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## CONNECTION (</en/connection.aspx>)

Group Benefits News and Views



### How Reasonable and Customary limits impact benefit plans

Do you know what the term “Reasonable and Customary” (R&C) means in relation to your group benefits plan? Here’s how it’s defined and why it’s important to you.

#### Health expenses

R&C limits refer to the maximum amount eligible for reimbursement for a specific health service in your geographical area. Each insurer establishes their own R&C limits for Extended Health Care expenses using prior claims history, published recommended fees and competitive analysis. Reasonable and customary limits help protect plans from fraudulent activity and excessive charges.

For example:

- A plan member submits a chiropractor expense for \$100.
- The R&C limit for this expense is \$90 in their location.
- They are covered for 80% of paramedical expenses through their plan.

The reimbursement is calculated as follows:

- $\$90 \times 80\% = \$72$
- The plan member pays the remaining \$28 out of pocket.

## Dental coverage

Each provincial dental association publishes an annual dental fee guide, which insurers use as the R&C limits guideline.

## Prescription medication

The cost of prescription medication consists of three components: the ingredient cost, the pharmacy markup and the dispensing fee.

Ingredient cost markups are determined by individual pharmacies within legal maximums. To protect your plan from high costs, your group benefits plan verifies that prescription drug ingredient cost and the markup fall within the R&C limits established for the jurisdiction.

Dispensing fees can vary widely from pharmacy to pharmacy. Some provinces require pharmacies to outline their dispensing fee on the prescription receipt and nearly all provide the dispensing fee amount to the insurer when submitting the claim. The R&C limits for dispensing fees are the maximum dispensing fee that The Co-operators will reimburse based on provincial or territorial guidelines issued, or through analysis of claims data.

Some non-prescription expenses purchased using a pay direct drug card, such as diabetic test strips, are subject to R&C quantity limits.

When expenses submitted are higher than the R&C limit, the expense will be adjudicated at the R&C limit for that product or service.

## Questions?