Mile 5 Benefits
www.mile5benefits.com

“Sure, we can do Self Bill Voluntary Benefits…”

Even though Voluntary Benefits (VB) have been around since at least the 1970s in one form or another, they are only now entering the mainstream discussion in the benefits world. In an industry that cannot even agree on the definition of “actively at work” it should be no surprise that there is a lack of consistency in the meaning of many key phrases in Voluntary Benefits. If your VB RFP asks “do you offer Self Bill? Yes/No,” for instance, you could be missing out on some critical information. While nearly every carrier can give an affirmative answer, the broad range of capabilities in this area necessitates a much deeper dive into the question. The nuances from carrier to carrier on what constitutes “Self Bill” or “Self Administration” can be a very big deal, and not understanding these can be the difference between a satisfied client, and one who is looking for a new broker to solve their Voluntary Benefits mess.

To understand why and where we are in VB administration, you have to understand our history. The first VB product offered at the workplace was Whole Life Insurance. Employer benefit administration systems were unsophisticated (or non-existent) so the carriers took on the bulk of the administration and record keeping. The carrier mailed policies to the employees’ homes, and managed all the portability paper flow. They also kept track of enrollment, and each month, sent a paper list bill of payroll deductions to the employer. The employer then deducted and remitted the premium to the carrier with a list of terminations, changes, and discrepancies. The carrier then journalized the premium line by line, applying the appropriate amount to each policy, thus documenting the appropriate cash values.

The persistent discrepancies combined with the carriers’ need for line by line accounting created friction in the process. Inevitably, the employer was deducting for an employee who was not on the bill or billing someone who had dropped their policy months ago and the termination was never processed. Sometimes the billed and deducted amounts for an individual inexplicably just did not match. The employer audited the bill, identified discrepancies and then worked with the carrier to rectify them, hopefully but not always before the next billing cycle. This process repeated each payroll deduction period. The larger the employer, the bigger the issues and the more time consuming the process.

Now, though employers’ administration systems have grown more sophisticated and the VB market is gravitating toward simpler group products, the traditional VB billing process is still largely unchanged. The carrier still maintains the eligibility records and is the final system of record regarding who is covered and for how much. Though the billing process is the same, the data flow has improved dramatically with technology. What used to be a paper list bill is now usually an electronic data exchange that eliminates most human error. For many employers, this process works perfectly, but for many others, that friction of billing discrepancies still occurs and still needs resolution.

The pain created by the imperfect system often left a black eye on the VB industry so carriers simplified the process. Carriers can suppress the mailing of the bill and instead allow the employer to send a list of their payroll deductions and terminations. This change places the onus of *auditing and finding* discrepancies on the carrier as it is their responsibility to balance each employee’s deduction against the list bill. The carrier then contacts the employer who, like before, works to rectify the discrepancies. The suppression of the list bill, or “Push Bill,” is the first generation of “Self Billing.” It succeeds in shifting the audit burden from the employer, but does not entirely eliminate the friction of solving discrepancies.

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Push Bill works for a subset of employers, but for some, rectifying the discrepancies still remains unmanageable. In order to serve this segment, several carriers developed a further simplified version of Self Bill that mirrors the group supplemental term life plans that employers have managed effectively for years. In this new version of Self Bill, the employer, not the carrier, acts as the system of record for who is covered and for how much. The employer's system calculates the deductions each month instead of getting a list bill from the carrier. The employer remits premium in an aggregate form reporting only number of lives covered and volume of insurance, instead of line by line, employee by employee. Because there is no line by line itemization of premium, there are no individual discrepancies to rectify. The friction that existed for some employers in prior methods disappears with true self bill.

While this process in many ways is much simpler, there are still some things that an employer has to approach with eyes wide open. The carrier does not know who is covered on a day to day basis, so their ability to do policy administration day to day is limited. Whereas an employee used to call the carrier to confirm, change, or drop their coverage, those calls must now go to the employer's HR department. Because the carrier does not have individual eligibility information, they cannot send out individual certificates or policies; this burden now falls to the employer. Mailing portability packets, while previously handled entirely by the carrier, also falls on the shoulders of the employer. Many employers' systems struggle with issue age rates so careful consideration of plan design is important. And finally, at time of claim, the carrier needs proof of eligibility from the employer.

These limitations mean that self administration is not for every employer. In all fairness, though, similar issues occur in the supplemental term life plans, and carriers have found ways to resolve most of them. Most true self bill carriers, for instance, can accept eligibility files, alleviating the claim eligibility verification burden and allowing some limited customer service capabilities. Many carriers can also accept termination files and use those to process portability requests. In either of these cases, the premium accounting process remains independent of the eligibility process so the friction does not creep back into the equation. Finally, carriers provide a group master certificate in lieu of individual certificates that employers house on their intranets or distribute with the rest of their benefit documentation. So while there is the possibility of some additional responsibility for HR, it is no greater than the workload created by other employer administered benefits, and far less than the burden of reconciling a list bill.

No one of these billing philosophies is the right or best way to do it. The decision between carrier or self administration is unique to every employer and is based on their capabilities and voluntary goals. Mile 5 Benefits brings a deep understanding of the critical terms and processes in Voluntary Benefits. We can help brokers and employers probe deeper into statements like "We offer self bill too…" to ensure that the right billing methodology is installed for the right employer. Want to hear more about our philosophy on VB? Check out our Core Values at our website.