



INDIANA ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

SELF-INSURANCE AND WELLNESS INITIATIVES
FRIDAY, OCTOBER 24TH, 2014

OVERVIEW

- Self-Insurance vs. Insured – Group Health Insurance
 - Health Plan Costs
 - Plan Design
 - Financials
 - Cash Flow
- Managing Risk – Your Own Insurance Company
 - Risk Pool Management
 - Medical/Rx Data Analytics
 - Transparency Tools/Approaches
 - Mobile Technology/Member Engagement
- Questions & Answers

SELF-INSURANCE VERSUS FULLY INSURED IN GROUP HEALTH INSURANCE

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COMPARISON OF SELF-INSURANCE AND FULLY INSURED – PLAN COSTS

INSURED

- +12-15% more expensive annually
- Insurance company has complete control of employer's health care financials
- Premium "loads" and margins
- Health plan options, premium rates and rate tier ratios are determined by insurance company
- Goals and objectives for premium rate setting by insurance company is exact opposite of employer

SELF FUNDED

- Spend is considerably less year-over-year
- Broker/consultant can complete all of the necessary financial calculations
- Freedom to utilize more conservative or aggressive estimates
- No premium taxes and risk charge "loads"
- Premium equivalent/accrual rates can be calculated by the broker/consultant
- Employer creates "level playing field" for their health care program through rates/accruals and contributions

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COMPARISON OF SELF-INSURANCE AND FULLY INSURED – PLAN DESIGN

INSURED

- Carriers can only file certain plan designs through the Indiana DOI
- Plan designs are “off the shelf” and will provide very limited variations on plan design
- Carriers put restrictions on the # of plans that can be offered, minimum % of participation per plan as well as a minimum on the amount of premium being subsidized by the employer
- Employers interested in implementing unique wellness initiatives are “handcuffed” by the lack of flexibility

SELF FUNDED

- No “state mandates”; plan designs become more flexible
- Creativity can occur because employers are able to control or steer utilization in a particular direction
- No restrictions on the number of health plan options, actuarial richness between health plans or the amount of contributions an employer has to subsidize towards their medical/pharmacy costs

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COMPARISON OF SELF-INSURANCE AND FULLY INSURED – FINANCIALS

INSURED

- Employer had no control on the renewal outside of broker negotiations
- Premiums calculated by the carriers are done to create “adverse selection”
- Initial reserve amounts and changes are calculated by the carrier underwriter
- Pooling premiums calculated by the underwriter are more expensive than purchasing reinsurance/stop loss coverage
- Pooling amounts are determined by the underwriter with very little variance

SELF FUNDED

- Employer has complete control of the renewal calculation
- Premium equivalent rates calculated will be accurate between the different plan designs and/or rate tiers
- Reserve amounts calculated on a quarterly basis; dollars remain with the employer
- Reinsurance/stop loss levels can be chosen by the employer based on risk tolerance
- Multiple options are made available under self-insured with managing risk

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COMPARISON OF SELF-INSURANCE AND FULLY INSURED – CASH FLOW

INSURED

- Consistent costs for the employer since premiums charged will only slightly fluctuate
- Since carriers are “at risk” for the solvency of the contract, no catastrophic or large claimants will affect the employer’s costs
- Insurer has the right to adjust employer’s pooling levels from year-to-year
- Initial renewal calculations for employers are usually received 90-120 days before renewal date

SELF FUNDED

- First couple of months of a first year contract, claim amounts for the medical plan will be substantially lower than normal
- Volatility in monthly claim costs for both the medical and Rx coverages
- Appropriate accruals will be put into place through sound underwriting methodologies
- Pre-renewal calculations (i.e., 6 and 9 months) for the upcoming renewal date will be performed throughout the plan year

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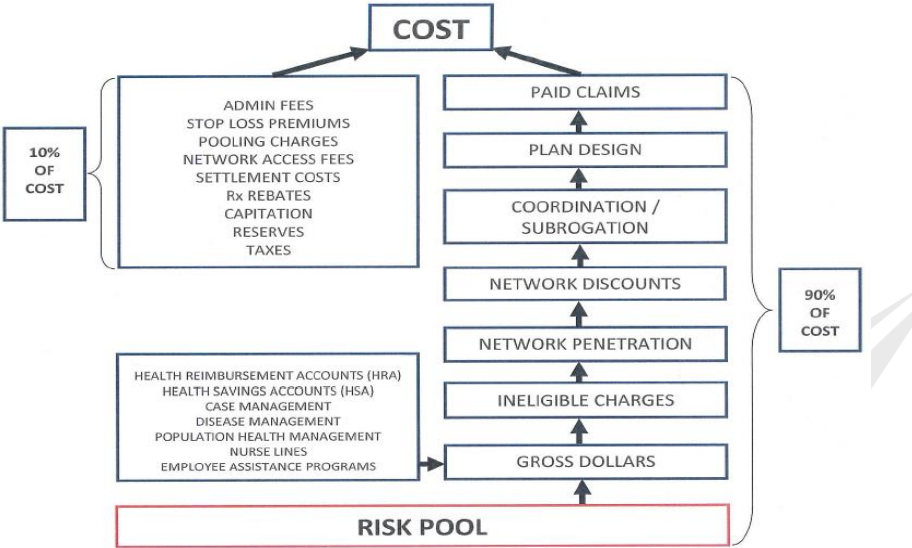
SUMMARY OF SELF-INSURANCE ADVANTAGES

- Financial
- Flexibility
- Control
- Reporting/Information
- Fiduciary Responsibility

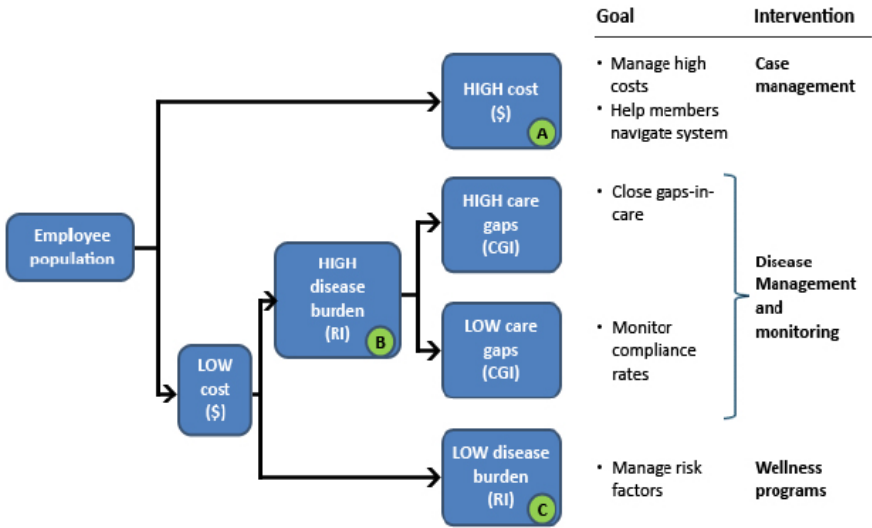
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MANAGING RISK – YOUR OWN INSURANCE COMPANY

RISK POOL MANAGEMENT

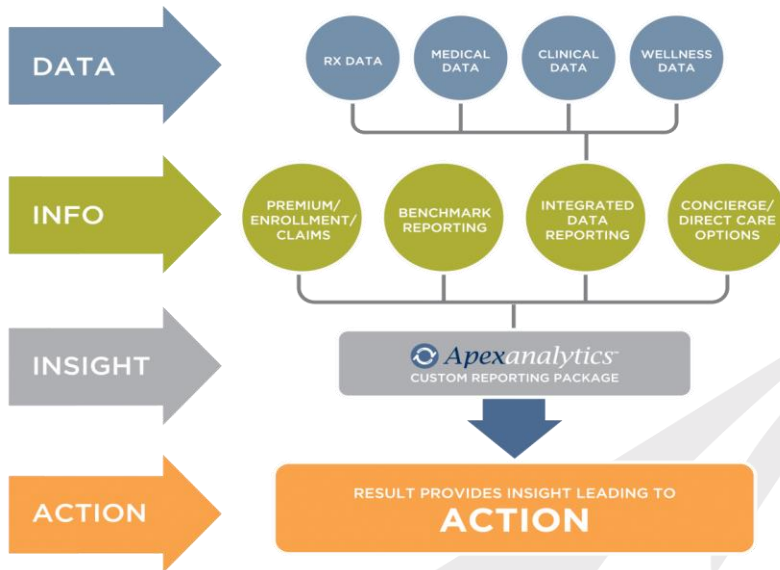


RISK POOL MANAGEMENT (CONT'D)



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MEDICAL/RX DATA ANALYTICS

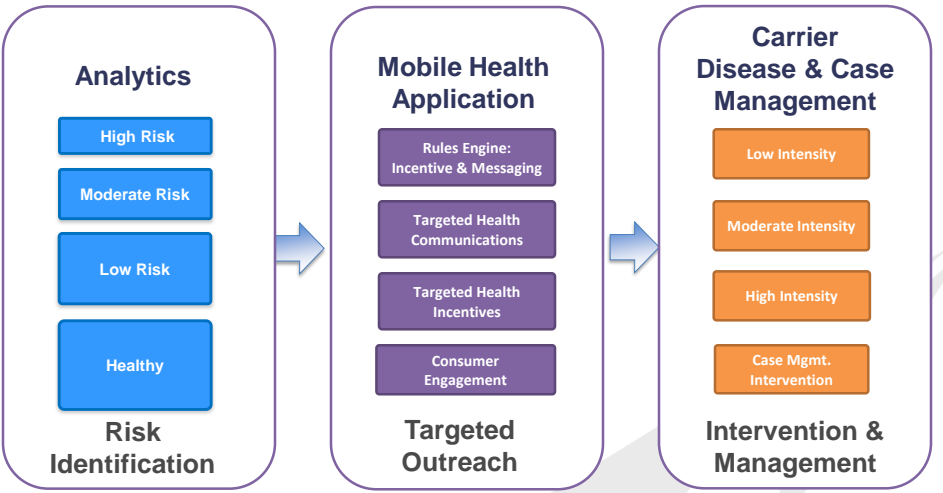


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TRANSPARENCY TOOLS/APPROACHES

- Castlight Health
- myHealthcare Cost Estimator (UHC)
- Health Care Cost Estimator (Anthem)
- GoodRx
- Truveris (Pharmacy Contracts/PBM)
- Cost Plus/Medicare Plus

MOBILE TECHNOLOGY/MEMBER ENGAGEMENT



MOBILE TECHNOLOGY/MEMBER ENGAGEMENT (CONT'D)



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QUESTIONS AND ANSWERS

- If you are interested in receiving an electronic copy of this presentation, please feel free to send your inquiries to the following:
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- Thank you for your time this afternoon!