Extended Health Insurance Benefits – Member Options

Kootenay-Boundary Division of Family Practice
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Extended health benefits are an effective recruitment and retention strategy. In a recent Canadian study by Robert Half Canada, a talent solutions firm, 66% of respondents in a study of 500 employees ranked health insurance as an essential benefit.[1] When it comes to small businesses, however, fewer employees mean higher rates. Lack of claims history and employee demographics can also contribute to higher rates. In addition, premium costs at each renewal can rise making this an unpredictable business expense. So, what options do clinics have?

At least one member of the Kootenay-Boundary Division of Family Practice has expressed interest in a bulk-buy extended health benefits program. The following information has been compiled for all members based on an inquiry into bulk-buy program options and includes other cost-reduction considerations. Four avenues are presented: individual fixed rate group health insurance plans, standardized group health insurance plans, health spending accounts, and administration services only plans. Three sources of information were investigated: Doctors of BC (provincial), Associum (national), and Sutherland & Associates Financial Services (regional). Contact information is included below.

Individual Fixed Rate Group Health Insurance Plans

Clinics can design an extended health benefits plan with almost any benefits provider. Rates offered by benefits providers are relatively standard (based on risk assessment – demographics, claims history, etc.) and include a generally consistent 15% administration fee built into the premiums. Service differentiators include customer service and knowledge of benefits provider, online enrollment and claims submissions, and availability of other business solutions (included or add-ons), such as group RRSP, HR support, and group medical supplies purchasing.

Some, but not all, benefits providers require clinics to meet specific criteria: # of employees, years in business, mandatory enrollment, incorporation status. For the most part, participation within a clinic, if not mandatory, needs to be 75-80% of employees who work more than 20 hours/week. Associum requires 100% participation for clinics with less than 9 people. Employees with spousal or other coverage, can opt out with proof of coverage, but for insurance purposes are still considered part of the count towards minimum participation. Instituting mandatory participation in a plan will cost less than one that is not mandatory.

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[1] https://www.roberthalf.ca/en/blog/compensation-and-benefits/10-top-perks-and-benefits-that-win-employees-over

Rates may increase or decrease during renewals because they are based on premiums received and claims paid. To first obtain rates from an insurance provider typically involves identifying the total number of participants, employee demographic details, and a review of all relevant claims history. The one exception is the Doctors of BC program which can confidently publish rates due to the spread of insurance risk across a large number of employers and comprehensive claims history. The Doctors of BC program is actually a membership-based bulk-buy health insurance plan which is outlined next.

Standardized Group Health Insurance Plans (bulk-buy option known as a block insurance)

Standardized Group Health Insurance Plans mean one benefits provider for all participating clinics. Enrollment in basic coverage (as defined by the plan), such as Long-term Disability, Accidental Death and Dismemberment (AD&D), and Life Insurance, is required by all; however, clinics are still able to customize their offering to employees with paramedical, dental and other optional benefits. Invoices are billed directly to the clinic but paid to one contract-holding association. The administration fee is included in the premiums and may go down as the number of participants increases. Like an individual group health plan, rates may increase or decrease during renewals because they are based on premiums received and claims paid. There is also the possibility, although unlikely, that clinics who submit substantial claims frequently would drive up renewal costs for others.

Doctors of BC offers a standardized Health insurance plan to its members. The following information details their Health Benefits Trust Fund (HBTF) offering: FAQ and 2022 Rate Sheet

The Kootenay-Boundary Division of Family Practice could also offer a bulk-buy (block) insurance program to its members provided by either Associum or Sutherland & Associates. To do so, the requirement is a minimum 75% participation rate of all member clinics. The Division would be the contract holder and collector of premiums, as only one bank account can be associated with the contract. Individual clinic invoicing would be managed by the benefits provider. The process of obtaining the necessary information to provide quotes would be a lengthy one and premiums are likely to be heavily weighed up front until sufficient claims history is known. To initiate this option, a member survey by the Division is the recommended first step. If you're a member, let us know you're interested.

Health Care Spending Accounts

Health Care Spending Accounts can be offered on their own or in addition to a health insurance plan. A Health Care Spending account is a clinic-determined set amount that can be used by an employee on a service or set of services over the course of a year. The CRA defines what the funds can be used for as they are not defined by a plan. Reimbursement is tax-free to the employee and the plan can be set-up as tax deductible expense for the business owner. Unused portions roll over. This option is attractive in lieu of vision or paramedical benefits because it doesn't impact claims history which then stabilizes insurance premiums. It's also a way to predetermine health care benefits spending limits.

Administrative Services Only Plans

After 2-3 years of group claims history, there is an option to achieve further savings through an Administration Spending Only (ASO) plan. In an ASO plan, the clinic annually sets aside a set amount of funds for health care claims based on a defined benefits plan. The amount to set aside is based on claims history and is likely to vary from year to year if claims exceed the annual contribution or vice versa. The claims allowable by the plan are paid directly from this pool of funds and only the administration fees are charged to the employer. Moving directly into an ASO plan, although possible by heavily weighing premiums up front, can result in unexpectedly high costs without the claims history to underwrite the risk. Associum and Sutherland & Associates offer ASO plans.

Extended Health Benefit Providers

This is not an exhaustive list or endorsement.

Associum
Contact: Valerie Jones
vjones@associum.com
1.888.761.1164
https://associum.com/

Doctors of BC
Contact: Member Insurance
insurance@doctorsofbc.ca
1.604.638.2904
https://www.doctorsofbc.ca/your-benefits

Sutherland & Associates
Contact: Glenn Sutherland
gsutherland@sutherg.ca
1.250.352.3518