

# A Strategic Advantage to an Organization that Values Health: Self Funding Group Benefits

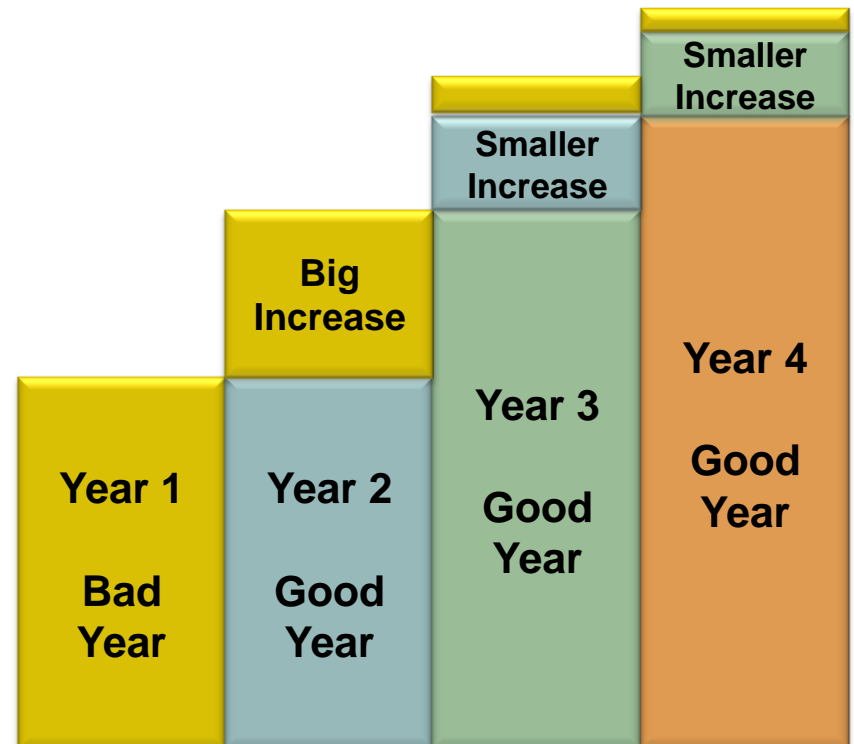


**LeadingAge Oklahoma Members**

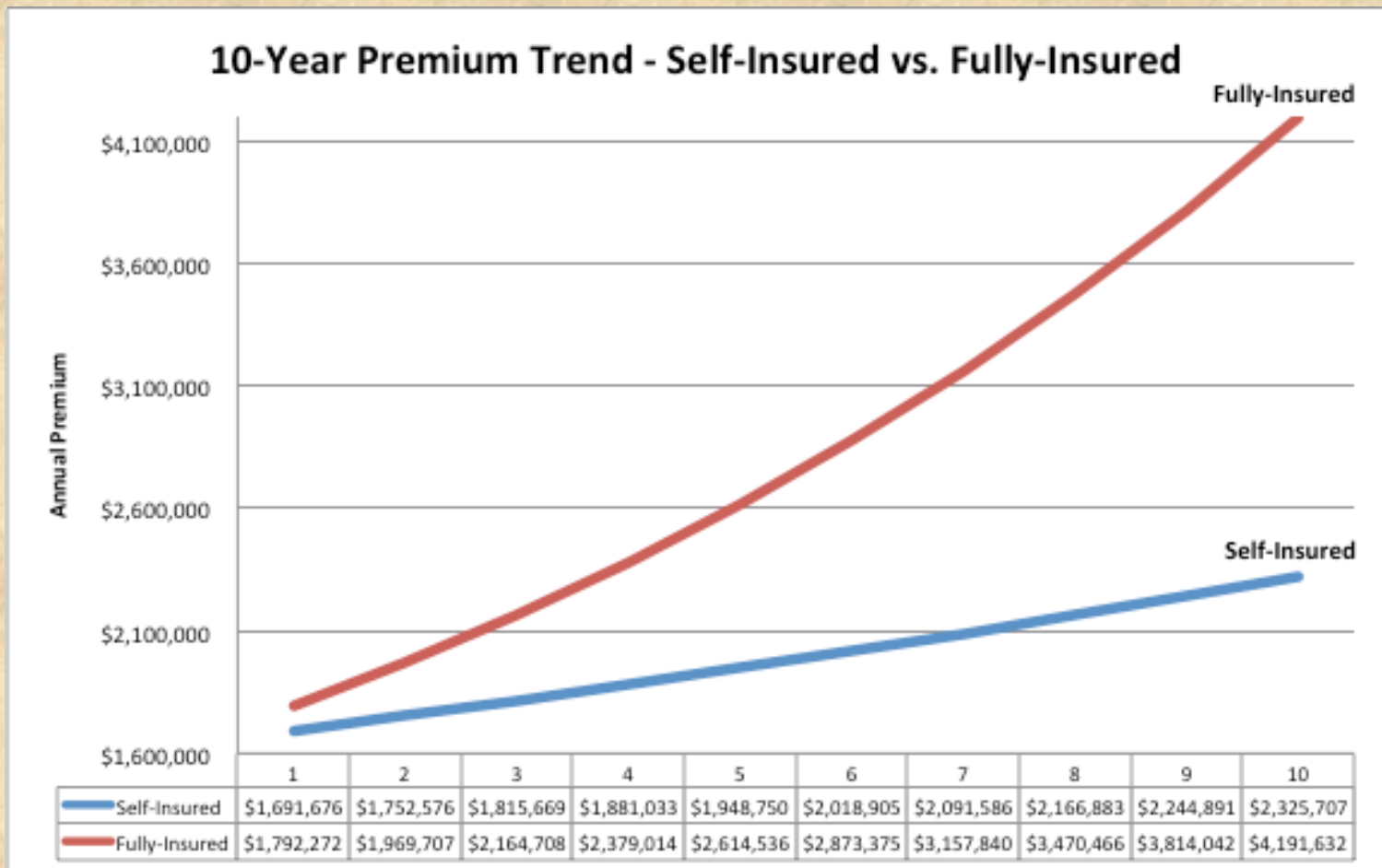
# Fully Insured Model: Statistical Prediction of Loss

- “Predicted” claims paid for regardless if incurred
- The cost for same claim is built in and paid for year over year
- Zero ability to *Control Cost*
- Subject to ACA Regulations/Fees
  - 4%-6% Health Insurer Fee
- Community Rating for 50-100 Employees on health plan 1/1/16
  - Carriers get rid of pre existing conditions (which by nature increases their risk and premium); premiums based on age, zip code, tobacco use etc.

## Fully-Insured: Pre-Pay Based on Projections



# 10 Year Premium Trend: Fully Insured vs. Self Insured



Source: Mercer (Survey of approx. 3,000 US companies)

Kaiser Foundation: Found **95.3% increase** in fully insured insurance from 2003-2013.

# Solution: Self Insure

- Statistically proven to be better model over time: puts control in your hands – through claims reports and plan design flexibility.
- Looks and feels the *exact same* as regular insurance – ID cards, co pays, “network” (Aetna, Coventry, etc.), etc.
- **Concept:** Improving predictable losses to control cost.
- **Claims reports** yield transparent, actionable data (knowledge about employee health needs)
- Education provided based on knowledge – which leads to prevention
  - *Strategically targeted wellness to the health needs of your company*
- **BONUS:** Avoid ACA taxes/fees (approx. 4%-6%)



# Real Life Examples

- **Example 1:** Company incurs \$46,000 in name brand cholesterol Rx claims in a 6 month period. Trend identified in claims reports, company offers to “pay for” the generic brand (one company offered \$25 in addition) to buy generic; claims decreased to \$9,000.
- **Example 2:** Company incurs \$55,000 in emergency room claims in a 6 month period. Trend identified in claims reports, education provided around **urgent care** and primary care as alternatives, as well as a map of urgent care locations.
- **Example 3:** The cost of an MRI (standard procedure) ranges anywhere between **\$429 - \$3,006** within a 15 mile radius. See example on next slide.

# Sample Pricing Transparency

## Vendor: Healthcare Bluebook



### Abdominal MRI (with contrast)

Total: ⓘ

\$429



Fair Price \$944



\$3,006+

#### Facilities

#### Rating

Diagnostic Radiology Institute of Kansas City (~ 14 miles)



Midwest Open Imaging - Independence (~ 15 miles)



Providence Medical Imaging Center (~ 13 miles)



Regional Imaging (~ 21 miles)

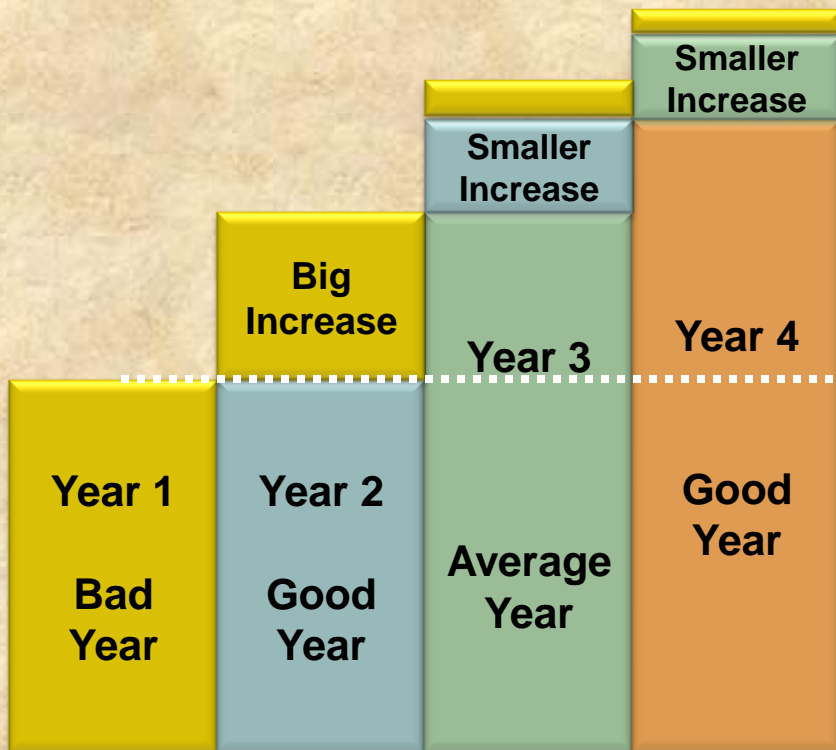


Northland Imaging - Kansas City (same zip)



# Fully Insured vs. Self Insured: How It Works Over Time

## Fully Insured: Pre-Pay Based on Projections



## Self-Funded: Actual Claims



# The Group Captive Concept (Pareto)

*A Group Captive is a group of like companies joined together to self insure group benefits.*

*The Captive provides the mechanism that allows a small to medium employer to transition from fully-insured to self funded with lower risk and volatility.*

## Benefits of the Captive Structure

- Potential to retain 100% of unused claims dollars; you only pay for the claims you incur
- “*Group pooling*” effect reduces cost of reinsurance, networks, vendors, etc. through group buying power (1 company with 75 employees vs. 150 companies with 16,000 employees)
- “*Best Practices*” – members are motivated together to improve health and control cost. The group effect lends itself for sharing of best practices – what works and what does not work.
- Full reporting and plan design flexibility: you, not the insurance company, control your plan
- Provides *risk sharing/mitigation* with other members: Captive layer provides ‘shock absorber’ for high dollar claims, creating less volatility for your group
- Current captive is heterogeneous, however potential exists LeadingAge members to form their own captive in the future, if so desired.