



# INSIGHTS

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## IN THIS ISSUE...

### Administrative Services Only

- Balancing risk against reward

### For Men Only...

- Taking action against prostate cancer

## ASO - Balancing Risk Against Reward

As employers look for ways to reduce the cost of providing benefits, they have increasingly self-insured a greater portion of risk through administrative services only (ASO) arrangements. Today, health, dental, and short-term disability (STD) are commonly provided on an ASO basis.

The use of ASO plans has grown since the concept first arrived on the Canadian market in the 1970's. At the end of 2004 some 7 million Canadians have extended healthcare and/or dental care expenses under an ASO arrangement.

ASO plans offer distinct advantages for some employers, but these perks must be carefully weighed against the dangers inherent in these plans. Under an ASO arrangement, organizations provide benefits to employees on a self-insured or uninsured basis. Often insurance companies and third party administrators (TPA's) administer the plan and provide claims adjudication and payment services.

The term 'self-insured' is a misnomer though, because there is no insurance element or risk-sharing aspect to ASO arrangements. Since plans are not insured, insurance companies do not guarantee benefits or costs for ASO plans. So why do these plans continue to grow in popularity? The attraction lies largely in the potential savings.

With the exception of Ontario, Quebec and Newfoundland, ASO plans are not subject to premium tax applied to insurance. ASO arrangements eliminate the need for the risk charge, which typically ranges from 0.5% to 3%.

Bringing reserves in-house is also regarded as an advantage because many plan sponsors with ASO arrangements believe the funds can be invested at a higher yield than offered by insurance companies or TPA's. These savings can also be reinvested in the business. In addition to the potential savings, ASO plans can usually offer greater flexibility than insured arrangements. For example, the employer can alter coverage without having to negotiate amendments with the insurer provided that the plan meets the Private Health Services Plan limits in the Income Tax Act.

ASO isn't for every employer, nor is it suitable for every benefit. If proper precautions are not taken, the end result could be devastating for both the employer and the employee. It's for that reason that ASO plans are more appropriately offered on health, dental and short-term disability benefits since these claims are frequent, relatively small and fairly predictable, thereby minimizing the risk

taken on by the employer. Notice I said minimizing the risk. With an increasing number of expensive drugs and greater availability of life sustaining medical equipment entering the marketplace, the risk associated with self-insuring cannot be overlooked.

However, there are options available to both small and large organizations that help to mitigate this risk. Employers can purchase stop loss pooling from their insurance provider, a feature that limits claims to a dollar amount that the company can handle. Plan sponsors can also redesign their plans to reduce the amount of benefit coverage. Employers who choose to do the administration themselves need to know that they could be running afoul of Federal Privacy Laws. They also run the risk of creating the perception that only some employees need to go on to the plan. If the perception by plan members is that the employer is the one who chooses who goes on to the plan, this could lead to adversarial relationships and litigation. Choosing to place the administration in the hands of either an insurance company or TPA provides a buffer between the employer and its employees, improving the likelihood that proper administration with defined guidelines will be followed.

In Canada, there has been little regulation of self-insured plans. There is no requirement that employers set aside adequate reserves to cover future liabilities arising from these plans. If reserves are set aside, there is no restriction on how those funds are invested. There is also no obligation to keep funds in trust to protect them from creditors. This means that a bankruptcy could spell the end of the benefits plan, including benefits for individuals who may be on a short-term disability, even a long-term disability should it happen that the employer also self-insures this.

In 1988, Canada caught its first glimpse of what happens when a large employer that self-insures its own disability plan runs into financial difficulty. When Massey Combines Corp. went into receivership some of the hardest hit victims were workers collecting payments under the company's LTD plan. More than 350 employees saw



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## ASO..., cont'd

their disability payments vanish.

Many in the industry thought this case would prompt government to pass legislation regulating the use of ASO plans. But nothing was done. And 10 years later, along came the Eaton case. While administered by an insurer on an ASO basis, the Eaton's LTD plan was self-insured and, unfortunately, unfunded. When Eaton filed for bankruptcy protection its disability plan ceased to exist.

The government of Alberta decided that this should never again happen in their province. Alberta changed their insurance regulations to place limitations on the amount of uninsured disability benefit that could be in place. Under their rules, disability benefits payable beyond two years to Alberta residents are subject to the Insurance Act and those benefits must be insured. Self-insured disability plans are still permitted, but they are only allowed to provide benefits for a maximum period of two years on an uninsured basis. This requirement applies to any plan covering one or more residents of Alberta, regardless of the jurisdiction in which the plan was established. For national and multi-provincial plans, the limitations apply to Alberta members only.

Administrative Services Only plans offer flexibility, choice, and costs savings. They aren't the perfect panacea, but for the well-informed plan sponsor who understands the limitations of ASO, the risk may very well be worth the reward.

Until next time...

## For Men Only...

Although lung cancer continues to be the number one cause of cancer death for men, it is prostate cancer that is most frequently diagnosed. The Prostate Cancer Research Foundation of Canada says some 5-million men are in their prostate cancer-risk years. As male baby boomers age and more men are tested, the number of new cases is expected to double over the next decade. In Ontario, an estimated 7,600 men were diagnosed with prostate cancer in 2002. In the same year, 1,600 men in Ontario died of this disease. The good news is that with early detection the survival rate is very high, about 87 per cent.

The Canadian Cancer Society urges men - especially men over 50 and men at high risk - to talk to their doctors about prostate cancer so they understand their risk, know the early warning signs and learn about the tests available to detect this disease. Early detection offers the best defense against prostate cancer.

Prostate cancer may produce no symptoms, but when symptoms do appear they can include problems with urination including:

- u difficulty in starting or stopping the urinary stream
- u the inability to urinate
- u a frequent need to urinate
- u pain or burning while urinating
- u blood in the urine (rare)
- u consistent pain in the lower back or pelvis

Prostate cancer is often discovered during a routine examination when no symptoms are present, so a rectal examination should be included in routine physical examinations of men age forty and over. As well, the Canadian Cancer Society recommends that men over the age of 50 discuss with their doctor the potential benefits and risks of early detection of prostate cancer through a PSA, a simple test that measures the amount of prostate-specific antigen in a man's blood. (The cost is covered in RWAM's Extended Health Care Benefit.)

Although the amount of PSA in a man's blood usually increases with age, higher-than-normal PSA levels can be one clue that cancer has developed within the gland. However, high levels of PSA also can be found in other conditions that are noncancerous, including prostatitis (inflammation of the prostate) and benign prostatic hyperplasia, or BPH, (an enlargement of the prostate which affects many older men).

How accurate is the PSA test? No test is right all the time, and this is true of the PSA test.

For every 100 men over age 50, with no symptoms, who have the PSA test:

- u 10 will have a higher than normal level of PSA. These men must then go through other tests and examinations. At the end of these tests three of the men with a higher than normal PSA level will be found to have prostate cancer. Seven of the men with a higher than normal PSA level will be found not to have prostate cancer at the time of screening.



The best action for men to take to protect themselves from this disease is to find out all they can about early detection and prevention of prostate cancer.

- u 90 of the men will have a normal PSA level. (A PSA level of less than 4 ng/mL is considered normal.) Of these 90 men, 88 of the men with a normal PSA level will not have prostate cancer. One or two of the men with a normal PSA level will actually have prostate cancer, undetected by the test, that will cause symptoms.

So the test will identify some men who don't have cancer, creating unnecessary anxiety. It will also miss some men who do have cancer, giving them a false sense of security about their health.

### Risk Factors

The exact cause of prostate cancer is unknown. What is known is that cancer of the prostate most often occurs in men over the age of fifty, with married men being at higher risk than single men.

**Family History:** Research shows you have at least twice the risk of developing prostate cancer if your father or brother has been diagnosed with the disease.

**Ethnicity:** Prostate cancer appears to be more common in men of African ancestry as compared to Caucasian men. Asian and Aboriginal populations seem to have the lowest rates of prostate cancer.

**Diet:** Research shows that a high fat diet may increase a man's risk of developing prostate cancer. On the other hand, diets that are rich in certain fruits and vegetables that contain lycopene may be protective or decrease the risk of developing prostate cancer.

Some general dietary recommendations to consider include:

- u Eat less dietary fat
- u Eat more fruit and vegetables, including tomatoes, tomato sauce or tomato juice, and pink grapefruit, papaya, and watermelon
- u Eat more dietary fibre
- u Eat more soy protein, such as tofu and soymilk

There was a time when surgery was the only hope for men with prostate cancer. Today there are a number of other options in addition to surgery, including external beam radiation and brachytherapy, hormone therapy and "watchful waiting", a continuous series of PSA tests. You can find details of these and other treatment options at The Prostate Centre website run by Toronto's Princess Margaret Hospital. Courtesy of HealthyOntario.com