# Administrative Services Only (ASO)

## An Administrative Services Only (ASO) contract is a benefits plan structure in which an employer funds the plan and assumes full financial responsibility for claims and liabilities made against it. In most cases, the employer hires a third party to administer the plan and to process, adjudicate and manage claims and payments.

### With a Self-funded Health Plan

**There are two main costs to consider: fixed costs and variable costs.**

* Fixed costs include administrative fees, stop-loss premiums, and any other set fees charged per employee. These costs are billed monthly by the Third Party Administrator or carrier, and are charged based on plan enrolment.
* The variable costs include the payment of health and/or dental care claims. These costs vary from month to month based on health care use by covered persons (eg: employees and dependents).
* To limit risk, some employers use stop-loss or excess-loss insurance which reimburses the employer for claims that exceed a predetermined level. This coverage can be purchased to cover catastrophic claims on one covered person (specific coverage) or to cover claims that significantly exceed the expected level for the group of covered persons (aggregate coverage).

Is ASO Right for my Business?

If your health and/or dental claims experience is predictable, that is, you have a pretty good understanding of how much your variable claims costs will be year over year then you are a good candidate for an ASO contract.

Predictability increases as the number of covered persons increases, which is why ASO for smaller businesses may not be the best solution. If you are an employer with over 50 employees, and your variable claim costs are predictable, then ASO may be right for you.

So how much can I save if I move from an Insured contract to ASO?

Because the TPA or carrier is only a facilitator of the claims, there is little or no risk to them. As a result, the risk charges generally associated with an insured contract are reduced and/or eliminated resulting in savings to the employer of somewhere between 2-5%.