

To be or not to be Self Insured?



Presented by
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Windsor Strategy Partners LLC
STRATEGY PARTNERS

Today's Takeaways

Informed
Educated
Smiling



Today's Discussion Agenda

- Trend toward Self Insurance
- Drivers to Self Insure
- Funding Arrangements
- Selection of Benefits and Claims Administrator
- What a stop loss carrier considers in pricing your plan.
- Stop Loss Contract Payment Terms
- Selection of Stop Loss Carrier
- Ways to minimize risk and surprises
- Important stop loss provisions





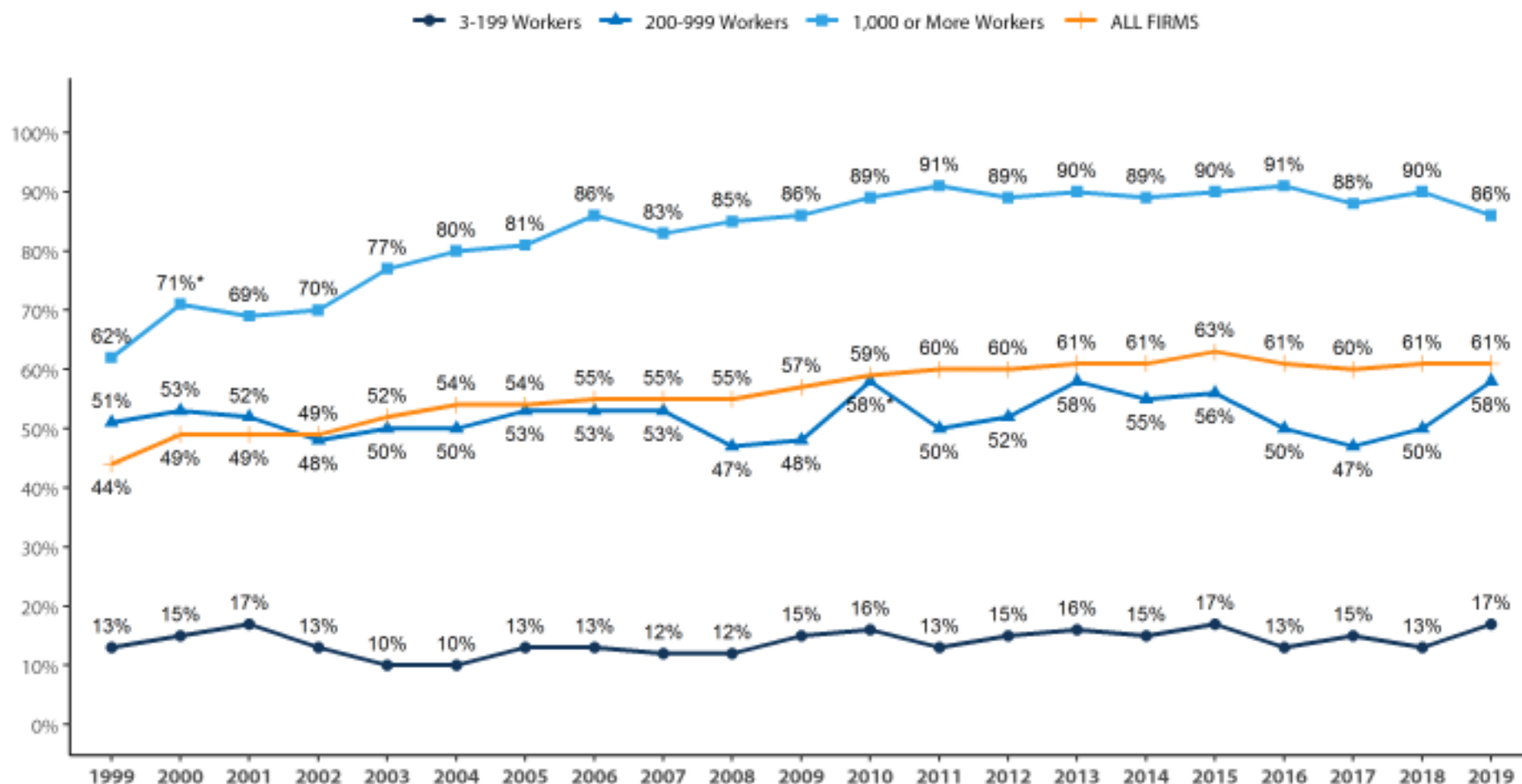
Windsor Strategy Partners

- Actuarial Firm Focused in the Health Care Market;
- Software developer Windsor Strategy Solutions now Claros Analytics;
- John Marshall FSA serves as BAN's actuarial director:
Self-Insured Feasibility Analysis;
IBNR Reserve – Incurred But Not Reported Reserve;
PBM Evaluation – Pharmacy Benefit Manager Evaluation;
- Pat Campola serves as BAN's reinsurance director:
Stop-Loss Analysis;
Carrier Relationships.



Figure 10.2

Percentage of Covered Workers Enrolled in a Self-Funded Plan, by Firm Size, 1999-2019



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Figure includes covered workers enrolled in partially or completely self-funded plans. Overall, 61% of covered workers are in a partially or completely self-funded plan in 2019. Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006; therefore, conventional plan funding status is not included in the averages in this figure for 2006. See the glossary at the end of Section 10 for definitions of self-funded, fully-insured, and level-funded premium plans.

SOURCE: KFF Employer Health Benefits Survey, 2018-2019; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Participants in Traditional Self Insuring Arrangement today



Drivers to Self Insuring

- Companies that pay more in premium than their carrier pays out in claims and expenses.



I'm not going to take it anymore

How to Assess Financial Risk

Sample Analysis

Fully Insured Premium	2,700,000
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Self-Funding:

Specific Deductible	50,000	75,000	100,000
Expected Plan Cost*	2,588,731	2,503,605	2,459,124
Difference vs Fully Insured	111,269	196,395	240,876
Likelihood of beating Fully Insured	76.7%	81.7%	82.3%

Attachment Point

Plan Cost at Attachment Point + Expenses	2,930,511	2,877,863	2,855,838
Probability of having an Aggregate Claim	3.2%	5.0%	6.3%

*** Includes admin and stop loss premium.**

Drivers to Self Insurance

- Companies that want flexibility of plan design.



Drivers to Self Insurance

- Companies with employees residing in multiple states.



Essential to all plans

- Company willingness to invest the time and resources to manage their self insured plan.



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 occur and are due to be paid.



- 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 employees in the trust.



Benefit Decisions

- Deductibles
- Out of Pocket maximums
- Ambulance Service
- Chiropractic care
- Maximum Benefits
- ER Benefits
- Out of area benefits
- Physical Therapy Benefits
- Prescription Drug Benefits
- X-Ray Benefits
- Hospice Benefits
- Medical Benefits
- Durable Medical Equipment
- Mental Health Benefits
- Dental Benefits
- Vision Benefits



Selection of a claims administrator or do it your self option.

- 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;
- Purchase stop loss insurance.



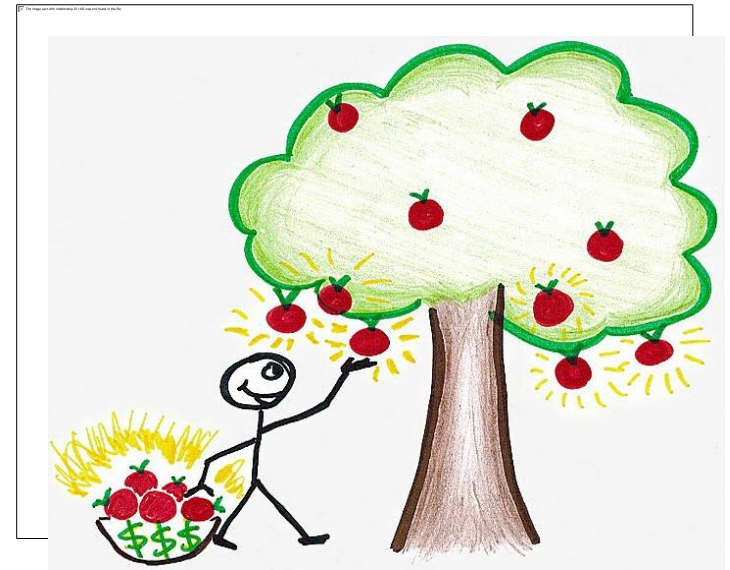
Selection of a Claims Administrator

- Carrier or TPA;
- Claim Management Services;
- Compliance Support;
- PBM;
- Analytics and Reporting;
- Stop Loss Claim Process.



Selection of Claim Payment Basis

- PPO
- EPO
- HMO
- Reference Based Pricing;



Reference Base Pricing Example Using Medicare

- Major joint replacement at a North Carolina hospital \$59,622.
- Big insurance carrier discount circa 50% equals billable at approximately \$30,000.
- Medicare payment equals \$9,264.
- Too good to be true? There are issues.

Issues Impacting Reference Based Pricing

- Hospitals/Physicians;
- Employees;
- Advocacy Firms;
- Claims adjudication
- Where is RBP heading?



Protecting Your Plan from High Individual Claims

“Specific Stop Loss Insurance”

- Protects the plan from large individual claims by transferring the liability of a claim once it has exceeded a specific dollar amount.
- Proper stop loss levels are based on the employers size and risk tolerance.



Aggregate Stop Loss Insurance



- Insurance carriers offer aggregate stop loss insurance which will cap the group's annual claim cost that exceed a predetermined level.
- The predetermined level is the estimated annual claims plus a 25% corridor.
- If the estimated annual claims is \$1,000,000 the carrier is responsible for claims that exceed \$1,250,000.
- What is the likelihood of an aggregate claim?

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Stop Loss Rate and Estimated Claim Adjustments

- Base Rate adjusted by:
- Industry
- Demographics
- Plan Design
- Network or RBP
- Trend
- Large Claim Assessment
- Experience
- Contract Basis.



Contract Payment Terms

- Stop loss policies consider claims that are incurred and paid within specific time frames.
- The premium developed is related in part based on the time frame the claim is eligible to be considered.
- A contract that considers claims incurred and paid in a calendar year would be less expensive than one that considers claims that would be incurred in the calendar year and paid within that year and up to 3 months beyond.

Typical Contract Payment Terms

- 12/12- Incurred in the 12 month period and paid in the 12 month period. Usually the least expensive but there are gaps here.
- 12/15 Incurred within the 12 month period and paid within 15 months from the effective date.
- 15/12- Usually applies to renewals. Incurred within 3 months prior to renewal and paid within 12 months from the renewal.
- Paid- Paid within the policy year (is not subject to an incurred date).

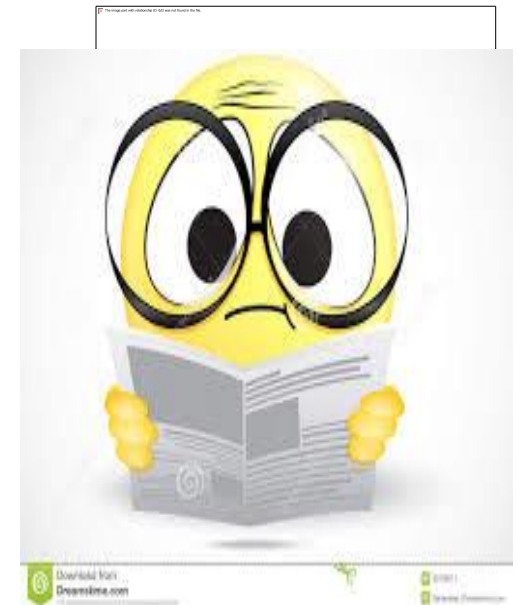
More than 90 Carriers to Shop Stop loss

The Pack

- HCC
 - Sun
 - Voya
 - **Cigna**
 - HM
 - Symetra
 - Swiss Re.
 - AIG
 - Munich Re
 - U.S. Fire
 - ULLICO
 - ACE
 - Berkley
 - Unum
- Gerber
 - Zurich
 - Aetna**
 - United Healthcare**
 - Lloyds
 - Nationwide
 - Pan American
 - QBE
 - Trustmark
 - Companion Life
 - Transamerica
 - Partner Re
 - BC/BS**

BAN Endorsed

- HM
- QBE
- Symetra
- Optum
- Reliance



Selection of a Stop Loss Carrier

- With over 90 Carriers and Managing General Underwriters selling stop loss insurance, that's a buyers market.
- You are either dealing directly with the carrier or through an MGU who represents the carrier.
- Most brokers/consultants will ask 5 to 10 carriers to quote stop loss on their clients.



Carrier Selection



The carrier should have an AM Best rating of A- or better.

How Long has the carrier been writing stop loss insurance. First year? (Buyer beware). Five years? (Better) 10 years(nice).

How large is their stop loss block (Size matters).

Ways to minimize Risk and Receive Additional Benefits.

- Does the carrier offer a no exclusion option on renewal and what is the cost? Does this also include a maximum rate increase guarantee?
- Does the carrier offer a profit sharing arrangement with the employer wherein excess profits are returned to the employer in the form of a dividend or premium reduction? Cost?





More ways to minimize risk

- Does the carrier offer a transplant network? Centers of Excellence?
- If a carrier sponsored transplant network or centers of excellence is utilized will the carrier apply a lesser (step down) deductible on that claim?
- Does the policy have a common accident provision wherein only one deductible needs to be satisfied if a family is in a common accident?
- Should I participate in a captive arrangement?
- Should I purchase an organ transplant policy thereby transferring plan liability for transplant claims.
- Does the stop loss policy mirror the employer's plan doc.



Not all stop loss policies are alike

- Minimum Annual Attachment
- Claim Filing Documentation
- Large Claim Disclosures
- Definition of experimental-drugs and procedures
- Definition of medical necessity
- Definition of a paid claim
- Policy Termination conditions
- Change of Plan Supervisor





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