Why You Shouldn't Max Out Your Benefits Plan

Comparing Your Benefits Plan to Your Vacation Savings

Imagine you take an annual trip to Disneyland with your family. Each month you put money in a savings account specifically for your trip. This savings account is like the premiums you would pay monthly for your benefits plan.

If you spend more than you saved, you'll owe money, or you won't have as much next year. This is similar to how your benefits plan works. If you claim more than you paid in premiums, the premiums will go up, or you will have to get rid of some benefits.

The **Costs of the Trip** are like the **Claims Incurred Amount***

- Flights
- Accommodation
- Food and drinks
- Disneyland Passes
- Miscellaneous

- Paramedicals
- Vision
- Dental
- Prescription drugs
- Medical Items

*Total amount reimbursed for submitted claims

Your Vacation Funds are like the **Target Loss Ratio**

Total amount of money you have saved for your holiday.

The amount of total premiums collected minus the fees, taxes and commissions, that is available for paying claims (expressed as a percentage).

The **Difference** Makes a **Difference!**

Spent exactly what you saved?
You can start saving again for next year's trip.

Target Loss Ratio Achieved?
This means your benefits plan is sustainable and you can continue to get the same coverage as previous years.

Spent more than you saved?
You end up putting your overages on a credit card. The credit card company charges you interest, and you end up with debt.

Next year, you may be forced to **eliminate some of the activities,** or ask your kids to **help pay** for the ones they really want to do.

Above the Target Loss Ratio?
The amount reimbursed for claims is not able to be covered by the premiums, and therefore, an increase in rates is usually proposed.

In order to offset this increase, employers may be forced to **remove parts of the benefits coverage.** Or they may increase the **cost-sharing** for employees.

Spent less than you saved?
You come home with $ in your pocket and can get a head start on your next vacation fund!

You might even be able to go for **longer next year,** or **do more things,** or both!

Below the Target Loss Ratio?
This means your insurance provider could offer a decrease in rates at renewal.

Depending on how much, this could mean **cheaper benefits premiums,** or **additional benefits.**