Health Plan Mastery: Regain Control, Reduce Costs

The Benefits Brief: Insights that Fit Your Schedule

BJ McAndrew, Employee Benefits Consultant

Before We Begin

- **All attendees are in “LISTEN ONLY” mode.**
- **All questions are taken offline.**
- **A recorded copy of the webinar and slides will be made available to all attendees.**
- **Reach out to BJ McAndrew, your host, and he will follow up with you after today’s session.**

608-228-6055
bmcandrew@cottinghambutler.com

THE BENEFITS BRIEF

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Funding Health Insurance

ICHRA → Fully Insured → Split-Funded → Level Funded → Captive → Self-Funded

Considerations:

- ❑ Risk
- ❑ Cash Flow
- ❑ Company Size
- ❑ Flexibility

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Fully Insured

Risk: Low

Cash Flow: Level premiums each month.

Size of Company: Small – Large

Flexibility: Minimal

Risk and Premiums
- **Flat monthly premium** paid to carrier.
- Carrier **assumes all financial risk** and pays for any claims incurred.

Rates:
- **Employers with fewer than 50 employees**
  - Rates are typically **age-banded** and **community-rated.**
- **Employers with 50 or more employees**
  - Rates are underwritten based on employee demographics and claims history.

Plan Designs:
- Off the shelf.

Renewals:
- Good Year: “moderate” or “decent”
- Bad Year: “Bad”

Split-Funded

Risk: Lower fixed costs, higher level of risk than Fully Insured.

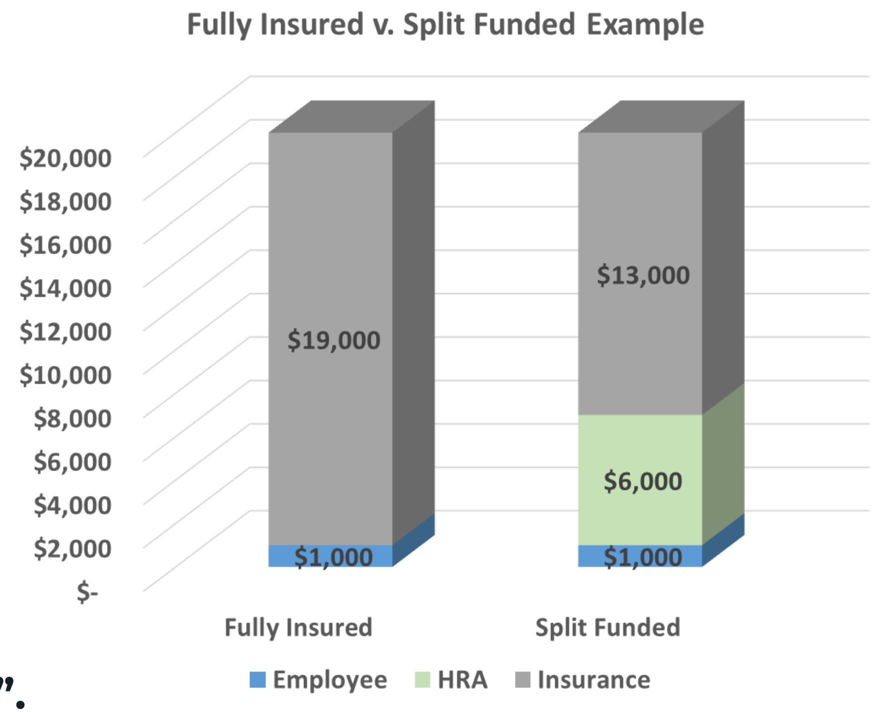
Cash Flow: Level premiums, with Health Reimbursement claim fluctuality.

Size of Company: Small – Large

Flexibility: More flexible than Fully Insured

Program Highlights:

- Purchase **Fully Insured** plan(s) from carrier with a **higher** deductible
- Employer provides **lower** deductible than purchased to employees
- Employer **pays for claims** between the employee-facing deductible, and the actual deductible purchased **“corridor”.**



Why consider split-funding?

1. **Lower fixed costs, more risk.**
2. **Take advantage of bad math.**

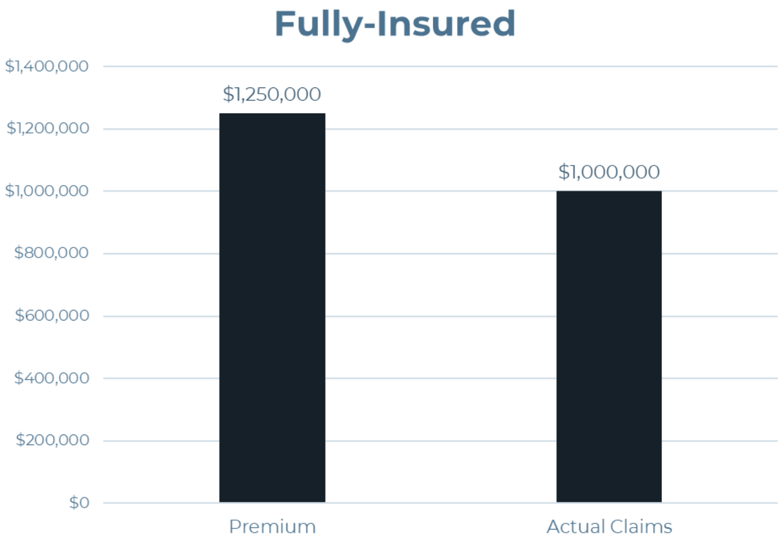
Level Funded

Risk: Higher level of risk than Fully Insured.

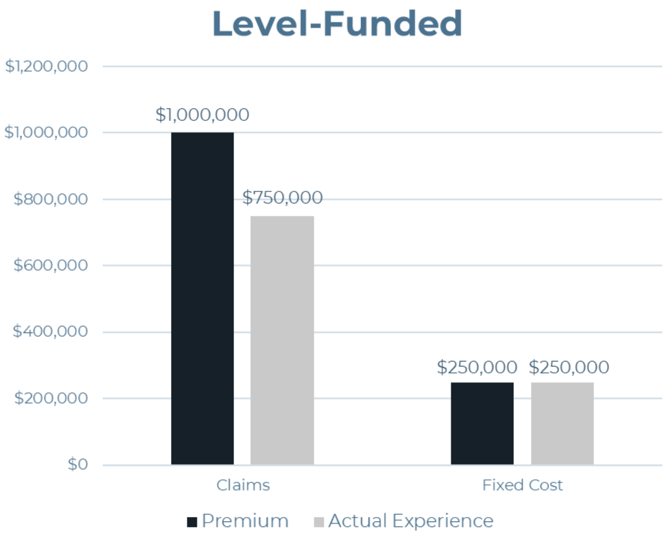
Cash Flow: Level monthly premiums

Size of Company: Small – Midsize

Flexibility: Similar to Fully Insured



No Premium Return



Up to $250K Return

Program Details:

- **Underwritten** by the carrier
- Maximum claims projections are calculated – **final rates** are built on ***max claims*** and ***fixed costs.***
- **Premiums are level**, and **carrier pays for claims** throughout the year.
- **Potential Return:** if claims experience was **less than the "Max Claims" projection**, some of the **excess funds are returned**.
- **Other Key Consideration**: ***<u>CLAIMS DATA</u>***

Self-Funded

Risk: Higher risk, lower fixed costs.

Cash Flow: Lower fixed costs, more cash flow volatility.

Size of Company: Generally, 75+ employees.

Flexibility: Flexible plan design, control.

Self-Funded 101:
1. Transfer large claims to Stop-Loss Carrier.
2. Pay for your claims up to a certain limit (specific deductible).

Stop-Loss Insurance:
Specific Deductible: Purchase a deductible on each person enrolled on the plan – *example, $50,000 specific deductible*. Protects from Large Claim.
Aggregate Deductible: protects from large *frequency* in claims.

Stop-Loss Protection:
- **No New Laser w/ Rate Cap Provision:** Typical cost of +5-6% premium w/40-55% rate cap
- **Transplant Carve-out:** Move the claim risk away from traditional stop loss
- **Gene Therapy Carve-out:** Move the claim risk away from traditional stop loss
- **High-cost Specialty Drug Carve-out:** Move the claim risk away from traditional stop loss

Self-Funded, Stop Loss Captive

What is a Stop-Loss Captive?

- Aims to **remove volatility** from the stop-loss market.
- **Shared stop loss risk** with **other employers** in the pool.

Types of Stop Loss Captives:

1. **High-Performance Captive**: rigorously managed cost protection management.
2. **Aggregating Cell**: bring in large number of employers to increase purchase power.

STOP-LOSS LAYER

Risk above the captive retention limit (Group Stop-Loss).

CAPTIVE LAYER

Risk layer that captive members share in.

EMPLOYER RETAINED RISK

Retained risk by the employer – No risk share – Specific Deductibles Can Vary.

Example Employer 1	Example Employer 2	Example Employer 3
$30,000 stop-loss	$50,000 stop-loss	$150,000 stop-loss

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What's Next?

Micro-Strategy Series Dates:

- ❑ **November 4th**, 11:30 CST
- ❑ **December 2nd**, 11:30 CST

Contact Me:
BJ McAndrew
608.228.6055
bmcandrew@cottingambutler.com

On Demand:
The Benefits Brief | Micro-Strategy Sessions

Upcoming Topics

- **Proactively Manage Pharmacy Spend**
- **Choose Wisely—Steering to High-Value, Cost-Effective Providers**