

Leveraging technology

In-house benefits administration brings union big savings

By Sheryl Smolkin

The Syndicat des débardeurs du Port de Montréal brought benefits administration and adjudication completely in-house five years ago using an integrated, Web-based group benefits administration tool. Since then, they have realized savings of up to \$400,000 per year while maintaining and in some cases improving benefit levels.

The Port of Montreal Dockers Union has a negotiated contract with the Maritime Employers Association representing five employers, to provide group benefits including medical, dental and disability benefits for about 1,000 active and 600 retired members.

Benefits were self-insured and administered by an insurance company on an “administrative services only” basis since the ‘70s, but by 1999, the

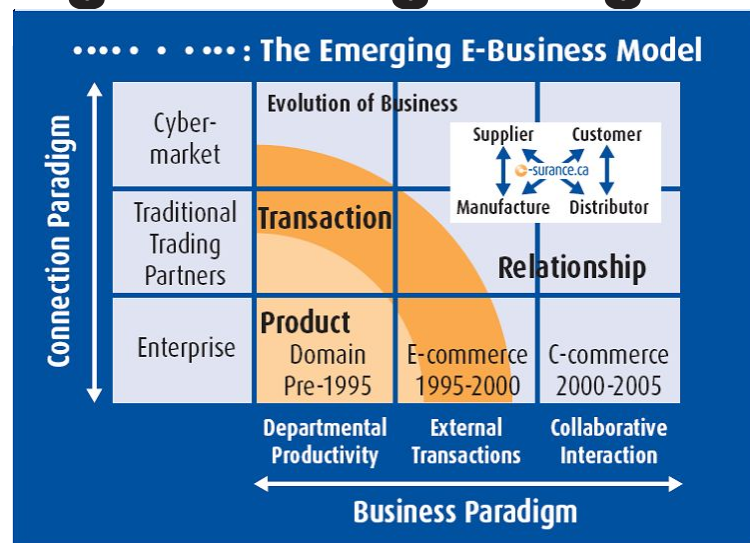
union realized that cumulative cost increases were threatening the plans’ continued viability.

“Costs were going up for many reasons, ranging from lack of controls by carriers, to payment of unjustified claims, to high administration charges,” says Benoit Wolfe, administrative director of the union. “For example, a clause that limited payments for dentures to once every three or five years often went unnoticed by our carrier. We discussed the problems, and they said things would change, but because we were paying them on a ‘cost plus’ basis, they did not have the incentive to control what they were paying out.”

Wolfe says they decided to purchase the C-surance.ca/Allegroupe service from MDI “because it is an up-to-date system like big insurance companies use in day-to-day transactions.” He

likes that contract rules can easily be configured into the system, and he can easily enter any changes himself.

But his real attraction to C-surance.ca is that “whenever there is a problem, we can go into the system and get the information we need to diagnose it. In contrast, when dealing with insurance companies it is very difficult



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to get frequent statistical reports and detailed information.”

And in fact, analysis of plan data did reveal a number of fundamental problems. “The drug and dental cards were making our programs much more expensive,” says Wolfe’s assistant Steve Michel. “Not only was the number of claims higher than before, but we were paying a standard 12% of claims for our dental card, and 4% of claims for our drug card.”

Attempts were made to educate employees as to appropriate benefits utilization through the employee newsletter, but they were largely unsuccessful. As a result, the union decided to buck the current industry trend and go back to paper reimbursement. Michel acknowledges that this decision was unpopular but, he says, “when we told employees that otherwise we would have to reduce 100% reimbursement for drugs to 80% and make other cuts, they understood.”

Although claims now have to be submitted after the fact, Michel does not believe the drop in claims can be attributed to the “shoebox” effect. “Our guys don’t forget. They bring in every bill,” he says. “But if the doctor says fill this prescription if you are not better in a week, it’s too easy to use the card at the pharmacy next

Benefits admin moves from e-commerce to c-commerce

When there are changes to employee status, benefit plan sponsors typically have to manually advise one or more insurance carriers, plus those responsible for payroll and other HR functions. If there are multiple carriers, several union contracts and a salaried plan, the situation becomes even more complex.

Not only does managing all of these relationships take time, but due to the administrative burden, plan sponsors may be reluctant to deal with specialty carriers who can offer a better deal for specific forms of coverage.

Using C-surance.ca — a Web-based, collaborative, client-centred platform — plan sponsors can enter information once into a database that is accessible to authorized partners including carriers, employee advisors, other suppliers and even employees.

“While e-commerce implies compatible systems and uses of the same application, C-surance.ca is a ‘collaborative’ or c-commerce framework that acts as a virtual conduit for connecting information repositories,” says MDI President Richard Sirois.

The Port of Montreal Dockers Union uses C-insurance.ca exclusively to administer and manage group benefits in-house, but Sirois explains that the tool has much broader capabilities. “For example, insurance brokers and other advisers can use it to better handle the RFP process for clients,” he says.

Managing market searches efficiently is important for Jean Denis Roy, the president and CEO of Service financiers JDF Inc. in Thetford Mines. “Using the C-surance.ca software at JDF, in less three hours we can create a new RFP file for a company with an average of 50-100 employees, electronically transmit the RFP to multiple carriers, and prepare a comparative analysis using each of the offers received. Our goal is to reduce the turn-around time to under two hours.”

Baudry Deschatelets Financial Group in the Ottawa-Gatineau area currently uses C-surance.ca only for client billings, but they plan to take advantage of other functions in the near future. Yet even now, partner François Baudry says it is a major plus that clients can access the software directly from their offices to obtain information such as the cost of changes to employee benefits coverage.

“We see the software as a tool to get everyone on the same page — the insurers, the broker and the clients — and I don’t think there is another product on the market right now that can do that,” says Baudry.

Sirois agrees. “The client can be anyone — a carrier, TPA, consultant or employer — and they can be any size,” he says. “The point is — who do they want to do business with? And because our objective is to make the client more efficient, our pricing structure is based on how much we can save for them.” S.S.

In-house

door — whether or not the medication is ultimately required,” he says. “Now employees think twice if they have to pay out of their own pocket before they are reimbursed.”

While the union expected to save money by taking back control of the benefits administration process, both Wolfe and Michel continue to be surprised by the actual magnitude of the savings realized.

“We were expecting to save \$100,000-\$150,000 a year, but projections based on direct costs before we bought the system until now — and allowing for both hiring an additional administrator and normal cost increases of 5%-10% a year — show annual savings of \$300,000-\$400,000,” says Michel.

According to Wolfe, claims have gone down by at least 10%, and with fewer claims, administration costs are also lower. He says this translates into a reduction in annual costs per employee of about \$250 in claims, plus around \$100 in administration costs. Savings have been used to maintain existing programs and enhance long-term disability coverage.

Over and above improving plan finances, Michel is convinced that using C-surance.ca in-house has substantially improved the quality of service to members. “When it is necessary, a cheque can be issued within a few minutes. Union members and our administrator have commented that their per-



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sonal experience with traditional carriers can in no way compare with the service our members are getting, day in and day out,” he says. — S.S.

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