- Self Insuring Options

Happy Halloween

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Self Insuring Options

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CLAROS™
ANALYTICS

Self Insuring Options

- Funding
- Self Insured and self administered.
- Traditional
- Aggregate only;
- Specific Only;
- Level Funding
- Group captive
- Protecting your plan

Reasons why employers self insure their employee benefit plan

- I'm mad as hell and can't take it anymore

- 1.Hoping to save money versus paying monthly health insurance premiums;
- 2.Wish to avoid paying for mandated state benefits;
- 3.Have employees that reside in multiple states and want to provide the same benefits to all.

How are self insured plans funded?

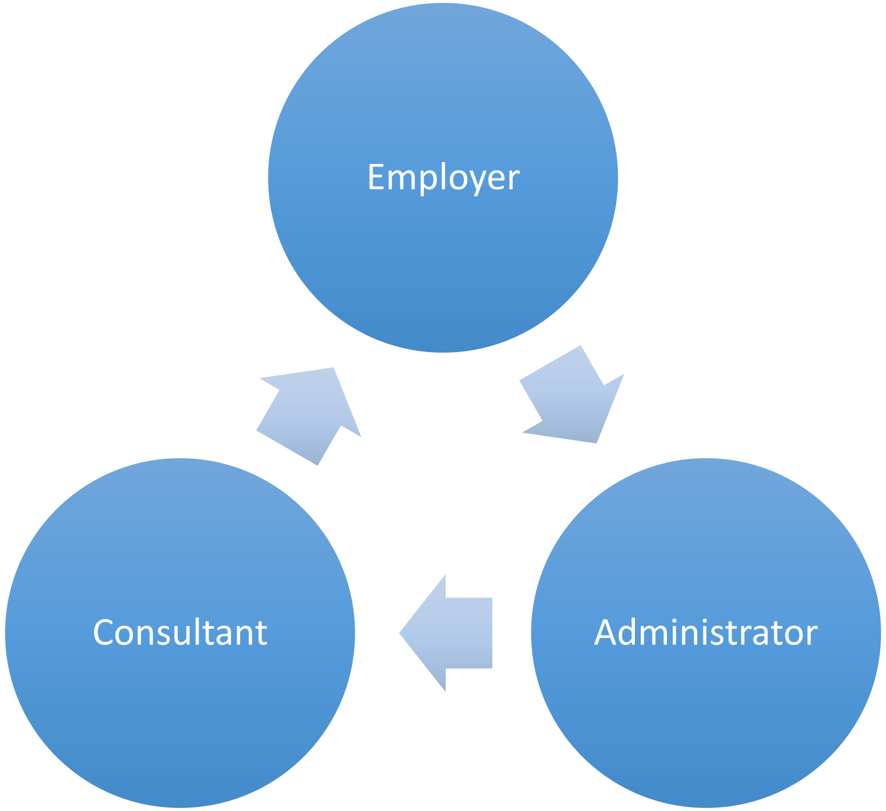
- Pay as you go. Employer funds fixed and variable costs (claims) out of their general liability accounts as they are due or occur.

- Employer set up a trust (501 C 9). Monies paid into a trust usually cannot be taken out of the trust should total costs be less than what was funded. Excess contributions not held in reserve must be used to benefit the trust.

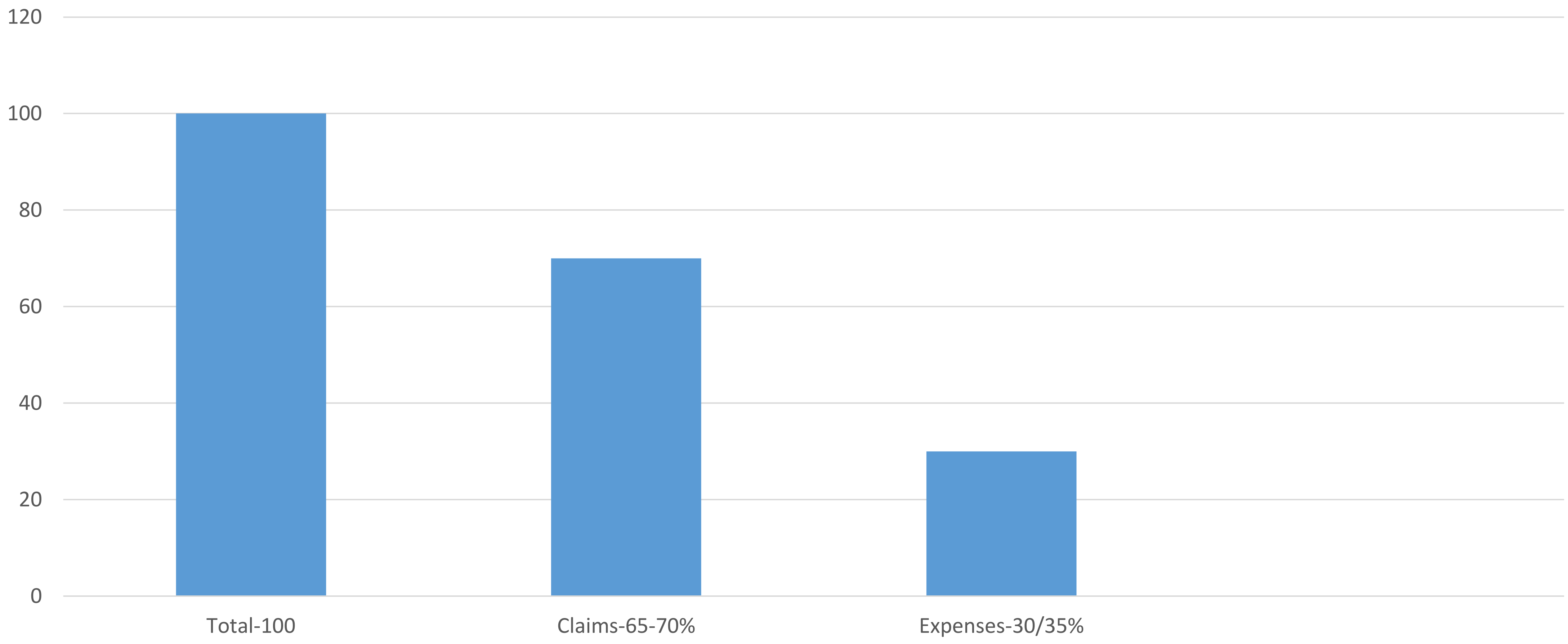
Self Insuring and self administration
Do it yourself Option

Support Services Needed

- Plan Design;
- Plan Document and Plan Booklets;
- Claims Payment;
- Network and Network Fees;
- PBM and PBM Fees;
- UR and Case Management;
- Compliance Support;
- Data Analysis and Reporting.
- Stop loss arrangement



Division of $1.00 of Self Insured Plan Costs



Traditional or Most Common Stop Loss Arrangement

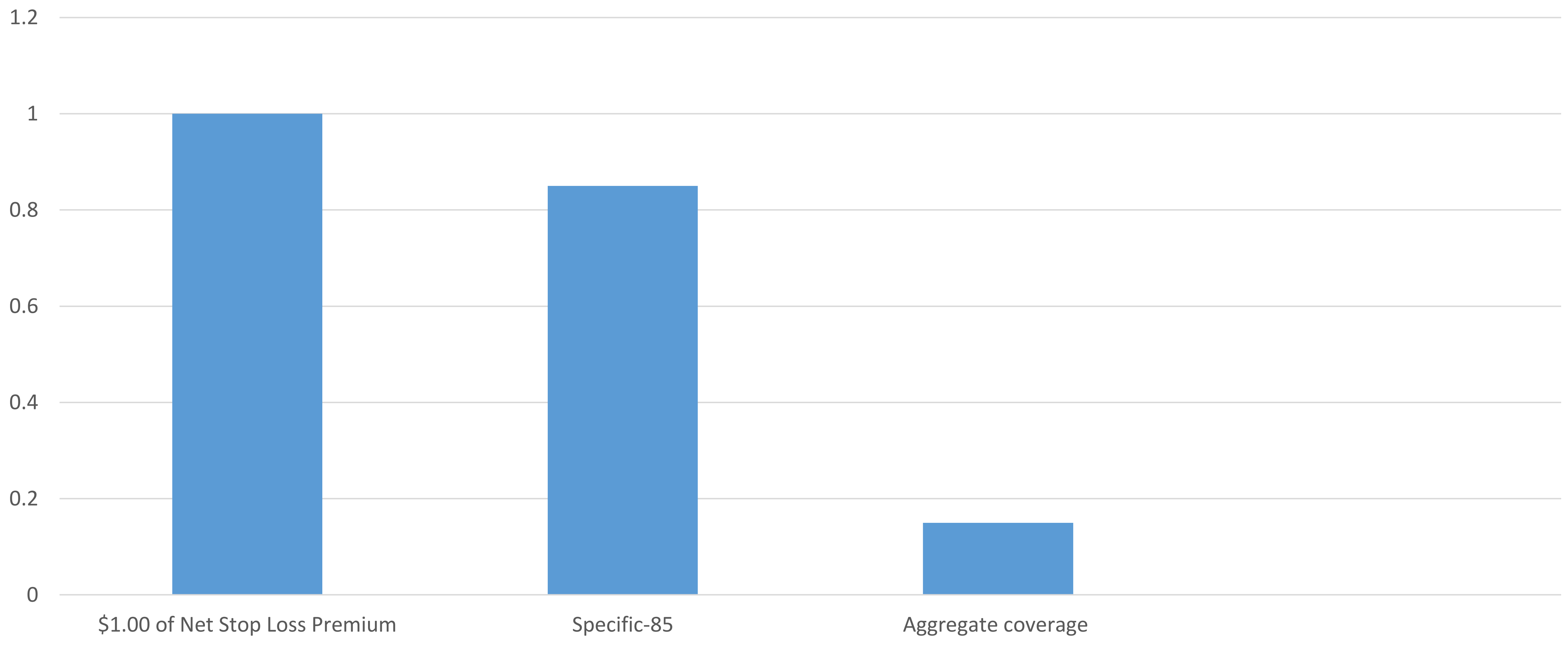
Specific Stop Loss

- Purchased to protect the plan from higher than usual individual claims like:
- Transplants;
- Designer Drugs;
- Cancer.

Aggregate Stop Loss

- Purchased to protect the plan from total claims in any one year exceeding 125% of estimated.
- The likelihood of an aggregate claim diminishes the larger the group and the more credible the experience.

Percentage of Net Stop Loss Premium going toward Specific and Aggregate Coverage



Aggregate only, Specific only, or both? What factors determine if Aggregate or Specific Insurance should be purchased

- Employers size.
- Financial condition and cash flow;
- Risk tolerance.

Fully Insured vs Traditional Self Insured

- Fully Insured

- One monthly premium which only varies in any one year by the number of covered members.
- Claims are paid on an incurred basis.

- Self Insured

- Monthly claim fluctuations can create cash flow issues
- The filing of a large specific claim can take time.
- You won't know if you have an Aggregate claim until the end of year which requires the employer to temporarily fund deficits.
- Claims payment basis differs.

Level Funding

- For the 15 – 199 lives market;
- Bridge product;
- More competitive aggregate corridor 110-115%
- One monthly all inclusive payment;
- Same benefits as self insuring;
- In some products no individual specific stop loss;
- Monthly Aggregate Protection;
- Unlimited individual maximum;
- Employer retains year end excess funding;
- 12/12, 12/15 and 12/18 contracts available;
- Terminal liability available (surcharge);
- Individual medical underwriting may be required.

Level Funding Price Components

- Estimate Claims + Expenses + Margin / 12
- $2,000,000 + $600,000 + $240,000 = $2,840,000/12=
- Monthly Funding $236,666

Level Funding

- Employer self insures their employee benefit plan and pays a per employee amount monthly for benefits and administration.
- Monthly paid claims that exceed the employers funding are paid by the carrier.
- Should the annual paid claims be less than what the employer funded the employer receives a refund for all or part of the excess.

Traditional Self Insuring with Participation in Group Captive

- When you set up a traditional self insured plan and purchase employer stop loss, you are hoping to save money vs paying fully insured premiums.
- When you participate in a group captive arrangement, you are hoping to save money on your stop loss insurance costs.

- In a captive you have taken back some of the risk you transferred when you purchased employer stop loss insurance and joined other companies in the sharing of risk they took back.

Group Captive Considerations

- Homogeneous group captive- One whose members have some common association i.e. group of hospitals, municipalities etc.
- Heterogeneous group captive- Consists of employer groups that are not of the same industry or other related characteristics.
- Carrier created or independent.
- Captive manager.
- Capital needed to participate equals approximately 10% of stop loss premium. This is over and above the stop loss premium.
- Approximately 65% of the stop loss premium is transferred to captive

Pros and Cons of a Group Captive

Pro	Con
Premium paid that exceeds claims paid result in refunds or premium credits.	Claims paid that exceeds premium results in a capital call.
Owner vs. Passive Buyer.	Owner vs Passive Buyer.
<u>Less volatility at time of renewal</u>.	A bad captive year can impact participants.
Ability to collaborate with others participating in captive.	You can be voted out of a captive.

Ultimate Plan Protection

- Specific and Aggregate Stop Loss Insurance;
- No laser renewal option;
- Maximum renewal increase option;
- Monthly Aggregate Protection;
- Transplant Carve Out Policy;
- Terminal Liability Protection;
- Set up a aggregating specific layer.
- Profit Sharing Option with the stop loss carrier.

Questions?