the benefits trust

Why You Should Consider a Budgeted ASO Group Benefits Plan for your Entrepreneurial Company.

A group benefits plan is a promise made by an employer to their employees. Many employers regard their benefits plan as "good enough" for their purposes. However, ***having an acceptable solution is not the same as having the best solution*** *strategically designed for your business and your employee population.*

Weary of escalating premium costs, rigid options and a lack of transparency, smart entrepreneurial employers are moving away from traditional group benefits plans and adopting Budgeted Administrative Services Only (ASO) Plans to control costs and improve retention of key employees.

Through a Budgeted ASO contract, a small enterprise can work with a Third Party Administrator (TPA) to build a plan tailored to their business objectives while putting controls on cost.

However, the question every business owners asks is:
Compared to traditional group benefits insurance, is Budgeted ASO the most effective method to fund my group benefits plan?

To answer this question, we must understand the two components to every benefits plan – Insurance & Administration:

1 **Insurance** protects against catastrophic, sudden and unexpected low frequency/high cost events. These include Life Insurance, Accidental Death & Dismemberment, Long Term Disability, Out of Country Emergency, and Critical Illness.

2 **Administration services** effectively handle every-day high frequency/low cost transactions. These include Health and Dental Care benefits. These benefits operate on a reimbursement principle rather than requiring traditional risk insurance.

» **Both Traditional and Budgeted ASO plans use insurance to protect against risk.** Stop Loss Insurance is specifically designed to limit potential exposure to catastrophic health care claims. For routine health and dental claims, funding on a Budgeted ASO basis is simple and transparent.

» **The Health and Dental component is based on the principle of "Money-in, Money-Out".** With traditional insurance, rest assured that increases based on actual costs are built in at the next renewal period. However, should you incur less than anticipated claims, it is unlikely that your premiums will fall to the same extent. Walking away is not a valid option, because your actual claims experience will follow.

» **With Budgeted ASO, you pay a fixed amount every month based on your previous claims history.** The budgeting process each year is straightforward. Should actual claims exceed the budgeted amount, you are responsible for the deficit. If your claims are less than anticipated, the surplus is yours to keep.

» **Business owners need to fully understand their benefits costs as they arise.** With monthly surplus and deficit reports, Budgeted ASO plans meet this need. In addition, benefits plans can be tailored to strategically align with business objectives as it relates to cost control, benefits abuse, retention and turnover.

» Below is a comparison to further help explain the differences:

	Traditional	Budgeted ASO
Catastrophic, sudden and unexpected risk Insurance.	Part of the group benefits insurer's package.	Good TPAs provide solutions from a breadth of specialty providers that can offer advantageous rates and coverage for your particular situation.
Administration Services (adjudication, payments, cards).	Administered by Insurance Company.	Administered by TPA.
What's included in your monthly premiums/ funding.	1) catastrophic risk insurance costs 2) anticipated transactional routine claims 3) insurer reserves and 4) insurer administration expenses.	1) catastrophic risk insurance costs. 2) budgeted claim funding based on the group's claims experience. 3) TPA administration expenses.
Typical Admin Fee for Small Business.	25% - 35% (equivalent to a 75% to 65 % target loss ratio).	15% - 20% (85%- 80% LTR). Business model can more efficiently serve smaller businesses.
If actual claims exceed estimates.	No immediate exposure, however premiums and reserves will be adjusted upon renewal based on experience.	Company pays for funding deficit upon renewal, but loss is capped by pooled Medical Stop Loss Insurance.
If actual claims are less than estimates.	No gain or return of premiums – and typically no reduction (or even an increase) in premiums.	Company keeps surplus – pays only for what is incurred.
Transparency.	Typically very difficult to understand basis for premiums increases. Done once per year.	Full transparency. Review actual costs on a monthly basis and take action if required.
Allows for Strategic Design.	Typically not for small businesses. One size fits all.	Plans for all business sizes can be strategically designed to address cost control, benefits abuse, retention, and turnover issues among others.
Allows for Tax Advantages for Owners/Partners.	Typically not for small businesses. One size fits all.	Plans can be customized to allow for tax advantages as applicable under CRA rules.
Stringent Claims Adjudication.	Yes, based on benefits contract.	Yes, based on benefits contract.
Drug Card Available.	Yes	Yes
Employer-Employee cost Sharing.	Yes	Yes

» Talk to your Employee Benefits Advisor about a Budgeted ASO Solution for your business.

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