

Your Employee Benefit Plan – Are You Overpaying???

Background

As an employer, you are more than aware that the cost of employee benefits programs is skyrocketing. Costs have risen because of higher prices, government cutbacks, and an aging population. Do you have to stay with the traditional, packaged benefit structure that now exists or is there a better choice? **ASO, which stands for “Administrative Services Only”, may be the answer for some employers.** Traditionally, only very large corporations could take advantage of this type of program. With the availability of quality “stop loss” insurance, groups with 10 or more employees now have this option now available.

Claims Trends

In addition to the escalating costs of health care, employers face the problem of the insurance companies increasing premiums based on the utilization of their particular plan. The whole concept of insurance is gone when the premium is linked directly to the amount of claims submitted by their employees. In our research, we discovered the majority of individuals claim less than \$1,000. Further statistics indicate that in most groups **only 5% (one in twenty) claim more than \$2,000 per year, yet these individuals can account for between 30% and 40% of the total claims for the group!**

ASO – An Alternative

We have developed an ASO plan that takes all the benefits of self-insuring and eliminates the one limitation, which is the risk. Since the insurance premium is based on the amount of claims, why buy expensive insurance from the 1st dollar? Our plan allows employers to lower their costs by self-insuring up to certain level and buying insurance only when needed – when the claims exceed that certain level.

Lower Costs

With the ASO program alternative, savings **are available by eliminating the insurance company’s profits, trend factors and reserves.** This is totally different from other programs that propose savings by switching companies, a strategy that usually saves money for only one year.

Another major advantage under ASO is that when the claims are lower than expected, a surplus is generated. **This surplus belongs to you the policyholder and not the insurance company!**

Controlling Long Term Costs

As outlined earlier, it is the claims of a few individuals that result in the costs increasing year after year. The **Stop Loss** Insurance improves your company’s bottom line by removing the negative impact of these high claims. Therefore, long term costs can be managed more effectively.

Long-term premiums are then based solely on the actual claims of the group. Administration costs are reduced under an ASO scenario and the claims reserves established belong to the employer and not the insurance company, as is the case under a traditional insured program.

The Net Result – more money staying in your company’s Retained Earnings or going towards providing improved benefits for your employees!