practitioners:

- Chiroprapist
- Certified Foot Care Nurse
- Clinical Psychologist
- Physiotherapist/Occupational Therapist
- Registered Dietician

**Enhanced coverage** provides the above benefits with higher maximums for paramedical practitioners, prescription drugs and private duty nursing, and offers vision care, specialist referral benefits, assisted care benefits, tutorial services, hearing aids and orthotics. In addition to the paramedical services covered under Basic coverage, Enhanced coverage offers services by the following paramedical practitioners:

- Acupuncturist
- Audiologist
- Chiropractor

- Licensed Massage Therapist
- Naturopath
- Osteopath
- Speech Therapist

### Membership Survey

Input from members on Plan design and costs was obtained from a membership survey conducted in 2002. A total of 5,744 completed surveys out of the 20,702 mailed were returned to HEBP, representing over 27% of Group Healthcare Plan members.

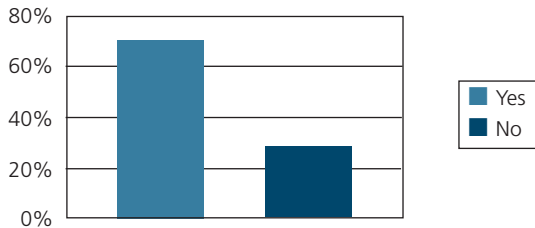
- Respondents rated prescription drug coverage, vision care, ambulance/hospital and travel healthcare as the benefits most important to them.
- Athletic therapy, private duty nursing, podiatry/foot care and chiropractic benefits were rated as the least important benefits to respondents.
- 56% of respondents with the BlueNet Point of Sale Drug Card did not want to see the card cancelled. Some comments strongly opposed cancellation of the card.



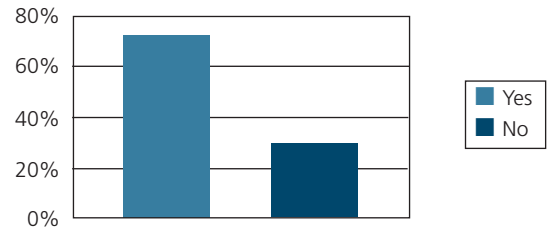
- 57% of respondents who are Enhanced Plan members with a child/children age 18 or under said they would agree with reducing the child vision benefit to \$150 every two years from \$150 each year.
- Respondents indicated that a combination of options should be considered to offset increases in paid claims. The two options favoured were to continue to increase premiums as necessary and to introduce deductibles. Respondents did not want to see benefits reduced or lower percentages of benefits covered.

Other key findings are summarized in the following charts.

***Would you consider the creation of a single plan to take the place of the existing plans with coverage and premiums somewhere between the existing two plans?***

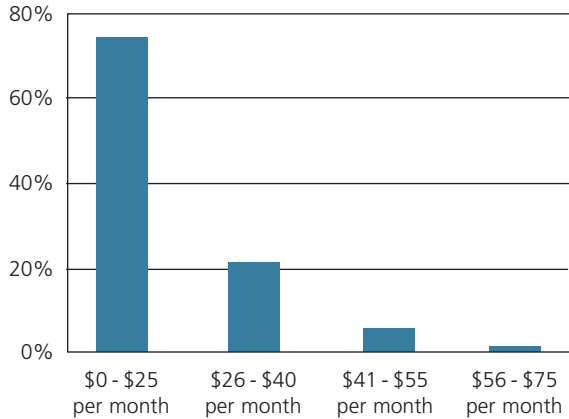


***Would you agree with a change to an overall paramedical benefit maximum with one total maximum for paramedical benefits per year?***

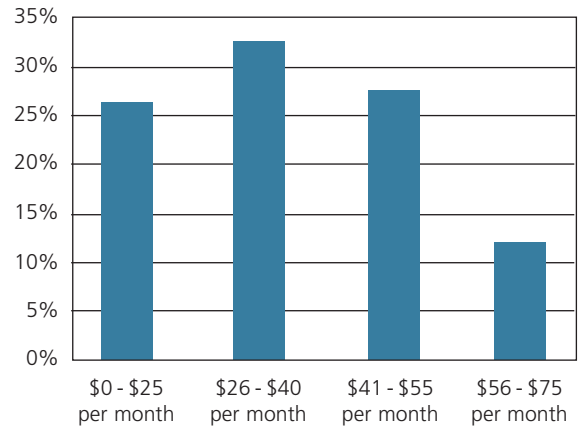


## 2002 Highlights (cont.)

*How much would you be willing to pay to maintain the current Basic Healthcare coverage?*



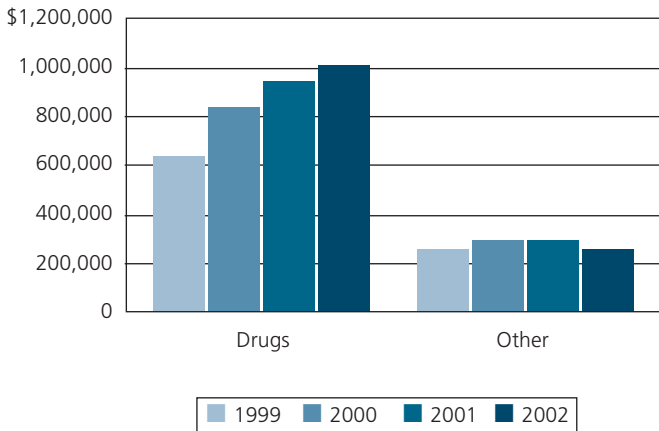
*How much would you be willing to pay to maintain the current Enhanced Healthcare coverage?*



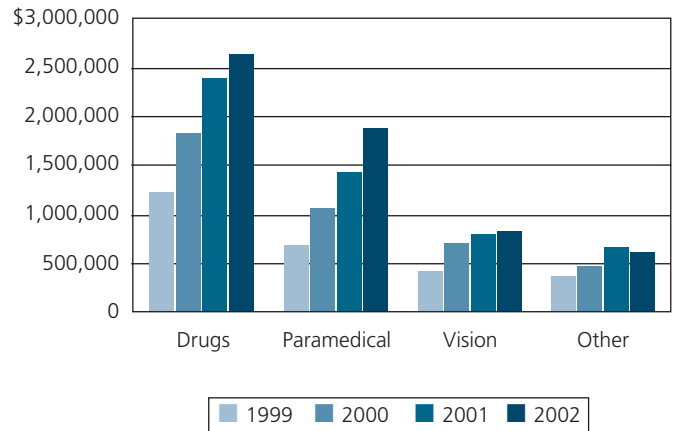
## 2002 Plan Experience

Rate increases were implemented on June 1, 2002 to Basic and Enhanced Group Healthcare premiums to offset continued increases in utilization.

### Basic Group Healthcare Plan Comparison of Paid Claims



### Enhanced Group Healthcare Plan Comparison of Paid Claims



# 2002 Highlights (cont.)

## Dental Plan

### Benefit Coverage for Active Employees

The Dental Plan covers 100% of eligible charges for basic dental treatment, 50% of eligible charges for major dental treatment and 50% of eligible charges for orthodontic treatment for dependent children under age 18. Members and eligible family members may claim up to \$1000 per person each calendar year.

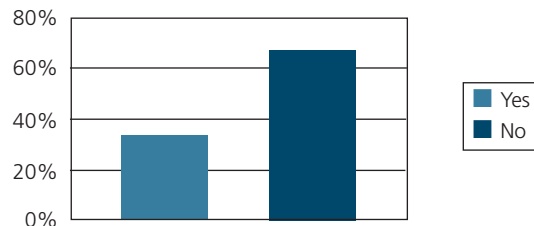
### Membership Survey

The membership survey conducted in 2002 included questions about the HEBP Dental Plan.

- 80% of respondents would not want to pay slightly higher premiums to increase the lifetime maximum for orthodontic treatment for dependent children under age 18 to \$1,250 from \$1,000.
- Respondents would prefer to see a combination of increasing premiums as necessary and introducing deductibles to offset increases in paid claims.

Other key findings are summarized in the following chart.

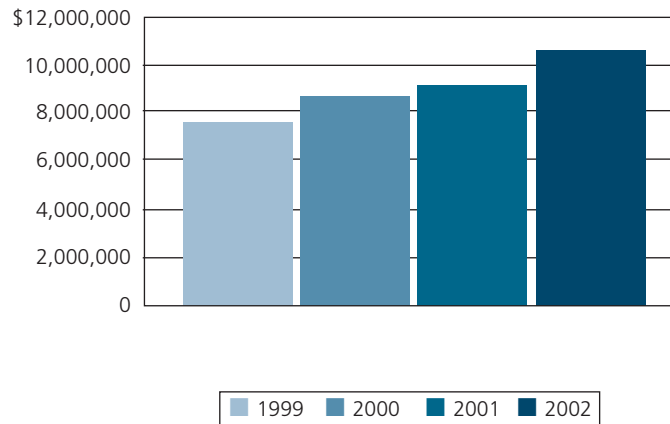
***Would you be willing to pay slightly higher premiums if coverage was increased to 60% from 50% of eligible charges for major dental treatment?***



## 2002 Plan Experience

A rate increase was implemented, effective April 1, 2002, to offset the Manitoba Dental Fee Guide adjustment and the rise in claims paid.

**Dental Plan  
Comparison of Paid Claims**



# 2002 Highlights (cont.)

## Retiree Group Healthcare Plan

### Benefit Coverage for Retired Members

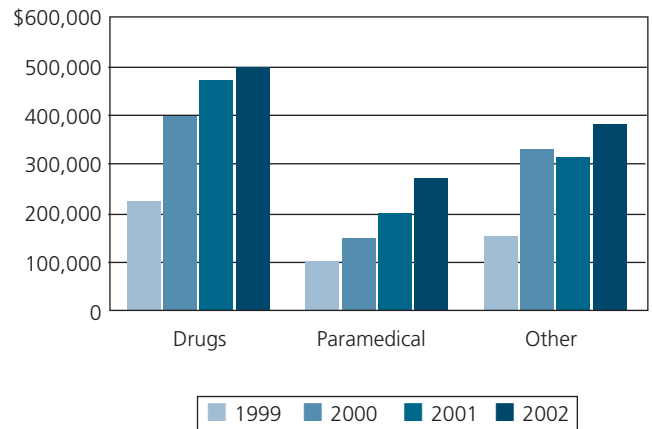
There are two coverage levels under the Retiree Group Healthcare Plan providing for many healthcare related expenses. **Level I** covers ambulance service and semi-private hospital rooms. **Level II** covers the above benefits and offers private duty nursing, travel healthcare insurance, prescription drug coverage, cardiac rehabilitation, physiotherapy/occupational therapy, prosthetics, rental or purchase of medical equipment and services by the following paramedical practitioners:

- Athletic Therapist
- Audiologist
- Certified Foot Care Nurse
- Chiropractor
- Clinical Psychologist
- Licensed Massage Therapist
- Naturopath
- Osteopath
- Podiatrist
- Registered Dietician
- Speech Therapist

### 2002 Plan Experience

Though the total of claims paid under the Retiree Group Healthcare Plan continued to increase in 2002, premiums remained unchanged.

**Retiree Group Healthcare Plan  
Comparison of Paid Claims**



## Dental and Group Healthcare Plan Financial Summary

	2002	2001
<hr/>		
Increase in net assets		
Premiums	\$ 19,471,059	\$ 17,029,641
Investment income	53,710	133,230
	<hr/> 19,524,769	<hr/> 17,162,871
<hr/>		
Decrease in net assets		
Claims incurred	18,794,119	16,909,456
Plan administration expenses - HEBP	140,750	129,708
Plan administration expenses - Manitoba Blue Cross	1,260,342	1,044,107
	<hr/> 20,195,211	<hr/> 18,083,271
<hr/>		
Decrease in net assets before undernoted	(670,442)	(920,400)
Appropriations to reserves	(30,273)	(66,745)
Decrease in net assets	<hr/> (700,715)	<hr/> (987,145)
<hr/>		
Net assets, January 1	(494,422)	492,723
Net assets, December 31	<hr/> \$ (1,195,137)	<hr/> \$ (494,422)
<hr/>		

# 2002 Highlights (cont.)

## Group Life Insurance Plan

### Benefit Coverage for Active Employees

The Group Life Insurance Plan offers members the flexibility to choose the amount of coverage needed to re-establish income if a loss of life occurs.

Members are automatically insured for Basic Life Insurance equal to their gross basic annual earnings, and may choose additional coverage for themselves and family members. They are also automatically insured for Basic Accidental Death & Dismemberment (AD&D) Insurance equal to their total Basic and Optional Life Insurance coverage, and may choose additional AD&D insurance.

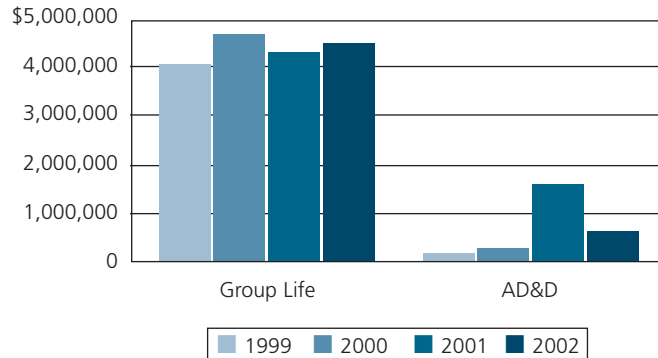
### Benefit Coverage for Retired Members

At retirement, Optional Post Retirement Insurance is available. Members may choose from one to four units, depending on the number of units of insurance they had while actively at work. Each unit is equal to \$7,000 of insurance before the age of 60, and at age 60 reduces by \$1,000 per unit every five years. Coverage and premiums stop at age 90.

### 2002 Plan Experience

Paid claims under the Group Life Plan increased marginally in 2002. There was a significant decrease in AD&D paid claims.

**Group Life Insurance Plan  
Comparison of Paid Claims**





## Group Life Insurance Plan Financial Summary

	2002	2001
<hr/>		
Increase in net assets		
Premiums	\$ 6,133,220	\$ 5,730,095
Investment income	-	1,539,150
	<hr/> 6,133,220	<hr/> 7,269,245
<hr/>		
Decrease in net assets		
Claims incurred	5,201,269	5,913,803
Plan administration expenses - HEBP	332,427	309,660
Plan administration expenses - Great West Life	414,131	495,919
Investment loss	1,159,077	-
	<hr/> 7,106,904	<hr/> 6,719,382
<hr/>		
Decrease in net assets before undernoted	(973,684)	549,863
Appropriations (to) from reserves	(600,000)	3,776,801
Decrease in net assets	<hr/> (1,573,684)	<hr/> 4,326,664
Net assets, January 1	10,770,759	6,444,095
Net assets, December 31	<hr/> \$ 9,197,075	<hr/> \$ 10,770,759

# 2002 Highlights (cont.)

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## Disability and Rehabilitation Plan

### Administration Change

On June 1, 2002 the Long Term Disability (LTD) Plan became fully self-insured and is now administered in-house under the new name HEBP Disability and Rehabilitation (D&R) Plan.

HEBP has financial responsibility for 50% of claims with Manulife Financial, the Plan's previous insurer, and continues to pay administrative costs for existing claims. The number of claims with Manulife Financial has not decreased as rapidly as anticipated and is being monitored.

The total number of claims with Manulife Financial as of December 31, 2002 was 921.

### Benefit Coverage for Active Employees (As at December 31, 2002)

The Disability and Rehabilitation (D&R) Plan provides members with income should they become unable to work because of an illness or injury, and funds rehabilitation programs. If approved for benefits, benefits are calculated as follows:

*Basic Hourly Rate of Pay x Average Monthly Hours Worked  
x 66 2/3% = Monthly Benefit*

### Goals

- To provide members with income replacement if they are unable to work due to injury or illness.
- To treat members and stakeholders with respect and dignity while providing:
  - A non-adversarial approach.
  - Professional, fair, objective and timely services.
  - Open communication.
  - Flexibility and innovation in creating individualized rehabilitation and return to work programs.
  - Leadership in championing disability management issues.

### Progress to Year-End 2002

- Staff members have been hired from a variety of healthcare disciplines.
- An in-house claims management system has been developed to monitor claims from application to payment stages.
- Focus groups comprised of members, stakeholders and consultants have been involved in application development.
- Medical and rehabilitation service providers have been identified and services are contracted to these providers.
  - Orientation is provided to all service providers to introduce HEBP service standards.
  - An orientation manual was developed for external Vocational Rehabilitation Service Providers to use as a guide.

- A new appeal process has been drafted, and may include a multidisciplinary review, mediation and/or a formal appeal hearing.
- The Plan Text, outlining the terms and conditions of the D&R Plan, has been reviewed.
- A review of hours for part-time employees was completed in conjunction with employers to ensure member eligibility.

### Changes to Contribution Rates, Benefits and Own Occupation Period

In December 2002, the HEBP Board of Trustees reviewed options to ensure fiscal solvency of the D&R Plan. The following changes were approved to be implemented *effective April 1, 2003*:

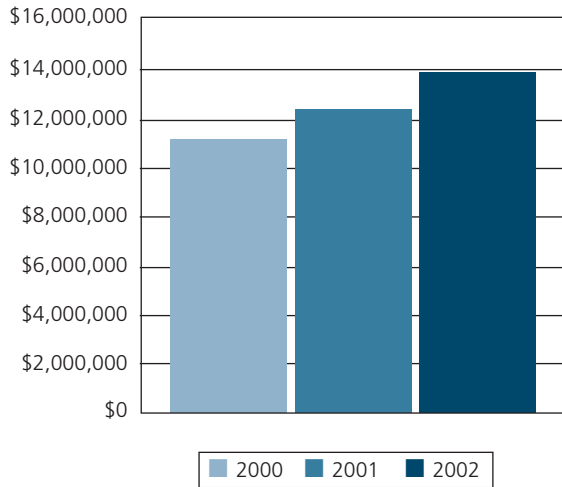
- Increase contribution rates by 0.3%.
  - This was the first rate increase since 1988, and has been assumed by employers.
- Decrease benefit calculation to **60%** from **66 2/3%** of pre-disability gross basic monthly earnings for claimants with a date of disability on or after April 1, 2003.
- Reduce the “own occupation period” for members with a date of disability on or after April 1, 2003 to include the 119-day elimination period and the following **20 months** (decreased from **24 months**).
  - To qualify for D&R benefits, a member must be unable to work due to a disability for at least 119 calendar

days from the date of disability. This is called the elimination period. The member must also meet the definition of disability as defined by the Plan and must be unable to perform as a substantial or essential part of the regular duties of their job due to a medical condition as certified by a medical doctor during the “own occupation period.”

- For members with a date of disability on or after April 1, 2003, who are eligible for an unreduced pension, offset monthly disability benefits by retirement benefits from the Healthcare Employees Pension Plan (HEPP).
  - This offset will be applied only after a period of disability exceeds 24 months (119-day waiting period plus 20 months).

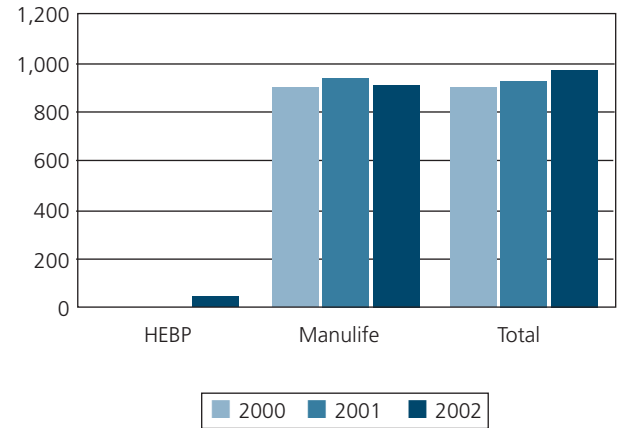
# 2002 Plan Experience

## Disability & Rehabilitation Plan Comparison of Paid Claims (Insured and self-insured claims)\*



\*Insured claims paid by Manulife Financial after June 1, 2002 have been included for comparative purposes only.

## Disability & Rehabilitation Plan Number of Paid Claims



## Disability & Rehabilitation Plan Financial Summary

	2002	2001
<hr/>		
Increase in net assets		
Premiums	\$ 17,256,171	\$ 15,209,018
Investment income	3,364,901	2,439,756
Funding from Manitoba Health	-	6,278,476
	<hr/> 20,621,072	<hr/> 23,927,250
<hr/>		
Decrease in net assets		
Claims incurred	9,917,774	12,574,123
Plan administration expenses - HEBP	1,438,367	650,903
Plan administration expenses - Manulife	892,265	1,326,199
	<hr/> 12,248,406	<hr/> 14,551,225
<hr/>		
Decrease in net assets before undernoted	8,372,666	9,376,025
Gain on assumption of deficit by Manulife	2,319,993	-
Appropriations to reserves	(19,418,533)	(10,444,430)
Decrease in net assets	<hr/> (8,725,874)	<hr/> (1,068,405)
Net assets, January 1	(235,981)	832,424
Net assets, December 31	<hr/> \$ (8,961,855)	<hr/> \$ (235,981)
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# 2002 HEBP Directory

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## Board of Trustees

### Union Representatives

Ray Erb

*Manitoba Government and General Employees Union (MGEU)*

Doug Laurie

*International Union of Operating Engineers (IUOE )*

Bob Romphf\*\*

*Manitoba Nurses Union (MNU)*

Lorraine Sigurdson

*Canadian Union of Public Employees (CUPE)*

Ken Swan

*Manitoba Association of Health Care Professionals (MAHCP)*

### Employer Representatives

Jean-Paul Gobeil

*Winnipeg Regional Health Authority (WRHA)*

Mark Neskar\*

*Seven Oaks General Hospital*

Gloria O'Rourke

*WRHA*

Frank Ryplanski

*Retired*

Penny Sorensen

*Assiniboine Regional Health Authority (RHA)*

\*Chair    \*\*Vice-Chair

## **Management Team**

John McLaughlin, Executive Director

Rohini Halli, CA, Director of Finance

Ronald Queck, CFA, Director of Investments

Kay Dunthorne, FLMI, ACS, ALHC, Director, Benefits Administration

Ron Serediuk, Manager, Benefits Administration

Barbara Kieloch, RN, BN, MScA, Manager, Disability and Rehabilitation

## **Consultants**

Auditor – KPMG LLP

Legal Counsel – Koskie Minsky

Actuarial Consulting – Eckler Partners Ltd.

– Watson Wyatt Worldwide



## HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA

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