

Using Cost Plus Instead of Co-ordinating Benefits **Can Save A Firm Hundreds of Dollars Per Year**

Employees who have group benefit coverages through their spouse's employer's plan have the option to opt out of the Extended Health and Dental coverages with their firm's plan if they wish to do so. These employees would then be insured for all other coverages such as Life, Long Term Disability (LTD) and Dependent Life, if they were provided.

When an employee is required to pay 50% of the premium, which is much the norm today, and their spouse's plan provides more comprehensive coverage this would be a logical thing to do. It would also make good financial sense to have the spouse who has the higher earnings to be the one to carry these coverages, or the spouse who receives their coverage at no cost because it's part of their employment package.

Employees can co-ordinate benefits with their spouse's benefit plan in order to top up any shortfalls with their own employer's plan. So if each person has 80% Basic Dental coverage for example, it is one way for them and their family to receive 100% coverage.

At times when employees wish to co-ordinate benefits I recommend my firm clients to inquire as to what these employee's main concerns are and what the amount of money is that they plan to save by being able to co-ordinate benefits. The reason for this is because it could very well make more sense to reimburse these employees the difference through the Cost Plus Program rather than having them co-ordinate benefits.

To give an example, a few months ago I was contacted by a client of mine who explained that one of his employees wanted to add the Health and Dental back on to her coverage because her spouse had changed jobs and his new coverage is not as comprehensive as his previous benefit plan. He asked me to speak with this employee in order to explain what forms and information was required to initiate this process.

After talking with this employee for a short period of time I found out that she was mainly concerned about a \$200 annual shortfall that her and her spouse would now realize due to the recent reduction in her spouse's dental benefits. I in turn explained that it was going to cost both her and her employer \$1,200 a year each to add the Health and Dental coverage back on to her plan. We all agreed that paying out \$2,400 in premium order to save \$200 a year didn't make any sense at all.

I recommended to my client that he utilize the Cost Plus Program, that is available with the Chambers Plan, to reimburse this employee her out-of-pocket dental expenses as it arises each year. They readily agreed and who wouldn't. After all the firm saves approximately \$1,000 per year, the employee saves \$1,200, it's considered a business expense similar to a premium payment, it's not considered a taxable benefit to the employee.

In this particular case the co-ordination of benefits was going to be complicated as well, because the employee would have been considered a Late Entrant for not applying for the health and dental when her coverage first began. This however is another topic for another time.