

ON YOUR TEAM.

AmWINS
Group, Inc.

THE FUNDAMENTALS OF SMALL GROUP SELF-FUNDED PLANS

PRESENTED BY:
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AGENDA TODAY

- Current Health Insurance Landscape
- What are you going to do differently?
- Why Small Group Self-funding?
- What is Small Group Self-funding?
- Who is a good prospect?





CURRENT FULLY INSURED LANDSCAPE

- Cost continue to rise
- Benefits continue to dwindle
- Less and Less carriers in the marketplace
- Employer / Employee frustration
- ObamaCare / TrumpCare / WhoCares??
- ...no end in sight

THEN COMES FULLY INSURED RENEWAL POP QUIZ...

- Shop all 4 or 5 carriers.... then change?
- Shop for higher deductibles, copays or coinsurance to lower premium?
- Raise the employee's payroll deductions!
- ALL good news to the employees...right?!
- Small group market – can you even justify the increase to your clients?



THE BIG QUESTION

What are you going to do differently that you haven't done in the past?



WHY CONSIDER SELF-FUNDING?

- Do you think your annual claims are lower than your annual premium?
- Do you want to see where the claim dollars are going to at least justify any increase?
- Do you want to share the rewards when you have good claim years?
- Do you want to see an alternative to the same old...same old?

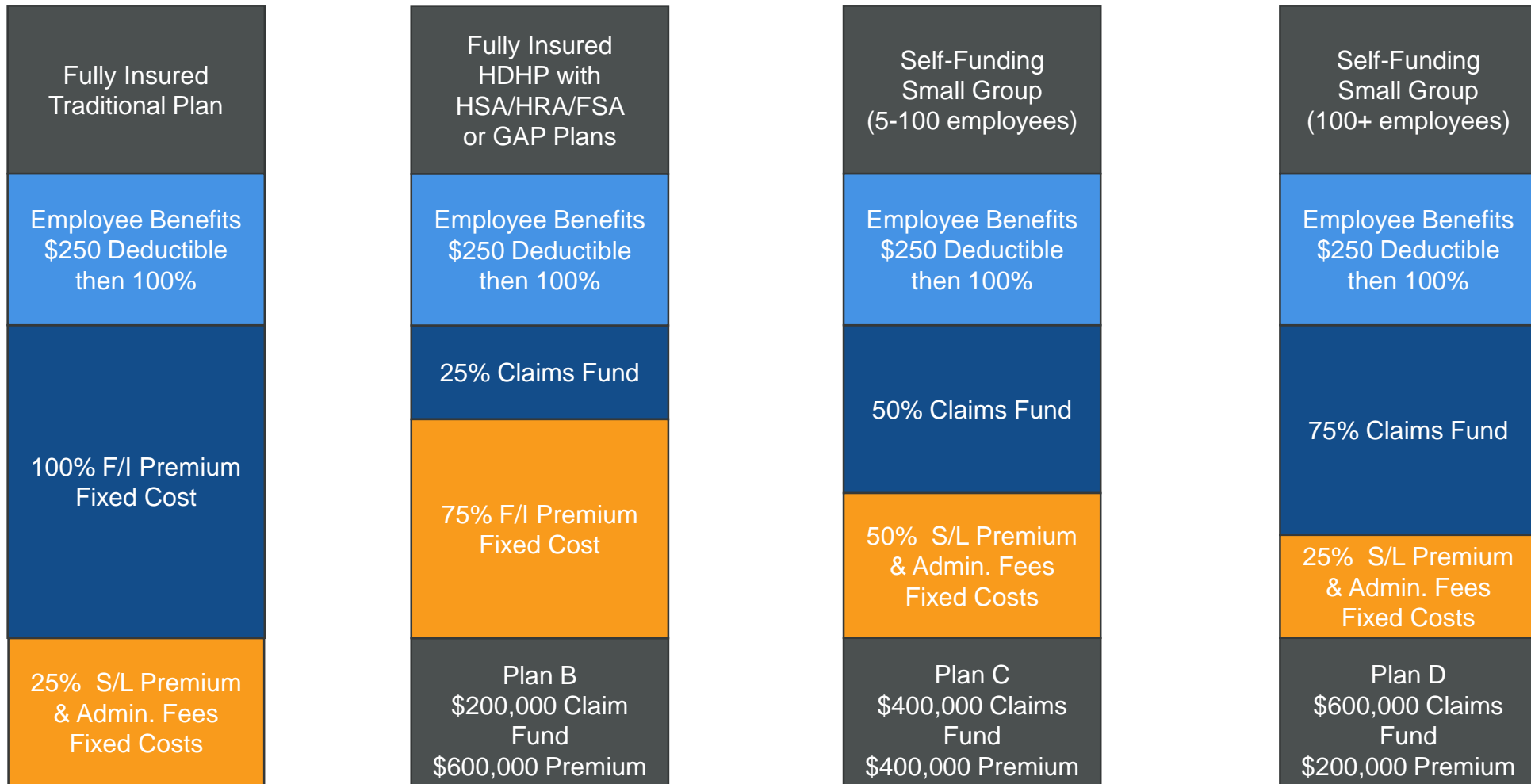
WHY SELF-FUNDING?

- As the cost of health care continues to escalate more and more Employers are looking for cost effective solutions.
- Self-funding offers employers a powerful, practical alternative to traditional insurance. It allows employers to directly fund their actual claim costs while limiting their risk with the purchase of stop-loss insurance.
- Stop-loss insurance protects the Plan against individual catastrophic claims (specific stop-loss) or their total annual claim expenses (aggregate stop-loss).
- More than 65% of all Americans are covered by their employers' self-funded health plan. With today's self-funding products and stop-loss carriers, self-funding is a viable alternative for employers of most sizes, large and small.

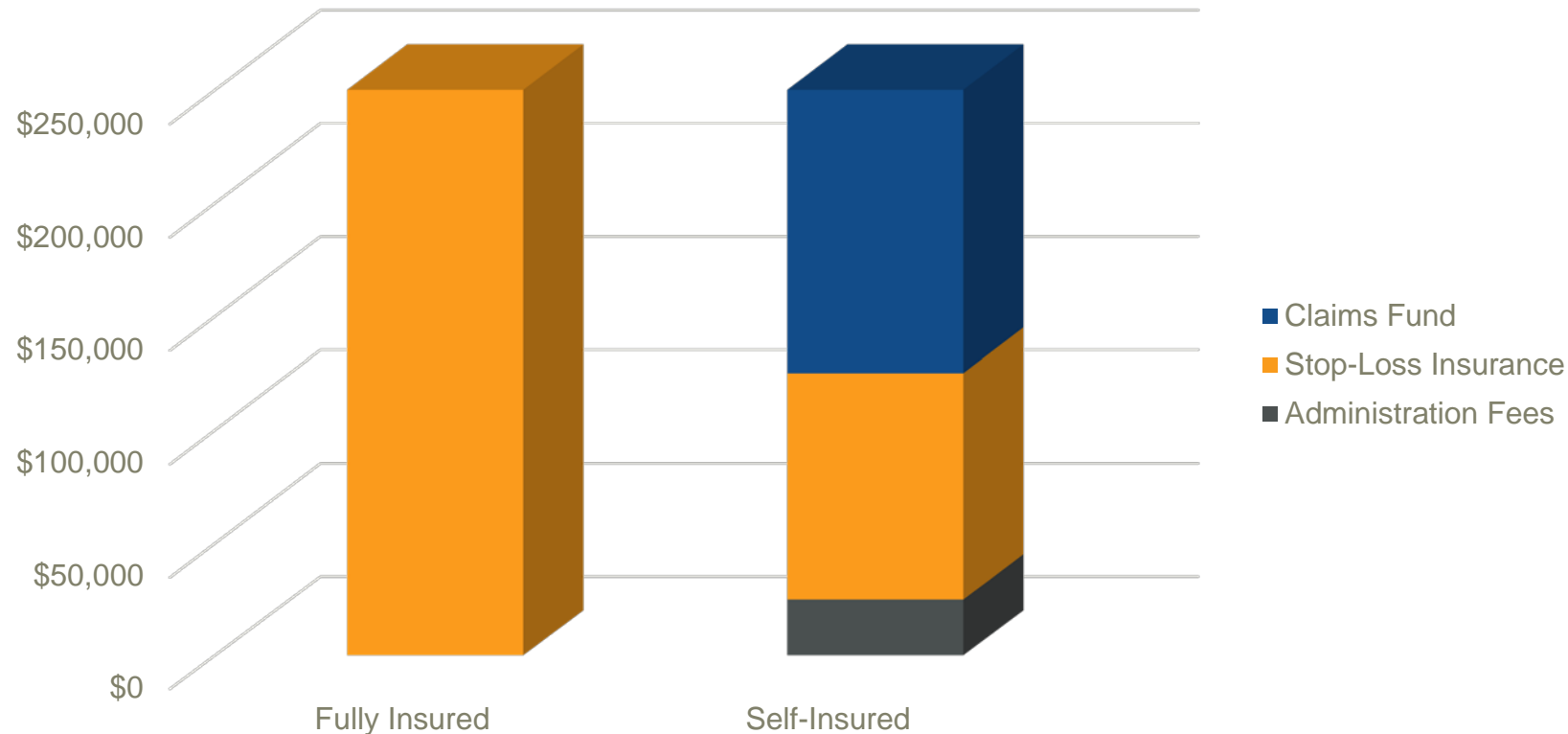
WAYS TO FINANCE HEALTH EXPENSES

- Traditional fully insured plans: the insurance company assumes most of the risk and offers employees small out of pocket expenses, (i.e. deductibles, copays or coinsurance)
- Fully insured High Deductible Plans: the insurance company assumes the risk after a high deductible and out of pocket expenses can be financed with (HRA/FSA/HSA) or insured with GAP or Hospital Indemnity Plans
- Self insured plans: the employers assumes the risk with a higher deductible, then purchases stop loss insurance to assume the risk and reimburse the plan if the deductible is met. Employers hire TPAs (such as GBS) to process, manage and pay the claims on behalf of the employer.

THE FUNDING CONTINUUM – FULLY INSURED TO SELF FUNDED



COMPARISON OF FINANCIAL COMPONENTS OF FULLY-INSURED VS. SELF-FUNDED HEALTH PLAN



Claims Fund: This fund is the equity in your plan that is used to pay for expected claims not covered by your Stop-Loss insurance

Stop-Loss Insurance: This is the insurance part of the plan that reimburses the plan for claims after deductible

Administration Fees: Cost of managing the plan

Fully-Insured = The Insurance Company assumes *all the risk*.

Self-Funded = The Employer assumes *some of the risk*.

IS THERE AN EXCEL VERSION OF THIS?

Carrier/TPA	ABC		ABC		ABC		ABC	
	QHDHP 1500/100		QHDHP 2600/100		QHDHP 2600/80		QHDHP 3500/100	
Annual Deductible (Single / Family)								
In-Network	\$1,500 / \$3,000		\$2,600 / \$5,200		\$2,600 / \$5,200		\$3,500 / \$7,000	
Out-of-Network	Combined		Combined		Combined		Combined	
Copay (In-Network)								
Primary	\$20 Copay after Deductible		100% after Deductible		80% after Deductible		100% after Deductible	
Specialist	\$40 Copay after Deductible		100% after Deductible		80% after Deductible		100% after Deductible	
Lab & X-Ray	\$20 Copay after Deductible		100% after Deductible		80% after Deductible		100% after Deductible	
Inpatient Hospitalization	\$250 Copay after Deductible		100% after Deductible		80% after Deductible		100% after Deductible	
Emergency Room (waived if admitted)	\$250 Copay after Deductible		100% after Deductible		80% after Deductible		100% after Deductible	
Coinsurance (Carrier)								
In-Network	100%		100%		80%		100%	
Out-of-Network	90%		90%		70%		90%	
Out-of-Pocket Maximum (Single/ Family)								
In-Network	\$3,600 / \$7,200		\$3,600 / \$6,200		\$5,000 / \$10,000		\$4,500 / \$8,000	
Out-of-Network	Combined		Combined		Combined		Combined	
Rx Drug Card								
Generic/Brand/Non-Formulary	\$0/\$30/\$60		100% after Deductible		80% after Deductible		100% after Deductible	
Prescription Drug Deductible	Integrated with Medical		Integrated with Medical		Integrated with Medical		Integrated with Medical	
	MONTHLY PREMIUM EQUIVALENTS							
Employee	4	\$449.60	4	\$382.07	4	\$355.08	4	\$367.05
Employee & Spouse	0	\$904.11	0	\$794.48	0	\$721.28	0	\$671.89
Employee & Child(ren)	0	\$771.45	0	\$629.44	0	\$573.51	0	\$521.23
Family	4	\$1,225.95	4	\$1,041.85	4	\$939.69	4	\$826.05
PLAN MONTHLY PREMIUM	\$8,702.20		\$5,695.68		\$5,179.08		\$4,772.40	
PLAN ANNUAL PREMIUM	\$80,426.40		\$68,348.16		\$62,148.96		\$57,268.80	
ANNUAL FIXED COSTS	\$46,414.08		\$38,342.40		\$36,205.44		\$35,993.76	
ANNUAL MAXIMUM CLAIMS FUND	\$34,012.32		\$30,005.76		\$25,943.52		\$21,275.04	

*This proposal is valid for 60 days beyond the release of the proposal or the effective date, whichever is sooner.

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WHY CONSIDER SELF-FUNDING YOUR HEALTH PLAN?



67% of your employees use less than \$1,000 per year in medical expenses

93% of your employees use less than \$3,000 per year in medical expenses

\$ 0

< \$ 1,000

< \$ 3,000

Catastrophic

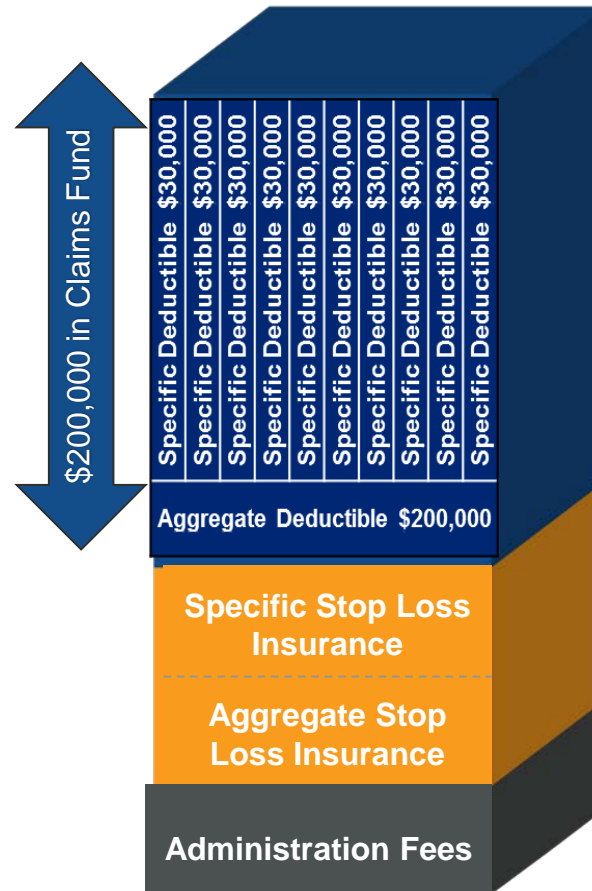
SPECIFIC & AGGREGATE STOP LOSS WORKING TOGETHER

Employer with 50 employees
\$30,000 Specific Deductible
\$200,000 Aggregate Deductible
\$200,000 in Claims Fund

When an individual meets the Specific deductible of \$30,000, Insurance reimburses the balance of the claims

When the group's claims collectively meets the Aggregate deductible of \$200,000, the insurance reimburses the balance of the claims

Any claims over the Specific deductible do not count toward the Aggregate deductible. This increases your odds of not using the entire claims fund.



- Claims Fund
- Stop-Loss Insurance
- Administration Fees

Claims Fund: This fund is the equity in your plan that is used to pay for expected claims not covered by your Stop-Loss insurance

Stop-Loss Insurance: This is the insurance part of the plan that reimburses the plan for claims after deductible

Administration Fees:
Cost of managing the plan



DO THE MATH?

- Group has \$200,000 in claims fund with \$30,000 specific deductible and then has \$200,000 in claims...how much money do they get back?
- Claimant 1 has \$60,000
- Claimant 2 has \$80,000
- All others have \$60,000
- What is the Refund?? Show of hands...
- \$80,000!

SELF-FUNDED UNDERWRITING MODELS

- One size does not fit all!
- Unique products for different size groups
- Self-funding options for groups as small as 10 employees! (States permitting)
- Typical Market segments:
 - Small employers – 10 to 100 employees (No group claims information available)
 - Large employers 100+ employees (unlimited size)
(Group claims experience information is available)

SELF-FUNDED UNDERWRITING MODELS

Individual Underwriting (typically 10-100 employees)

- No group claims experience information available
- Personal Health Questionnaires (PHQ)
- Based on the PHQ, underwriter's knows whether they are a good risk for self-funding (individual PHI is not shared with Employer)
- Most Aggressive Pricing (Information that may not be in a claims report)
- Initial proposals without UW: Basic census
- Underwritten proposals after Underwriting PHQ (final rates based on final enrollment)

SELF-FUNDED UNDERWRITING MODELS

Individual Underwriting (typically 10 - 100 ees) (Contd.)

- Offers low individual Specific deductible levels to protect your Aggregate claim funds (may have a Spec. claim and still get an Aggregate claim refund at the end of the contract period!).
- Pre-packaged benefit plan options to streamline the administration.
- 4-Tier “Maximum Premium Equivalent” rates are billed to level out cash flow requirements, like a fully-insured plan. (Level Funded)
- Typically, 12/18 contract will insure the claims for 6 months past the plan year that have not yet been paid.

SELF-FUNDED UNDERWRITING MODELS

Large-Size Group 100+

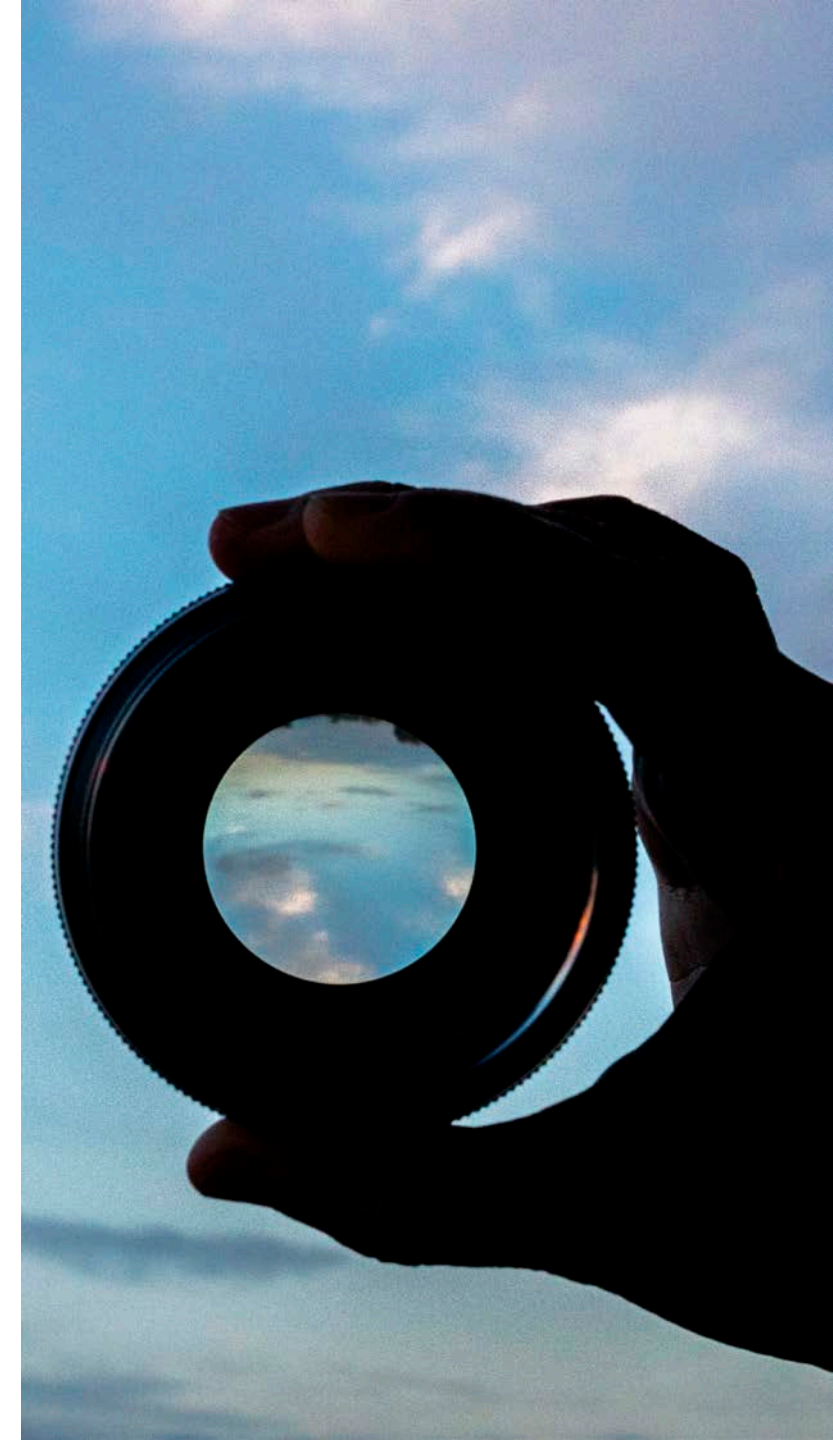
- Two years of renewals
- Two years of detailed claims reports
- High claimant reports
- Current summary of benefits

WHO ARE GOOD PROSPECTS FOR SMALL GROUP SELF-FUNDING?

- Employers that are fully-insured for creative, cost effective solutions vs. the same old story
- Financially stable
- Low turnover
- Average age under 50
- Generally healthy
- Meet with business Owner and/or CFO in addition to HR
- Stable carrier history
- Employers that are willing to meet prior to renewal

SET THE RIGHT EXPECTATION

- Field Underwriting: Are you generally healthy group? Do you think your claims are lower than your annual premium?
- Individual Health Underwriting: Group may or may not be currently suited for self-funding
- Final rates are based on final enrollment: late enrollees after underwriting will be sent back through underwriting





STABILITY IN SELF-FUNDING

- Choose your benefits
- Choose your network
- Can shop/change stop-loss carriers every year if you want and is invisible to employees (not disruptive)
- More stop loss carriers in the market than fully insured carriers

IS SELF-FUNDING RIGHT FOR YOU?

*Remember,
Self-Funding is not about risk....
It's about plan design!*



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