

ANNUAL REPORT SUMMARY 2012

HEALTHCARE BENEFIT TRUST



BENEFIT FROM EXPERIENCE

CEO MESSAGE

Healthcare Benefit Trust (HBT) is committed to excellence in benefits administration and client service while ensuring the financial sustainability of the Trust. Significant progress toward these goals was achieved over the past 12 months. We have highlighted this progress and our key strategic priorities within this report and below.

For the first time since 1998 the Trust, on a consolidated basis, is fully funded, achieving a 102 percent funded ratio as of 2012 year-end. This key performance indicator for the Trust is driven by financial performance, long term disability (LTD) claims experience and operational efficiencies.

SOLID FINANCIAL PERFORMANCE

HBT's investments, held with the British Columbia Investment Management Corporation (bcIMC), have performed above expectations with a return of 6.4 percent net of fees. In keeping with industry practice, HBT introduced margins in its rate setting process in 2011, and will continue to do so in the future allowing for less fluctuation in annual contribution rates and for greater stability in the funded position of the Trust.

In 2012, HBT offered a ten year payment plan to all past members who still owe the Trust their share of a deficit at the time they left the Trust. Steady deficit recovery continues in the underfunded pools within the Trust. Utilizing a deficit surcharge within the contribution rates allows members to pay down this debt over time without significant impact on their resources.

LONG TERM DISABILITY CLAIMS EXPERIENCE

After several years of improving long term disability (LTD) claims experience, in 2012 the trend began to reverse. We have seen a slow but steady increase in new LTD claims for 2012, resulting in a 2.9 percent increase over 2011. On the positive side, we have seen a 12.5 percent increase in claims terminations over 2011. Increased attention and effort from all stakeholders involved is required in the

prevention and management of LTD claims. HBT is available to collaborate and assist all employers in this important effort through our Rehabilitation Services or Benefits Design & Reporting teams.

OPERATIONAL EFFICIENCIES

Despite an increase in claims paid, I am pleased to report that the Trust's operating ratio decreased to 5.71 percent of contributions received in 2012, as compared with 6.3 percent in 2011. This reduction was achieved through several significant business initiatives including: outsourcing and consolidation of enrolment and billing for all benefits to Pacific Blue Cross (PBC), associated staff reductions, renegotiation of PBC fees, and service provider governance programs.

BUILDING RELATIONSHIPS & ENHANCING SERVICE

Partnering and collaborating are effective ways to address the challenges we face together to provide sustainable health and welfare benefits. In 2012 we worked closely with client groups and key stakeholders including HEABC, CSSEA and a number of ministries within the BC government on initiatives regarding benefits utilization, contribution rates and deficit recovery.

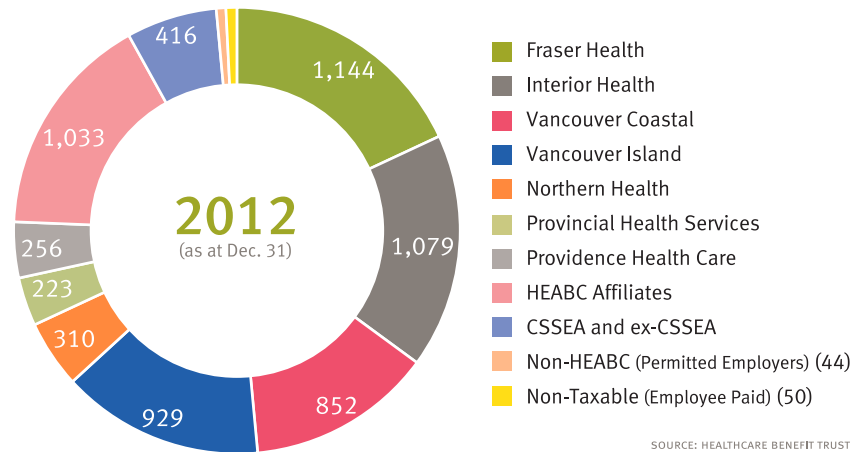
I encourage you to contact me directly about the Healthcare Benefit Trust's performance and goals ahead, and look forward to updating you on our progress in 2013.

Jan K. Grude
Chief Executive Officer
Healthcare Benefit Trust

LONG TERM DISABILITY CLAIMS

Total Long Term Disability claims paid in 2012 was \$161,490,918, a 6.0% increase from 2011. The number of disability claims in 2012 was 6,336, a 2.9% increase from 2011.

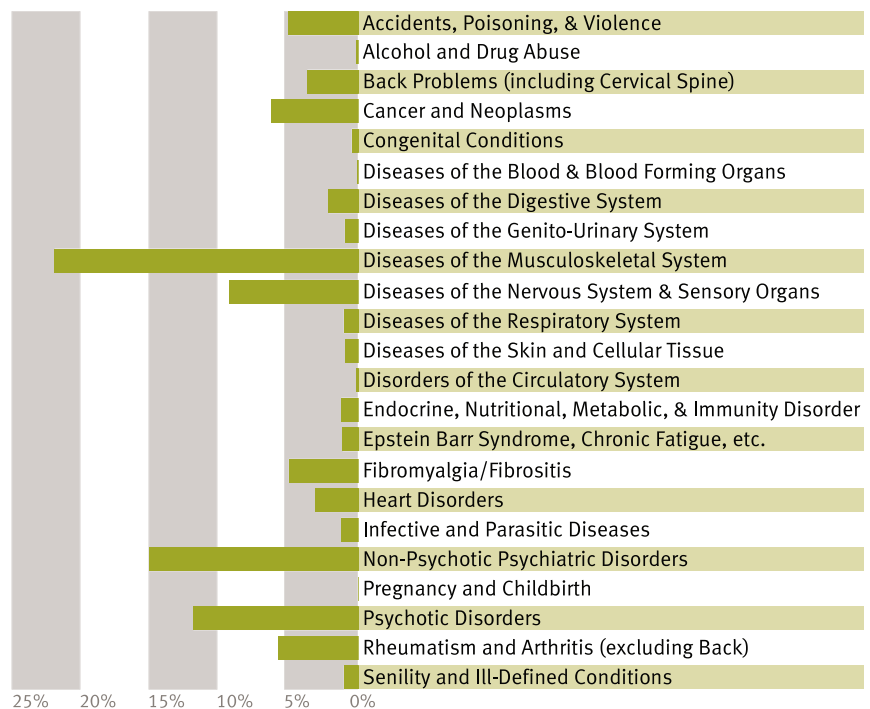
TOTAL NUMBER OF OPEN LTD CLAIMS BY POOL



SOURCE: HEALTHCARE BENEFIT TRUST

Diseases of the Musculoskeletal System represent 22% of total open claims at the end of 2012, a 1% increase from 2011. Non-Psychotic Psychiatric Disorders at 15% and Psychotic Disorders at 12% followed, unchanged from 2011.

OPEN CLAIMS BY DIAGNOSIS (as at Dec. 31)



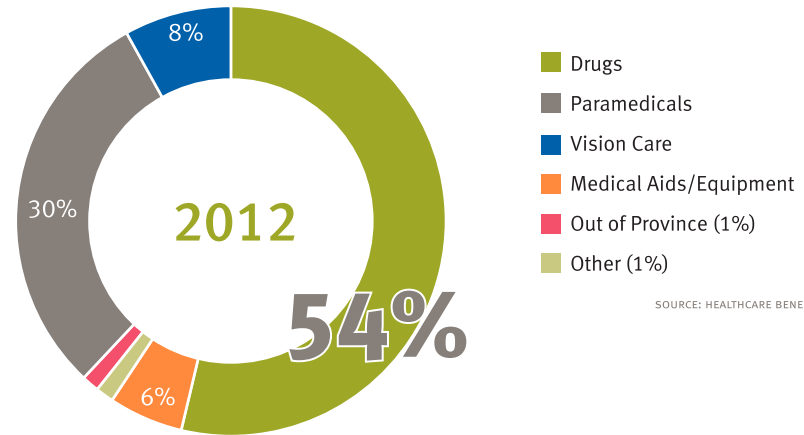
SOURCE: HEALTHCARE BENEFIT TRUST

EXTENDED HEALTH AND DENTAL CLAIMS

Extended Health Claims Utilization

Total Extended Health claims paid in 2012 was \$116,691,661, a 6% increase from 2011. Drugs continue to be the highest utilization at 54%, a decrease of 3% from 2011. This was followed by paramedicals and vision care.

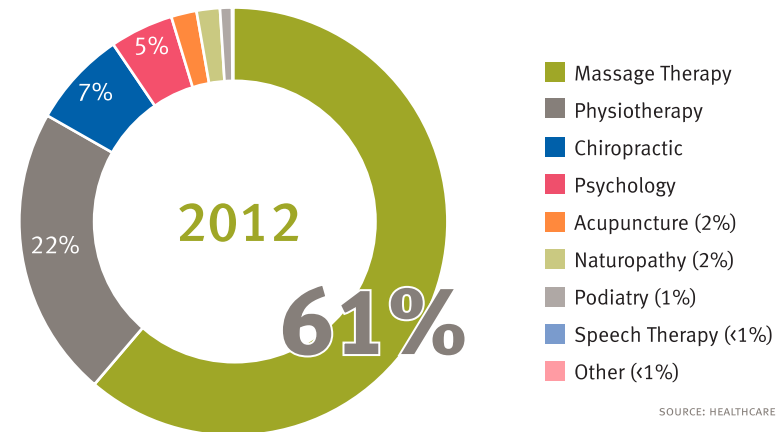
CLAIMS PAID BY MAJOR CATEGORY



SOURCE: HEALTHCARE BENEFIT TRUST

Included in total Extended Health claims, total Paramedical claims paid in 2012 was \$34,901,727, a 19% increase from 2011. The highest utilization was massage therapy at 61%, followed by physiotherapy and chiropractic.

CLAIMS PAID BY PARAMEDICAL SERVICE

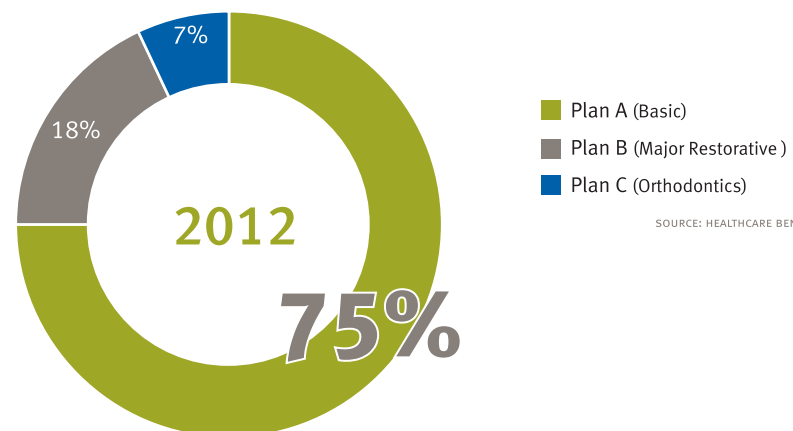


SOURCE: HEALTHCARE BENEFIT TRUST

Dental Claims Utilization

Total Dental claims paid in 2012 was \$106,408,745, a 4% increase from 2011.

CLAIMS PAID BY PLAN TYPE



SOURCE: HEALTHCARE BENEFIT TRUST

FUNDING POSITION

The financial position of the Trust has improved since December 31, 2011.

2012

YEAR END

Assets (minus accounts payable) \$ millions

1,177.1

Plan benefit obligations \$ millions

1,153.6

Surplus/(deficit) \$ millions

23.5

Funded ratio

102%

Source: HBT Audited Financial Statements

KEY STRATEGIC INITIATIVES

1. Make our systems easy for clients to use and all our services more accessible.
2. Provide our clients and stakeholders with better information about benefits utilization, plan design and cost management opportunities.
3. Ensure our service providers meet the needs of our clients, the terms of our service agreements and comply with the provisions of the benefit plans.
4. Provide clients with cost-effective services and more stability over time in contribution rates.

2012 ACHIEVEMENTS

ADMINISTRATION

» Transitioned enrolment and billing activities to Pacific Blue Cross for 72% of HBT employers.

REPORTING

» Provided new formal annual trend publications and standardized reports and analyses on system-wide benefits utilization, and plan design.

REHABILITATION

» Launched case collaboration program and new reporting framework.

INFORMATION

» Delivered new annual statement for HBT contribution rates.

SATISFACTION

» Reported client satisfaction level of 80% with the LTD adjudication services provided by Great-West Life.

METRICS

» Enhanced monitoring of service provider performance and compliance.

FINANCIAL MANAGEMENT

» Decreased the Trust's operating ratio to 5.71% of contributions received in 2012, as compared with 6.3% in 2011.

INVESTMENTS

» Performed above expectations with a return of 6.4% net of fees.

RATES

» Implemented the provisions within the HBT funding policy including margins.

STATEMENT OF NET ASSETS

HEALTHCARE BENEFIT TRUST

Statement of Net Assets

(Expressed in thousands of dollars)

December 31, 2012, with comparative information for 2011

	*Notes	2012	2011
Assets			
Cash and cash equivalents	3	\$ 18,854	\$ 29,865
Investments	4	1,036,965	902,299
Accrued interest and other receivables		139	732
Contributions receivable		35,429	28,296
Underfunded actuarial liability receivable	5	86,499	86,495
Exit levies receivable		12,958	6,619
Property, equipment and intangible assets	6	1,729	2,561
		1,192,573	1,056,867
Liabilities			
Benefits and accounts payable		15,501	15,131
Net assets available for benefits		1,177,072	1,041,736
Plan benefit obligations	7	1,153,601	1,054,051
Economic dependence	8		
Commitments	9		
Surplus (deficit)		\$ 23,471	\$ (12,315)

* Accompanying notes to financial statements are available in the 2012 Annual Report

STATEMENT OF CHANGES IN NET ASSETS

HEALTHCARE BENEFIT TRUST
Statement of Changes in Net Assets
(Expressed in thousands of dollars)

Year ended December 31, 2012, with comparative information for 2011

	*Notes	2012	2011
Deficit, beginning of year:		\$ (12,315)	\$ (28,824)
Income and contributions:			
Contributions	10	472,775	445,860
Investment income	11	31,804	31,268
Changes in unrealized gain (loss) on investments		28,087	(39,019)
Realized gain on the sale of investments		-	35,263
Interest on unfunded actuarial liability receivable		3,695	3,777
Change in unfunded actuarial liability receivable, net of payments received during the year		13,698	3,308
		550,059	480,457
Disbursements and expenses:			
Benefits	12	393,552	374,200
Net changes in Plan benefit obligations	7	99,550	57,779
Bad debt expense (recovery)		(5,819)	3,858
Operating expenses	13	26,990	28,111
		514,273	463,948
Income and contributions less disbursement and expenses		35,786	16,509
Surplus (deficit), end of year		\$ 23,471	\$ (12,315)

* Accompanying notes to financial statements are available in the 2012 Annual Report.

FOR MORE INFORMATION

This annual report summary provides highlights of the Trust's operation from the past fiscal year.

The complete report is available on our website at www.hbt.ca or contact us for more information.