



## Co-ordination of Benefits

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Co-ordination of benefits deals with the situation in which a plan member is covered under more than one plan for healthcare or dental care benefits. In addition to the group insurance policy, the plan member may be entitled to benefits from government plans, from other employer sponsored group plans or from other sources.

Benefits may be paid under two or more plans, but the total benefits can not exceed the amount of the expense. This would be contrary to the purpose of insurance, which is to reimburse a person for a loss rather than to provide a profit from a loss.

To ensure that total benefits from all sources do not exceed the amount of the expense, healthcare and dental care benefits are coordinated.

## Co-ordination with Group Plans

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Group plans are defined as those available only to members of a particular group and not to the general public. Student accident plans are not considered to be group plans.

When two or more plans are involved, one plan is considered to be the primary plan and the other plan is the secondary plan. The primary carrier pays its usual benefit. The secondary carrier then reduces its payment by the amount by which total payments under all group plans would exceed eligible expenses.

Eligible expenses are defined in each carrier's contract before limitations such as deductibles, coinsurance, lagging fee guides, and maximums are applied.

The rules used to determine which plan is primary and which plan is secondary are defined by the Canadian Life and Health Insurance Association (CLHIA) and have been incorporated into our policy wording. Sample policy wording is produced below.

## Example: Benefit Calculations

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The secondary insurer will reduce your payment by the amount which total payments under all group plans would exceed eligible expenses. For example, assume that the patient's medical expense is \$100 and that your policy covers 80 per cent of that expense, subject to a \$10 deductible. The primary carrier has paid \$82.

(A) Primary carrier's benefit: \$82

(B) Assuming an 80% reimbursement plan, your policy's usual benefit in the absence of another plan:  $(\$100 - \$10) \times 80\% = \$72$





- total payments under all group plans: (A) + (B);  $\$82 + \$72 = \$154$
- eligible expenses:  $\$100$
- total payments under all group plans, less eligible expenses:  $\$154 - \$100 = \$54$
- our benefit:  $\$72 - \$54 = \$18$

Looked at another way, the benefit paid by the secondary carrier is the lesser of:

- the usual benefit in the absence of the other plan:  $(\$100 - \$10) \times 80\% = \$72$ , or
- eligible expenses less the primary carrier's payment:  $(\$100 - \$82 = \$18)$

The secondary carrier will pay the lesser of the two above amounts, being  $\$18$ .

Since the plan member is reimbursed for  $\$82$  by the primary carrier and  $\$18$  by the secondary carrier, the plan member receives a total reimbursement of  $\$100$ , which was the eligible expense.

#### **For more INFORMATION**

If you have any further questions on this, please contact either your human resources representative or your Insurance Company's customer service centre.



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