

Look Out!

Pitfalls to watch for in benefits administration



By Karen
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MOST COMPANIES ADMINISTER employee benefits plans, for which insurers issue a manual. But how many of us have read that manual? There are many pitfalls in benefits administration that can affect your employees, their coverage, and your liability as a plan sponsor. Here's a sampling of items to watch out for.

1. Late Entrants. Most benefits plans require a completed enrolment form within 31 days of becoming eligible to join the benefits plan. If the plan has a three-month waiting period, the employee must complete and sign their enrolment form within four months of their date of hire. "Late entrants" usually must complete a health evidence form and be approved by the insurer. The employee could be declined for benefits entirely, or have pre-

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existing condition limitations. *Suggestion:* Follow up with employees and ensure their form is completed and returned on time. Or, have them fill out the enrolment upon hire so it is already done.

2. Undocumented Opt-Outs. Employees may say they don't need insurance, or don't want to enroll. Most plans have mandatory components, like life insurance, which employees can't opt out of. Health and dental benefits can generally be waived by an employee when they are covered by a spouse's or other plan. *Suggestion:* Know the minimum participation requirements for your plan. If employees are able to opt out, be sure to have them sign a waiver of participation form. This helps to protect the company, so an employee can't claim they should have had coverage when their needs or circumstances change.

3. Non-Evidence Maximums (NEM). Life insurance and long-term disability plans often have a limit of coverage without requiring medical evidence. The non-evidence maximum is generally shown in the benefits booklet. Still, many employees don't know they need to apply for higher amounts of coverage by submitting a health evidence form. Applying for higher coverage, even if declined, won't affect the employee's current coverage. *Suggestion:* Review your premium statements to see if any employees are being limited to the NEM. After earnings changes, give your employees the opportunity to apply for increased cover-

age.

4. Extending Benefits after Termination. Keeping a terminated or ineligible employee on your plan without approval from the insurer could result in the insurer refusing to pay for expenses incurred by the employee. If your company has promised coverage to that employee, the company could be on the hook. Generally, Disability coverage and Out of Country Emergency Medical coverage cannot be extended past the termination date. Extensions may be arranged for Life, Medical and Dental coverage. *Suggestion:* Check with the insurer when extending benefits as part of a severance agreement.

5. Co-ordination with Provincial Medicare Plans. Private group insurance plans are designed to pay for medical expenses not covered by provincial Medicare. But new immigrants will not be covered during the Medicare waiting period. Specialty insurers offer provincial Medicare replacement insurance to cover individuals for emergency expenses during the waiting period. *Suggestion:* Consider a company policy to share the cost of replacement insurance if your company frequently hires new entrants to Canada. Be able to refer your employees to an insurer offering replacement insurance until they can be enrolled in the company plan.

6. Dependants Attending School Outside their Province of Residence. Most group insurance plans will cover dependant children attending school full time outside their province of residence only for Emergency Medical (travel) coverage, usually limited to 60 or 90 days.

Some plans may arrange coverage for a child in another province with a premium surcharge. The province where the child is attending school may also require the dependant child to apply for coverage under the medicare plan of that province.

Suggestion: Remind employees to confirm any requirements of the provincial medicare programs in their own province, and the province where the child is attending school.

While administering a group insurance plan is often just one of many things on the HR professional's list, your employees will thank you for being proactive and watching out for their best interests. Accurate administration will help to ensure smooth claim transactions. ♻️

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