



Traditional Group Benefit Plans

Traditionally, benefits in an employee group plan are fully insured. The insurer sets the required premium levels, and the employer pays the premium.

At the end of the policy year, the rates are renewed. Health, Dental and Weekly Indemnity rates are renewed based on claims experience. Other factors such as the Incurred But Not Reported (IBNR) reserve, trend, credibility, expenses, profit and risk charges are figured into the renewal rates.

Because of the increasing cost of group benefits, employers are looking for a way to curb these rising costs.

A New Approach

One method that has grown in popularity is Administrative Services Only (ASO).

The purpose of ASO is to reduce the high administration costs charged by an insurance company. Under this arrangement, an employer provides benefits to employees on a self-insured basis. No premium is paid to the insurer for ASO benefits. The employer only pays for the actual claims incurred by plan members, plus an administration fee and applicable taxes. This means that the employer is no longer paying for the IBNR reserve, trend factor, and profit charges required under a fully-insured plan.

ASO Benefits . . .

Employer has more flexibility in designing the plan.

Lower administration costs.

The ASO arrangement is best suited for benefits such as Extended Health Care and Dental, since claims for these benefits are predictable, short-term, and generally not catastrophic.

However, there is a greater risk to the employer associated with self-insuring a health plan. To address this risk, MDM extends a Stop Loss benefit to mitigate the impact of unexpectedly high claims.

Stop Loss Benefit

Once claims for an individual or family have reached a certain amount, the cost for any further claims during the policy year transfers from the employer to the insurer.

The MDM Stop Loss Benefit can be designed in two different ways:

- ① Applied to drug claims only
- ② Applied to the entire Extended Health Care benefit (excluding Emergency Out-of-Country coverage)

We offer flexible Stop Loss benefit amounts, starting at \$500.



Emergency Out-of-Country

Since this benefit should not be self-insured, MDM provides a fully insured Emergency Out-of-Country benefit on a stand-alone basis for groups with ASO Extended Health Care coverage.

Administration of ASO Plan

For MDM clients, there is virtually no difference between the administration of a fully insured plan and an ASO plan.

ASO claims are paid using the same system that is used for fully insured clients, thus guaranteeing that our high service standards are met for all clients.

ASO clients will receive two monthly billings, one for fully insured premiums, and one for ASO.

ASO billings can be paid in either of two ways:

- 1 The client pays a flat monthly charge throughout a period of 12 months. A reconciliation is done at the end of the 12 months to determine appropriate funding levels.
- 2 The invoice equals the amount of claims paid during the month, and includes applicable fees and taxes.

A retainer deposit must be set up before the ASO plan is put into place. This will ensure that claims are paid using the employer's funds, not MDM's.

Administration Fee

Administration Fees are based on plan design, method of administration, size of firm etc.

Contact us for more information, or to find out if an ASO plan is suitable for your company.

Benefit from our
Ability!

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