

SELF-FUNDING

A Pathway to More Transparency and Control Over Benefits

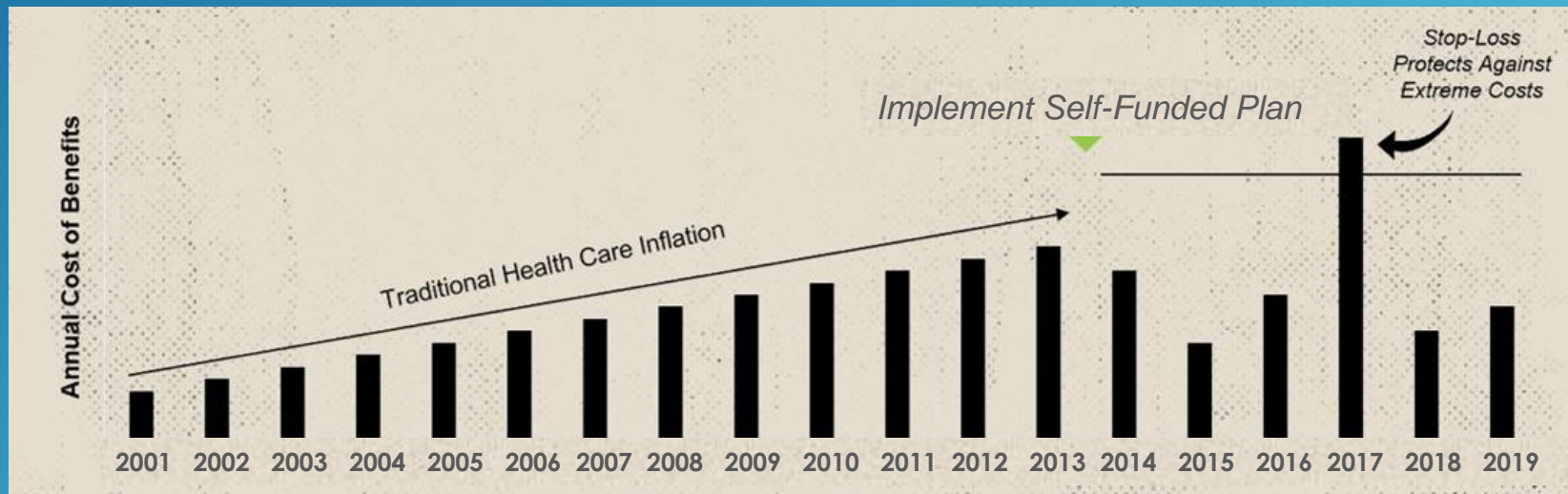


WHAT IS SELF-FUNDING?



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Arrangement where employer provides direct reimbursement for health benefits, with business funds; generally combined with stop-loss protection, that protects against catastrophic health expenses



MORE *POTENTIAL* RISK IN
RETURN FOR MORE
SAVINGS!





WHAT IF YOUR CLAIMS DATA LOOKED LIKE THIS?

- ▶ 2019 YTD
 - ▶ \$690,000 paid to Insurance
 - ▶ \$505,000 in claims
 - ▶ That's a difference of **\$185,000**
- ▶ 2018
 - ▶ \$1,185,000 paid to Insurance
 - ▶ \$789,000 in claims
 - ▶ Difference of **\$396,000**
- ▶ 2017
 - ▶ \$818,000 paid to Insurance
 - ▶ \$626,000 in claims
 - ▶ Difference of **\$192,000**



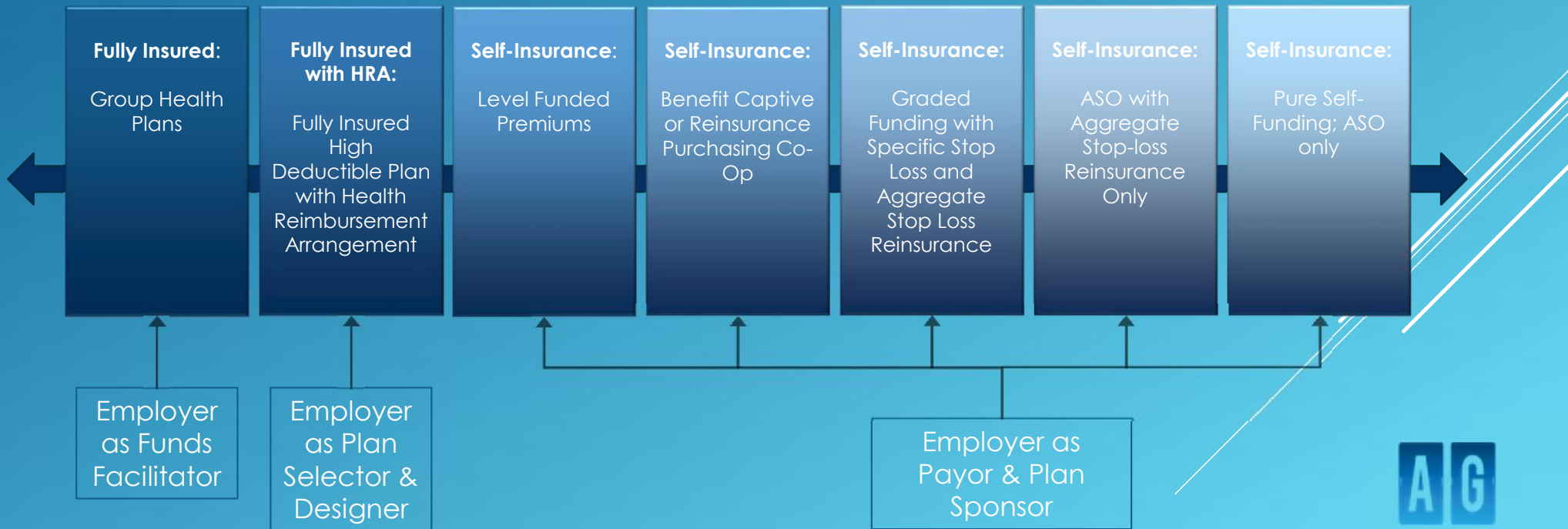
TYPES OF SELF-FUNDING RISK VS. REWARD

Fully Insured

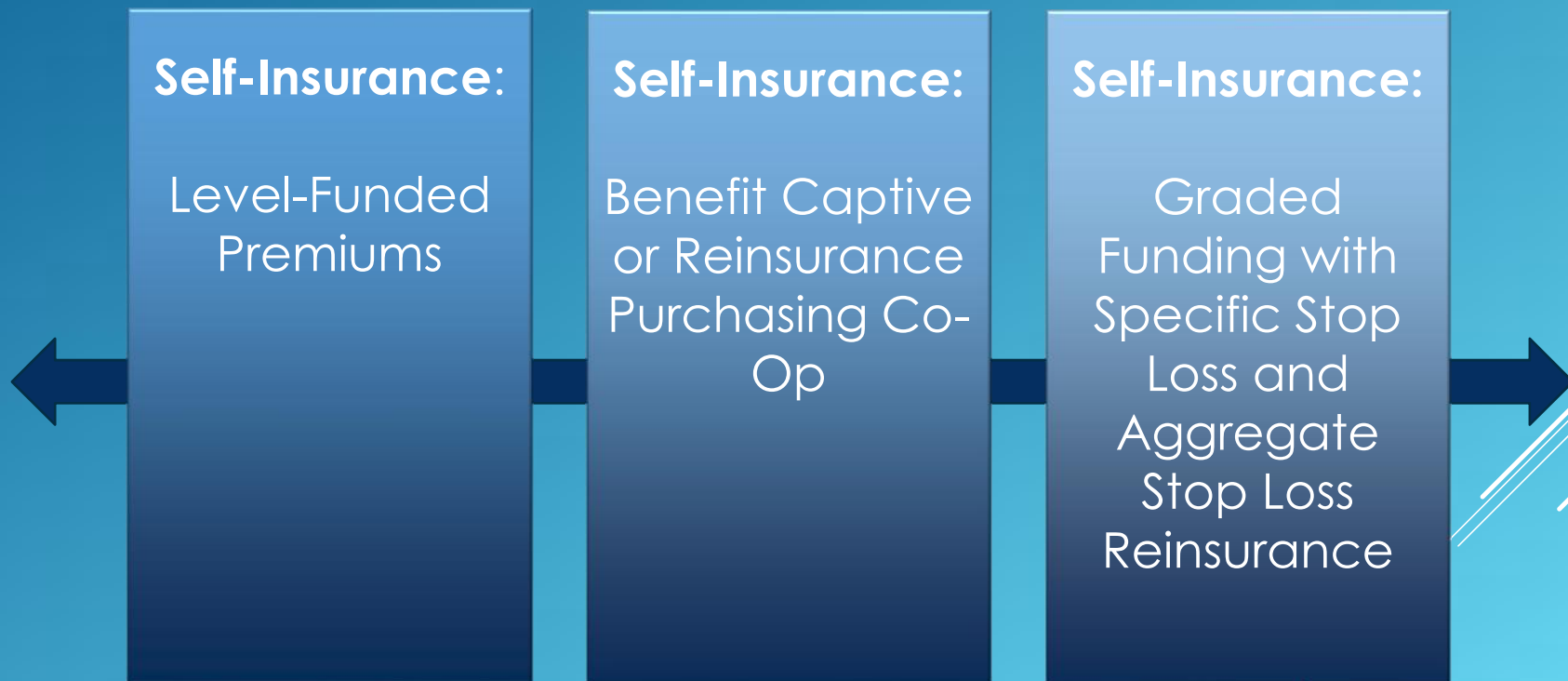
100% Risk from Employer to External Party
(Least Risk)

Self-Funded

Employer Retains All Control and Risk Exposure
(Greatest Risk)



LEVEL-FUNDED, CAPTIVE, OR SELF-FUNDED?



LEVEL-FUNDED PLANS

- ▶ Pay a steady amount each month, similar to Fully Insured
 - ▶ Determined by TPA or Carrier
 - ▶ Includes Stop-Loss Insurance
 - ▶ “Pools” the premiums, claims paid with this money
 - ▶ Remaining funds in the “pool” may be returned to the employer
- ▶ Offers predictable, set cost like fully-insured plans with the benefits of a self-insured plan
- ▶ Least risk of all Self-Funded plan structures

LEVEL-FUNDED PLANS

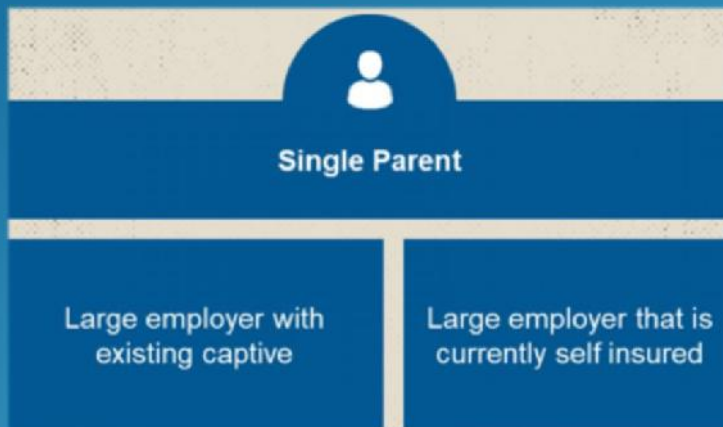
- ▶ Acts and feels like a Fully Insured plan
- ▶ Retain some (or all) of claims surplus
- ▶ Increased flexibility and customization of insurance plan design
- ▶ Renewal costs solely determined by your company's health care costs
- ▶ No State Premium Tax and excluded from 2 of 3 ACA fees
- ▶ Generally less expensive than Fully Insured plans

BENEFITS



MEDICAL CAPTIVES

Single Parent



- ▶ Complete control over plan
- ▶ Built for large amount of plan participants
- ▶ Requires wide range of participants to assign risk & benchmark costs

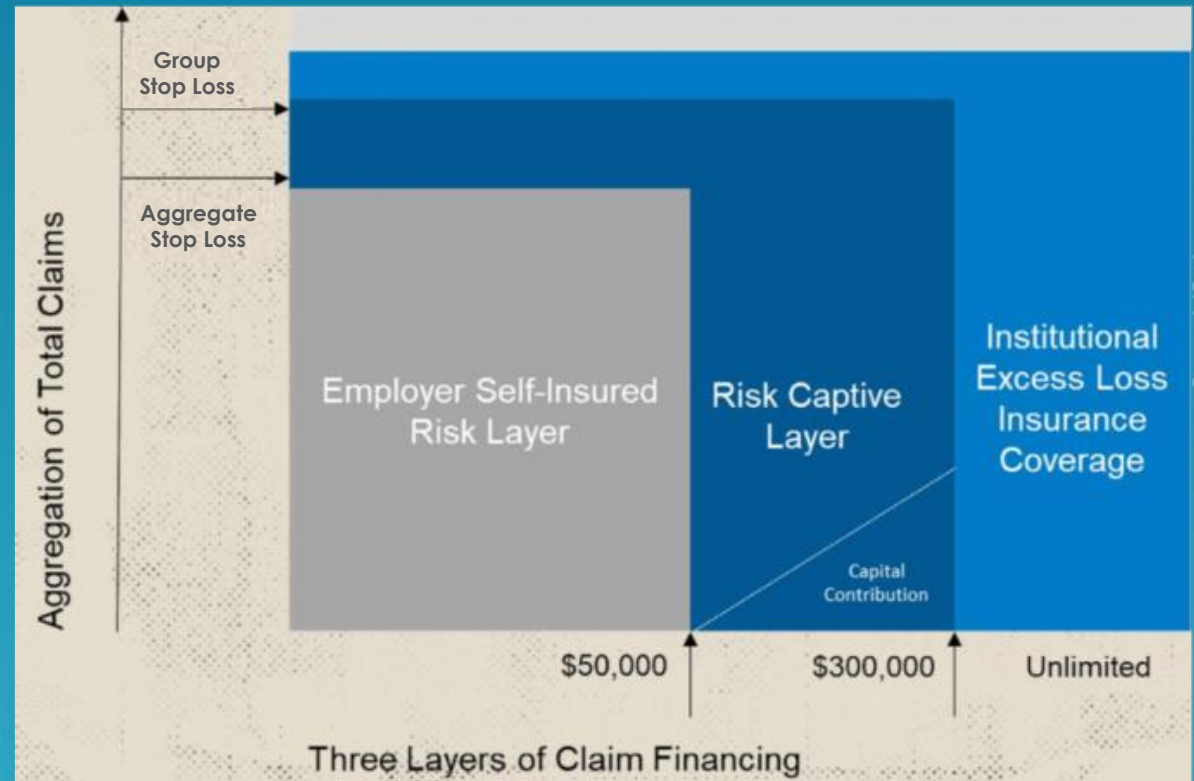
Group Captive



- ▶ Built for small to mid-sized groups
- ▶ Member-owners gain financial leverage with stop-loss coverage

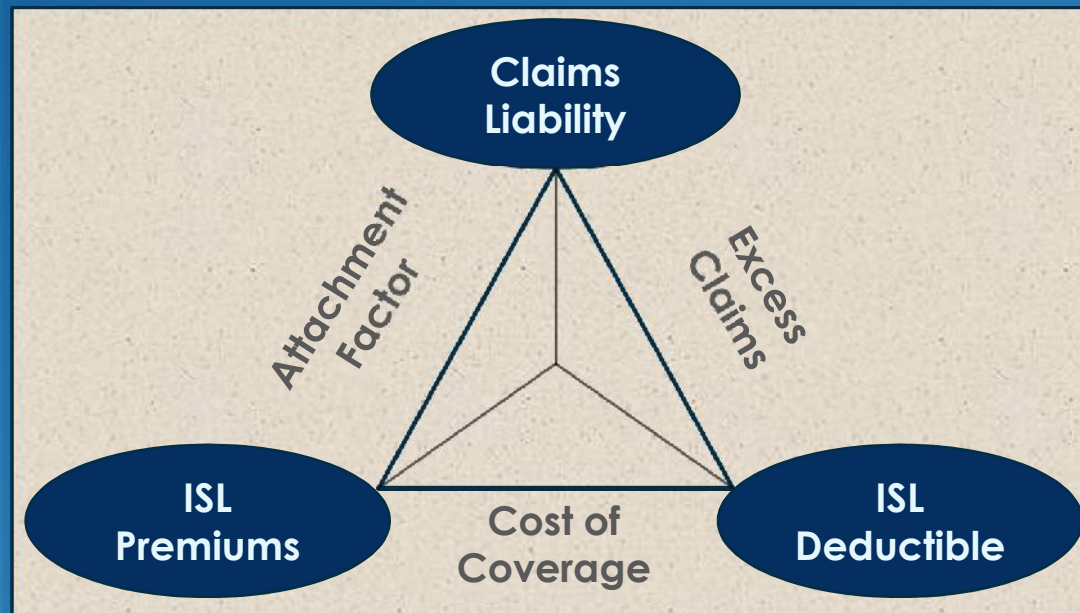
WHAT IS CAPTIVE INSURANCE?

- ▶ Captive insurance company set up as a wholly owned subsidiary
- ▶ Like an “in-house” benefits plan to cover assets & risks of a company

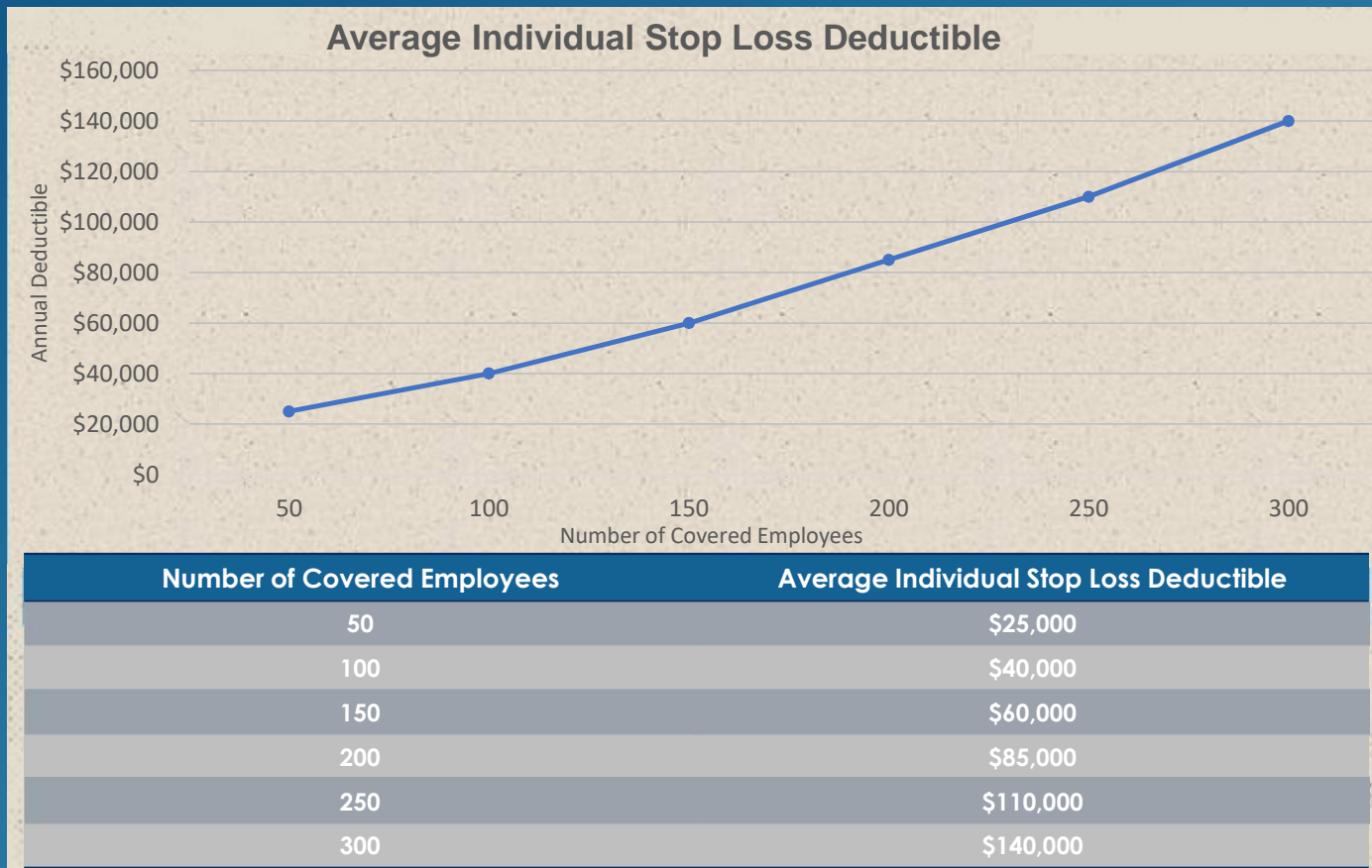


SELF-INSURANCE WITH STOP-LOSS

Selecting the correct deductible for your ISL is a balance between the expected claim liability and the specific deductible level

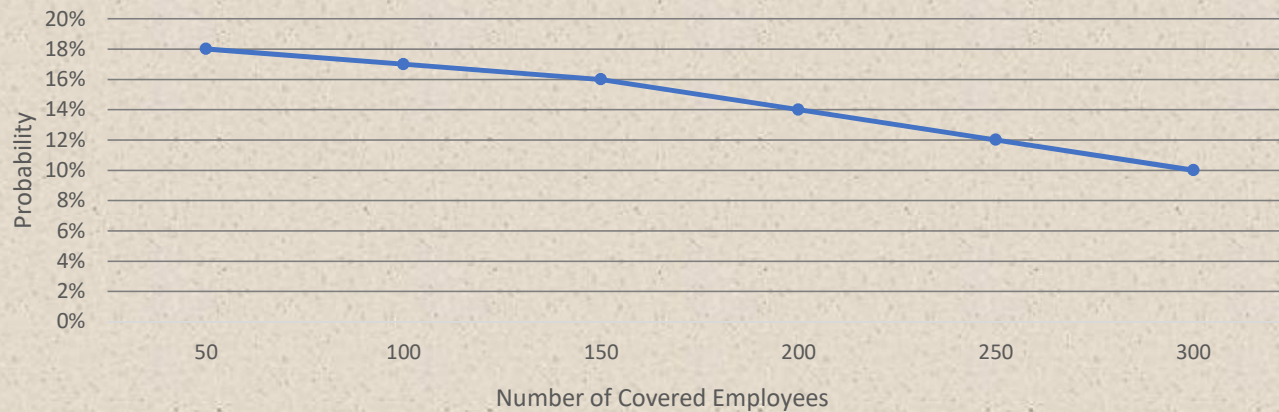


SELF-INSURANCE WITH STOP-LOSS



SELF-INSURANCE WITH STOP-LOSS

Probability That Actual Health Care Expenditures Exceed 125% of Expected Expenditures



Number of Covered Employees	Probably of Exceeding Aggregate Stop Loss Coverage
50	18%
100	17%
150	16%
200	14%
250	12%
300	10%



CONSIDERATIONS

PROS

- ▶ Can yield significant savings with healthy workforce
- ▶ Direct control over medical inflation
- ▶ Gain wellness plan ROI
- ▶ Custom, flexible plan design
 - ▶ Allows for innovation
- ▶ Elimination of Premium Tax
- ▶ Enhanced data and reporting

CONS

- ▶ New strategies come with some inherent risk
- ▶ Requires diligent financial planning
- ▶ Product marketplace not tightly regulated
 - ▶ Important to work with reliable, proven Stop-Loss carrier
- ▶ Legal and financial responsibilities fall on the employer
- ▶ Large claim liability
- ▶ Requires greater employer involvement



LET'S DISCUSS HOW OUR TEAM CAN
CREATE YOUR ACTION PLAN FOR
SUCCESS!

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