the benefits trust

THE 11 MYTHS AND MISCONCEPTIONS OF ASO GROUP BENEFITS PLANS

When it comes to Administrative Services Only (ASO) Group Benefits Plans managed by Third Party Administrators (TPAs), there are many myths and misconceptions. This has lead to confusion and an inability to make good business decisions regarding Group Benefit Plans for profitable Small Businesses.

» The points below address eleven myths and misconceptions about ASO Plans and TPAs.

Myth 1 — With ASO, the cost of the benefits plan changes unpredictably every month, based on claims.

- There is a difference between a "pure" ASO arrangement which many large employers have, and Budgeted ASO, which allows for predictable payments to be made every month.
- With a Budgeted ASO arrangement, single/family health and dental rates are set each year, based on analysis of the group's claims experience. These budgeted rates normally change only once a year at renewal.

Myth 2 — ASO is only for large businesses.

- Every conventional group benefits plan, no matter what size, has monthly premiums set based on 1) catastrophic risk insurance costs, 2) anticipated transactional routine claims, 3) insurer reserves and 4) insurer administration expenses.
- Budgeted ASO plans also set their funding levels based on these factors, except that insurer reserves are not required. The same analysis and mathematical models work the same way for small groups of 10 to 20, as they do for large groups of hundreds.
- One of the reasons Budgeted ASO may be even better for smaller businesses, is that large insurers tend to have high administration fees for smaller businesses (25% to 35%). Budgeted ASO providers have built their business models to serve smaller businesses and can set more reasonable administration fees for the same size business (12% to 20%).

Myth 3 — If we suddenly have huge claims, we'll end up having to pay for a huge deficit.

- Claims in a Budgeted ASO plan are managed by The Benefits Trust in the same way that an insurer manages these requirements.
- Excess Medical Stop Loss Insurance protects the employer from the costs associated with new catastrophic medical claims.
- Stop Loss Insurance coverage is a fully pooled benefit - meaning premiums are not based on your particular claims experience – which makes it cost-effective.
- The Benefits Trust's standard Stop Loss attachment level is $5,000, which provides more insurance protection than is offered through conventional group plans.

Myth 4 — With an ASO plan, you're not insured against risk.

- Insurance is designed to protect policy holders from catastrophic, sudden and unexpected events. Insured or fully pooled benefits are an important part of risk protection in an ASO plan.
- While many ASO plan providers work only with specific insurers, The Benefits Trust provides solutions from a breadth of specialty providers that can offer advantageous rates and coverage for your particular situation.
- Our insurance partners include: RBC Life Insurance, ACE INA Life Insurance, Industrial Alliance Insurance & Financial Services, Royal & Sun Alliance Insurance, Desjardins Financial Security, The Co-Operators, Standard Life Assurance, Equitable Life, Ceridian Canada Ltd. and others.

1453 Pelham St., Fonthill, Ontario L0S 1E0 Tel: 905-264-8990 or 416-498-7723 Toll Free: 1-800-487-2993 Fax: 905-264-1123

www.thebenefitstrust.com

Myth 5

We can't have employer-employee cost sharing with an ASO plan.

- Employer-employee cost sharing (for example, employees pay 25% of health and dental costs through payroll deduction) works the same way with a budgeted ASO plan as a conventional plan.
- With a Budgeted ASO model, single/family health and dental rates are set each year. When budgeted rates are re-set at the renewal, the employees' share will be re-set at the same time.

Myth 6

With ASO plans there's no cost containment, because every submitted claim will just be paid.

- Plan design maximums and limits are managed by The Benefits Trust in the same way that an insurer manages these requirements, according to the benefits contract.
- The Benefit Services Contract specifies eligible and ineligible expenses, reimbursement percentages, annual and lifetime benefit maximums, etc.
- A participation agreement outlining financial terms and administrative requirements is signed by both parties (e.g. Client and The Benefits Trust).
- Monthly financial statements are provided to clients and brokers with a breakdown of claims paid by type of claim.

Myth 7

The claims experience for our company isn't stable, so we're not a good ASO candidate.

- It is normal for claims experience to fluctuate over time.
- Our Budgeted ASO models take a long view, with at least 2 years of claims experience considered at proposal and at each renewal.
- Unlike conventional group insurance plans, surplus or deficit is reported monthly, so if large swings suddenly occur, they are noted and can be attended to at the time. This allows employers to understand their plan costs throughout the year, instead of having to wait for a surprise at renewal.

Myth 8

We have high turnover in our employee population, so we're not a good ASO candidate.

- Conventional group insurance plans often do not allow small and mid-sized business to tailor their group plans in order to address a business issue such as high turnover.
- A Budgeted ASO Plan allows for strategic plan design, which can help you reduce the impact of high turnover on claims experience. Our budgeting models can take your particular employee population fluctuations experience into consideration.

Myth 9

We can't get a drug card from a Third Party Administrator (TPA).

- The Benefits Trust works directly with ClaimSecure - a leading national drug network service provider with more than 1.5 million members and dependants in both the public and private sectors.
- Drug cards for The Benefits Trust clients are produced in-house in Vaughan, Ontario, ensuring rapid turnaround on new cards and replacement card requests.

Myth 10

With a TPA there are no monitoring or audit processes to prevent fraud.

- The Benefits Trust is a member of the CHCAA (Canadian Health Care Anti-Fraud Association).
- Our Adjudicators are trained to identify potentially fraudulent claim expenses and claiming patterns.
- Instances of potential fraud or plan abuse are escalated for in-house fraud review.
- For more information on our approach to fraud prevention, contact us or visit our website.

Myth 11

There is no way for me to tell if a TPA is a serious business, or just some guy paying claims out of his basement.

- Many Third Party Administrators are indeed no more than “store-fronts” that use outside processing facilities for all their services.
- However a full service TPA will have a robust business presence, with a reputation in the marketplace that you can research. We are happy to provide business references from both recently enrolled clients, and long term clients.
- The Benefits Trust is offers a complete range of in-house services including claims adjudication and payment, securing insurance contracts, and drug card printing and delivery.

About Us

- The Benefits Trust has been providing Budgeted ASO Plans to hundreds of small and mid-sized businesses for the last 18 years.
- Offices at 3800 Steeles Avenue West, Suite 102W in Vaughan.
- Over $250,000,000 in plan contributions under management since 1994.
- Contribution funds are held in trust at TD Canada Trust.
- Professional TPA relationship with over a dozen Canadian insurance companies.
- Professional Errors & Omissions and Directors Liability insurance.
- The Benefits Trust is a Financial Trust. It is audited annually by an independent professional accounting firm - Burns Hubley LLC.