THE FUNDAMENTALS OF SELF-FUNDED PLANS

PRESENTED BY:

DAVID CARDWELL SR.

AmWINS Group, Inc.

AGENDA TODAY

- Current Health Insurance Landscape
- What are you going to do differently?
- Why Small, Mid & Large Group Self-funding?
- What is Small, Mid & Large 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 in 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.

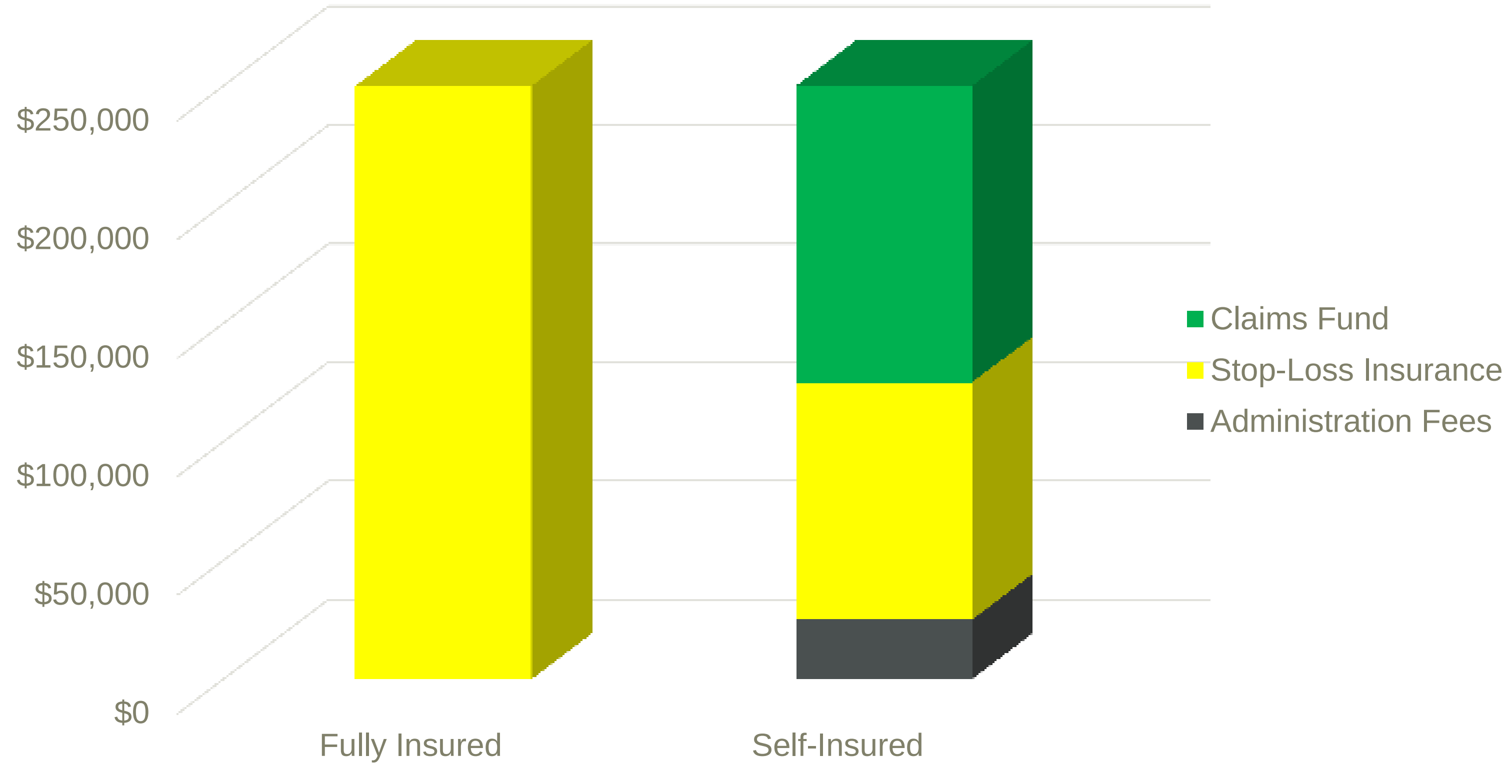
WAYS TO FINANCE HEALTH EXPENSES

- 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

Fully Insured Traditional Plan	Fully Insured HDHP with HSA/HRA/FSA GAP Plans	Self-Funding Small Group (5-100 employees)	Self-Funding Small Group (100+ employees)
Employee Benefits $250 Deductible then 100%	Employee Benefits $250 Deductible then 100%	Employee Benefits $250 Deductible then 100%	Employee Benefits $250 Deductible then 100%
	25% Claims Fund	50% Claims Fund	75% Claims Fund
100% F/I Premium Fixed Cost	75% F/I Premium Fixed Cost	50% S/L Premium & Admin. Fees Fixed Costs	25% S/L Premium & Admin. Fees Fixed Costs
Plan A $800,000 Premium	Plan B $200,000 Claim Fund $600,000 Premium	Plan C $400,000 Claims Fund $400,000 Premium	Plan D $600,000 Claims Fund $200,000 Premium

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*.**

WHY CONSIDER SELF-FUNDING YOUR HEALTH PLAN?

27% | 40% | 26% | 7%

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

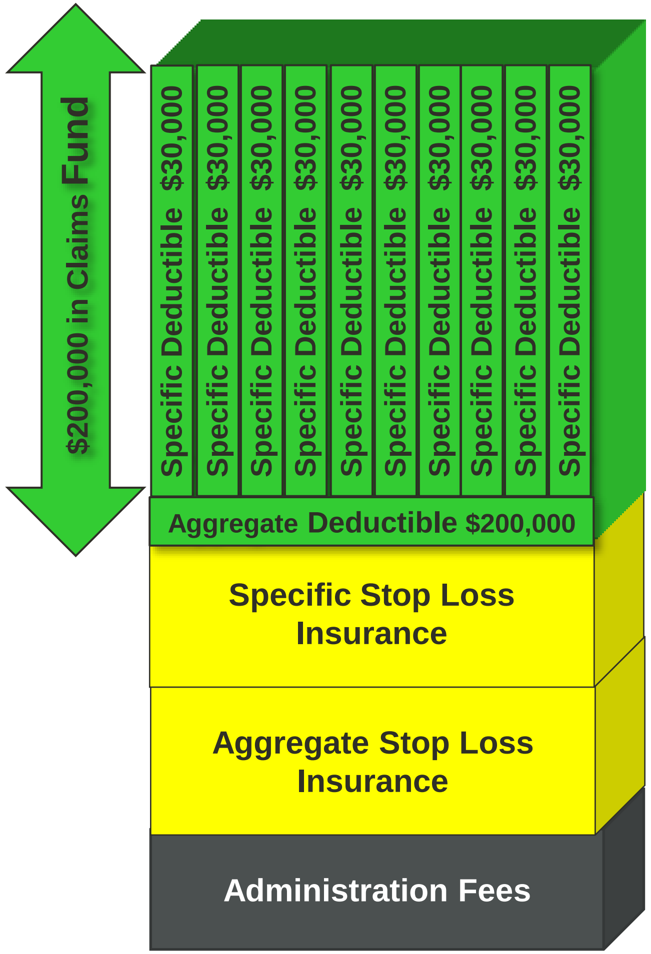
SPECIFIC & AGGREGATE STOP LOSS WORKING TOGETHER

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: 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: Level Funded & Traditional Self Funded
  - Level Funded: Fully-Insured to Self-funded
    - Small employers – 10 to 100 employees (No group claims information available)
    - Mid-Market – 100 – 500 employees (Detailed claims experience)
  - Traditional Self-funded: Currently Self-funded
    - Large employers 100+ employees

SELF-FUNDED UNDERWRITING MODELS

Small Group Level Funding (typically 10-100 employees)

- No group claims experience information available
- Personal Health Questionnaires (PHQ) Health Audits!
- 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

Small group Level Funding (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

Mid-Market Level Funding (typically 100 - 500 ees)

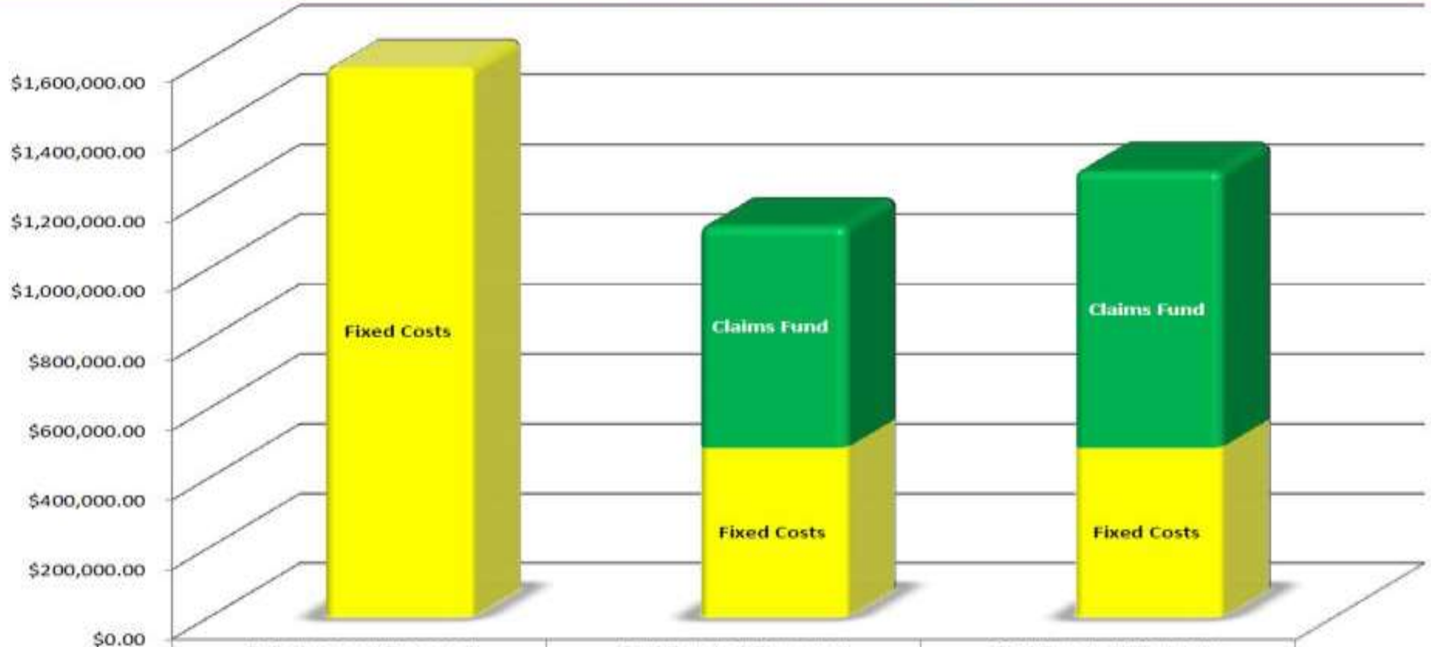
- Detailed claims experience
- Customized benefit plan options
- 4-Tier “Maximum Premium Equivalent” rates are billed to level out cash flow requirements, like a fully-insured plan. (Level Funded)
- Typically, 12/15 contract will insure the claims for 3 months past the plan year that have not yet been paid.

LEVEL FUNDED MID/LARGE PROPOSAL

GBS Health Plans

Prepared For: ABC Company
Agent: John Agent
Effective Date: 12/1/2017

Fully Insured vs. Self-Funded Comparison



	Fully Insured Renewal	Self Funded Expected Claims	Self Funded Maximum Claims
Claims Cost		$633,090.82	$791,363.52
Fixed Cost	$1,574,706.24	$487,718.76	$487,718.76
Totals	**$1,574,706.24**	**$1,120,809.58**	**$1,279,082.28**

LEVEL FUNDED MID/LARGE PROPOSAL

GBS Health Plans

Prepared For: ABC Company
Agent: John Agent
Effective Date: December 1, 2017

Benefit & Rate Comparison

	Current		Renewal		Alternative	
Carrier/TPA	Fully Insured Carrier				GBS	
	PPO $1,000		*PPO $1,000*		*PPO $1000*	
Annual Deductible (Single / Family)						
In-Network	$1,000 / $2,000		$1,000 / $2,000		$1,000 / $2,000	
Out-of-Network	$6,000 / $12,000		$6,000 / $12,000		$6,000 / $12,000	
Copay (In-Network)						
Primary	$20		$20		$20	
Specialist	$35		$35		$35	
Lab & X-Ray	Deductible		Deductible		Deductible	
Inpatient Hospitalization	Deductible		Deductible		Deductible	
Emergency Room (waived if admitted)	Deductible then $150		Deductible then $150		Deductible then $150	
Coinsurance (Carrier)						
In-Network	100%		100%		100%	
Out-of-Network	60%		60%		60%	
Out-of-Pocket Maximum (Single/ Family)						
In-Network	$6,350 / $12,700		$6,350 / $12,700		$6,350 / $12,700	
Out-of-Network	Combined		Combined		Combined	
Rx Drug Card						
Generic/Brand/Non-Formulary	$15/$45/$70		$15/$45/$70		$15/$45/$70	
Prescription Drug Deductible	$0		$0		$0	
	MONTHLY PREMIUMS				MONTHLY MAXIMUM PREMIUM EQUIVALENTS	
Employee	83	589.55	83	672.72	83	495.18
Employee & Spouse	25	1094.42	25	1255.04	25	1021.93
Employee & Child(ren)	4	953.57	4	1071.40	4	1006.62
Family	24	1442.05	24	1655.34	24	1496.48
PLAN MONTHLY PREMIUM	**$114,716.63**		**$131,225.52**		**$106,590.19**	
PLAN ANNUAL PREMIUM	**$1,376,599.56**		**$1,574,706.24**		**$1,279,082.28**	
HRA/HSA EXPENSE	**$0.00**		**$0.00**		**$0.00**	
TOTAL MAXIMUM PLAN ANNUAL COST	**$1,376,599.56**		**$1,574,706.24**		**$1,279,082.28**	
ANNUAL DIFFERENCE COMPARED TO CURRENT			**$198,106.68**		**($97,517.28)**	
ANNUAL FIXED COSTS	**$1,376,599.56**		**$1,574,706.24**		**$487,718.76**	
ANNUAL MAXIMUM CLAIMS FUND	**$0.00**		**$0.00**		**$791,363.52**	

LEVEL FUNDED MID/LARGE PROPOSAL

GBS Health Plans

Prepared For: ABC Company
Agent: John Agent
Effective Date: December 1, 2017

Self Funded Illustration

	Current		Renewal		PPO $1000	
Carrier/Managing General Underwriter	Fully Insured Carrier		Fully Insured Carrier		AmWINS	
Specific Stop Loss Premium	#		#		#	
Single	83		83		83	$114.10
EE + Spouse	25		25		25	$283.69
EE + Child(ren)	4		4		4	$278.73
Family	24		24		24	$437.33
Total Annual Specific Stop Loss						$338,080.68
Aggregate Stop Loss Premium	#		#		#	
Single	83		83		83	$7.37
EE + Spouse	25		25		25	$7.37
EE + Child(ren)	4		4		4	$7.37
Family	24		24		24	$7.37
Monthly Aggregate Accommodation						$1.50
Total Annual Aggregate Premium						$14,475.84
Transplant Carveout Premium (TC)	#		#		#	
Single	83		83		83	$0.00
Family	53		53		53	$0.00
Total Annual TC Premium						$0.00
Annual Stop Loss Premium						$352,556.52
PLAN MANAGEMENT FEES						
Medical/Rx Drug Admin. Fee						$33.00
GBS CarePlus UR/CM						$2.50
Healthy Solutions Fee						$0.00
Broker Consulting Fee						$30.00
PPO Access Fee						$15.82
Provider Choice Rewards						$1.50
Monthly Plan Management Fee						$82.82
Annual Plan Management Cost						$135,162.24
Annual Total Fixed Cost						$487,718.76
Aggregate Funding Factors	#		#		#	
Single	83		83		83	$289.39
EE + Spouse	25		25		25	$646.55
EE + Child(ren)	4		4		4	$636.20
Family	24		24		24	$967.46
TOTAL EXPECTED CLAIMS						$633,090.82
TOTAL MAX. AGG. ATTACH. POINT						$791,363.52
ANNUAL HSA/HRA EXPENSE		$0.00		$0.00		$0.00
TOTAL EXPECTED COST		$1,376,599.56		$1,574,706.24		$1,120,809.58
TOTAL MAXIMUM COST		$1,376,599.56		$1,574,706.24		$1,279,082.28
RENEWAL INCREASE (EXPECTED)				14.39%		-18.58%
CURRENT VS. EXPECTED COST				$198,106.68		-$255,789.98

SELF-FUNDED UNDERWRITING MODELS

Large Group Traditional Self-funding 100+

- Two years of renewals
- Two years of detailed claims reports
- High claimant reports with prognosis
- Current summary of benefits or customize
- “Pay as you go” claims (use of cash flow throughout the year)
- Completely customize “best in class” vendors

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!