

Alternative Funding Preparedness Assessment

SOLUTION TOOL



Employers of all sizes are increasingly turning to alternative funding strategies to provide cost-effective health benefits to employees. Once considered an option available only to very large companies, there are now plans that suit small and mid-size employers – and just about any company can implement some form of alternative funding.

There are a variety of alternative funding options, from pairing a high-deductible health plan with a Health Reimbursement Arrangement, to completely self-funding the benefits offered under a group plan. In order to assess which of the many options is the best fit, your company should consider the following six factors as they relate to your benefits program.

Factor 1: Current Plan Performance

The first point of assessment when evaluating alternative funding arrangements should be the company's current group health plan performance. Alternative funding can provide the advantages of financial savings and plan design flexibility when compared to a fully-insured model, but understanding the performance of your company's current plan is critical to determining how best to achieve these goals.

Clinical and financial data should be analyzed to the extent possible, though the availability of this data depends upon the carrier(s) utilized, plan design, and the size of the company. **The key is to identify cost-drivers within the plan, project future costs, and examine potential strategies to reverse trends.**



A thorough assessment of the current plan will allow for a meaningful evaluation of alternative funding designs.

- Q: How much premium does your company pay, and what is the expected trajectory of future premium costs under the current plan design?
- Q: What is your current loss ratio and how does it compare to regional benchmarks?
- Q: What are the top medical claims incurred by the plan each year, and what insight do these claims provide in assessing the future costs and length of treatment?
- Q: Based on pharmacy plan utilization, what types of medications are most prevalent?

Factor 2: Risk Tolerance

Generally, a fully-insured plan design transfers all the risk for claims exposure to the insurance carrier while the employer pays a set amount each month in premium. Conversely, a self-funded platform requires the employer to assume a higher level of risk, which can leave the employer vulnerable to high, unexpected claims costs.

Because alternative funding arrangements entail a certain level of increased risk, a company's tolerance for – and willingness to assume – financial risk is a crucial consideration when exploring different alternative funding strategies.

The level of risk tolerance will help the employer determine which form of alternative funding is best suited for the company, as well as how effective stop-loss insurance will be at mitigating the potential for risk beyond an acceptable level.



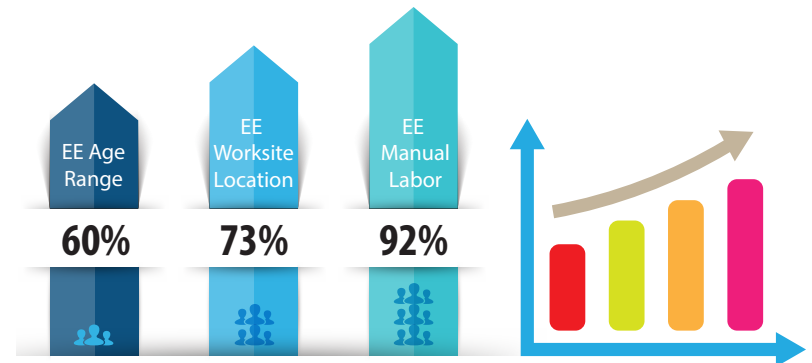
- Q: How is the current financial health of your company, and how does it stack up to forecasts?
- Q: How mature is your company and its source(s) of revenue?
- Q: Is the leadership team conservative in regard to business decisions and new ventures?
- Q: How important is financial flexibility to your company's short and long-term business model?

Factor 3: Employee Demographics

The employee demographics of a company are an important component in identifying a successful alternative funding strategy. This is because **a company's financial liability under such an arrangement is directly linked to the health and wellness of the plan's participants.**

Information such as the age range, gender, location of the worksite, and the type of work performed by employees will provide insight into the type and frequency of claims you can expect.

- Q: Does the workforce age range skew younger or older, and what is the distribution of gender?
- Q: Is your worksite(s) located in an area(s) that allow for employees to have choice in where they receive healthcare?



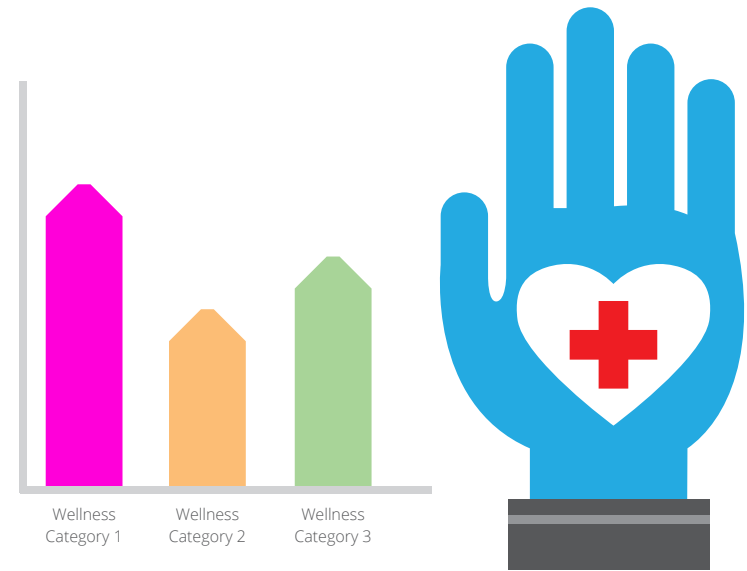
- Q: Do employees engage in highly manual work that carries a higher risk for immediate or chronic injury?
- Q: Are your employees educated about their health benefits and how the healthcare system works in general?

Factor 4: Interest in Promoting Wellness

While most employers see an immediate cost reduction on their plan premium by implementing some sort of alternative funding arrangement, the true benefits of such a plan can only be realized when employers consciously build a culture of wellness.

One method for assessing the health of an employee population is to conduct a health risk assessment.

A health risk assessment is an anonymous survey given to employees to capture data related to behaviors and health histories. This can be a good tool to not only gain information on the current health of your employee population, but also glean their interest in participating in employer-based wellness initiatives.



- Q: How are healthy lifestyles currently promoted throughout your company?
- Q: Are employees mindful of healthy habits, and would they be willing to participate in a wellness program?
- Q: Is this something your senior leadership team is willing to get involved in and visibly promote?
- Q: Are there resources available to get a wellness program started?

Factor 5: Administrative Capabilities

A stark difference between a fully-insured plan and an alternative funding arrangement is the role of the employer in regard to plan administration and compliance management. A fully-insured plan relies upon an insurance carrier to provide important details about coverage and claims administration. However, due to the diminished role of a carrier, an alternative funding arrangement shifts some of these responsibilities to the employer.



An organization should evaluate its capabilities to take on these additional administrative and compliance

duties, and should also consider the costs involved in delegating some duties to outside vendors or third-party administrators (TPA).

- Q:** Will your company be responsible for administering or reviewing claims? If so, are relevant HIPAA policies in place, and is personnel trained to adhere to HIPAA standards?
- Q:** Is your company equipped to stay informed of changes in regulations that impact self-funded plans?
- Q:** How will your company satisfy requirements related to plan documents and notices required under ERISA?
- Q:** Does your company have access to reputable TPAs to provide support services?

Factor 6: Tools for Ongoing Analysis

The goal of utilizing an alternative funding arrangement is to realize financial savings and design a health plan that is tailored to the needs of a company's unique employee population. This means that the health plan should continuously be analyzed to evaluate the plan's performance and identify new strategies for improvement.

Health Informatics is a discipline within health care that provides in-depth analysis of claim utilization, population health management, and clinical outcomes.

The health risks within a company's population are closely managed, which allows a company to monitor and predict future health care costs, as well as decrease costs overall.

With Health Informatics, a company will be able to analyze expected versus actual claims to determine if the health plan strategy is working as planned. The employer

will also be able to review utilization patterns and pharmaceutical usage to reveal opportunities for effective changes to plan design, and evaluate where wellness strategies or targeted health interventions will make the biggest impact.

- Q: Is your company able to identify cost-drivers within medical and pharmacy claims?
- Q: Does your company have access to health care experts who can produce, analyze, interpret, and manage the claims data from your health plan on an ongoing basis?
- Q: Does your company partner with consultants who are experienced in all stages of alternative funding in order to refine plan designs as necessary?
- Q: Is your company prepared to understand the clinical analysis of claims, diagnoses, and prescription drug usage, and mitigate the impact of individual high claimant cases?

Your careful evaluation of the available options and their fit in your organization will help determine the right strategy. However, the process of implementing a finely-tuned program is just the beginning. Partner with a team of consultants who are knowledgeable about all forms of alternative funding, take the time to understand your company's expectations, and provide the tools and analysis to ensure the ongoing vitality of your group health plan.

Filice Insurance welcomes the opportunity to partner with your organization to analyze your options and work together toward your future success.



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