CPR-ASO LLC

The Administrative Services Organization (ASO) experience

This information provides background of the structure that allowed us to gather information used elsewhere. The combination of logically related parts that are otherwise fragmented disclose dysfunction that is not apparent when these parts are viewed as unrelated autonomous processes.

Background:

This family business spent many years working with small businesses helping them consolidate operations and technology for better efficiency. The businesses were diverse in their products and services, but we discovered a common thread among them that has greatly impacted our philosophy and business model.

The goal was to implement operational policies that did not collide with each other along with software systems designed to gather information and share it throughout the organization. The common thread among them was the fierce resistance we encountered among various departments and individuals charged with internal operations. There are countless reasons for this resistance, but they can all be traced to lack of communication, conflicting personal agendas, and the fact that no one was actually driving the collective boat.

ASOs serve companies that choose to outsource some or all of their administrative tasks.

An ASO combines services that are common to small businesses and offers these services at negotiated prices that are lower than their members could get on their own. One of these services is affordable consulting. Another service the ASO negotiates on behalf of members is Healthcare benefits. We discovered that integrating healthcare into the ASO structure is no easy task.

Insured persons, Insurance companies, and providers of healthcare services are only collectively connected by the money spent by insured persons. Unfortunately, these various segments appear to be oblivious to this.

One service an ASO can provide is a more centralized view of otherwise autonomous services that impact what members pay for benefits that include healthcare.

The rest of this article is devoted to our experience with this one part of many services offered on behalf of small businesses.

HEALTHCARE AS A PART OF AN ASO STRUCTURE

From the viewpoint of those with the above background, the Healthcare industry is just a larger version of companies they worked with having the same departmentalized autonomy and the associated problems. The goal of the ASO was, and still is, to help small businesses lower their operating costs.

By consolidating the functions under a more global management, we gathered information that gives insight into this industry by following the money trail. This is the positive side of what was otherwise a painful, and expensive, experience.

Insurance companies do have this access, but probably have too much to lose by exposing the dysfunction even if they were inclined to do so. Because this ASO has an obligation to work for its members, it also has an obligation to report what it finds to them.

As we will see, this more global point of view, regardless of motive, is not very popular.

IT IS HARD TO KICK AGAINST THE GOADS (ESTABLISHMENT BARRIERS)

At first the administrative portion of what would become the ASO partnered with a PEO (professional employer organization), with the agency providing healthcare benefits through state regulated Insurance carriers. The ASO structure was included because the PEO structure was resisted by some potential customers (ASOs allow employers to keep control of employees while taking advantage of pricing usually available only to larger employers for other administrative benefits, where PEOs are technically the employer and lease them back to the company at a price per employee including benefits such as healthcare).

First Volley:

The ASO/PEO began to grow. The healthcare portion was through a large insurance company, and had been blessed by, and setup assisted by, their internal operations. Because the ASO was doing what ASOs do, the rates were lower than small employers could get on their own. Some Agents complained about the lower rates to the insurance company's marketing director for small to medium groups. The marketing director sent an email stating the ASO/PEO should cease and desist because…..this began a series of reasons including, not authorized, four agents complained, etc.

Second Volley:

The Insurance company's marketing director sent a letter to some of the ASO members stating that premiums had not been paid and gave them a number to call. This letter was not on proper letterhead and was not signed. He initiated direct contact with one of the larger members. He stopped all sales, and caused current sales that were not yet issued benefit cards to be held up. The company gave numerous reasons for not issuing members cards who had already signed up. As reasons were complied with, other requirements were presented. At this point we went to the Texas Department of Insurance on behalf of our members. The agent for the ASO was notified her appointment was cancelled based on a clause stating that appointments could be cancelled without reason.

After contacting TDI (Texas Department of Insurance) there were several exchanges of information between the Insurance company, TDI, and the ASO/PEO. The Third Party Administrator for the ASO/PEO was mysteriously questioned about a totally non-related issue that had been resolved. You know, "kill the messenger" kind of stuff.

The net result was that TDI determined that the contract between the Insurance company and the ASO/PEO was valid and renewable. (We believe this was not an issue of taking sides, but determined to be in the best interest of the insured members).

The ASO/PEO elected to move members to another healthcare situation at the end of the contract year, some five months away, considering the lack of a relationship with the current insurance company.

At the end of the contract year, the largest member of the ASO/PEO went directly with the current insurance company. The total membership was reduced to half.

Third Volley:

After spending months exploring options the ASO/PEO relationship was dissolved due to differences over how much the PEO operator would be paid.

-----You may have heard about the folks who set out to drain a swamp and found it hard to remember that original objective when they found themselves up to their necks in alligators. This next move brought on the alligators.-----

The story continues:

The ASO and associated entities elected to pursue what would become the worst mistake in our lifetime, a partially self funded arrangement.

The original objective of providing products and services to small business at prices that are usually only available to larger companies still continues to be our agenda. The ASO contracted with an outside TPA with the understanding that this would be a "turn key" service that would include proper claims management including reviews as necessary. After nine months, the TPA was replaced. This decision was based on fiduciary duty to members that was not being handled resulting in excessive drain on the plan.

Partially self-funded healthcare plans usually are regulated by the Department of Labor (ERISA).

The rub here is that for an ASO structure there is an issue with what is considered an employer. A common structure for joining smaller employers together for the sole purpose of negotiating better healthcare rates through volume is called a MEWA (multiple employer welfare arrangement). These are sort of a hybrid and are regulated by both state and federal agencies.

An ASO is not a MEWA because it offers more than just healthcare benefits. However, government agencies do not agree with regard to healthcare regulatory authority, and consider them as MEWAs anyway when it comes to ERISA plans. Our position was that based on DOL guidelines, certain situations that serve multiple employers were exempt from the MEWA definition for determining what constitutes a single employer relative to negotiating benefits and premiums. See a summary of our position here. The documentation also states that an individual determination would not be made until a state asserted authority and only then could a request for specific determination be made. A different spin on the DOL position can be found here .

As a result of plan overpayments, disruption of services for members, and certain member mischief, several complaints against the ASO and associated service entities were received by TDI and have been addressed.

For these reasons and others, the state of Texas did exercise its authority and determined we were unauthorized. The ASO elected to work with TDI to become compliant and did not pursue a DOL determination.

Compliance meant switching from partially self-funded back to a fully insured company that was regulated by the State of Texas. As noted above, we went to partially self-funded because of experience with a fully insured healthcare option. We were able to move to a different carrier that was willing to work within the ASO structure. The move did include increased premiums because we were required to split up the membership in a way that TDI would approve. This meant the CPR plan was no longer funded by members. The ASO owner has taken responsibility for paying remaining claims.