

*Self-Funding Basics

Employer assumes all or a portion of the risk for health benefits

- Employer funds/pays its own claims rather than buying traditional health insurance.
- Employer delegates administrative responsibilities to a TPA.
- Employer can manage its exposure to catastrophic claims expense by purchasing stop loss insurance.



*Self-Funding Terms

Administrative Fee:

• Fee charged for claims adjudication, billing, eligibility, customer service, plan document maintenance & network access fees.

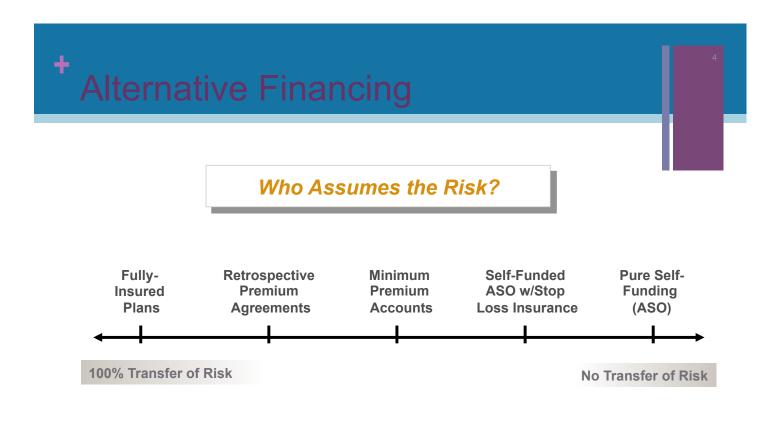
Stop loss insurance:

- Specific (protection on the individual).
- Aggregate (protection on the group).
- Monthly accommodation (monthly maximum).

Expected & Maximum Claim Costs:

- Total claims underwriter <u>Expects</u> you to have in a policy year.
- <u>Maximum</u> claims allowed in a plan year.







Self-Funding Advantages

- Group controls the plan, not the insurer.
- Group can take advantage of their own good medical experience.
- Can result in more effective healthcare cost control.
- Employer can be very flexible in health plan design.
- Eliminates most state premium taxes (savings of 2-3%).
- Improves cash flow.
- Unspent reserves will stay with the group.



Specific (Individual Coverage)

- Reduces the employer's exposure to high-cost individuals.
- Employer pays all claims for each individual up to the specific stop loss limit.
- Stop loss carrier reimburses the employer for claims on individuals whose annual eligible expense has exceeded the specific stop loss limit.
- At each contract renewal, each individual will be subject to a new specific stop loss deductible.



Specific (Individual) Coverage

Example:

• Jane Smith suffers from renal failure and undergoes kidney dialysis. Her claims total \$350,000. Jane's employer is self-funded, but has purchased specific stop loss with a \$150,000 specific stop loss.

•	Total Claim:	\$350,000
•	Employer Deductible:	\$150,000

Amount reimbursed by Stop Loss Carrier:

\$200,000

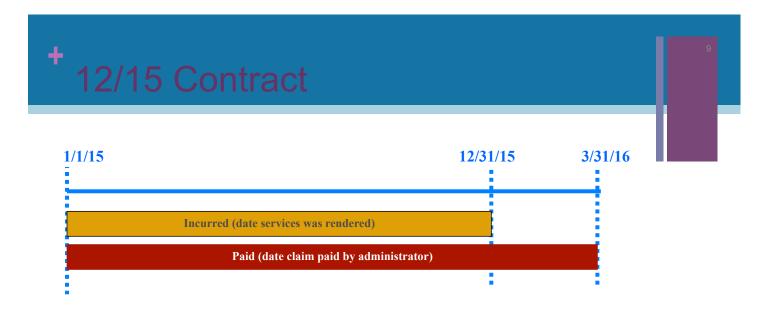




Reduces the employer's exposure to high levels of claim utilization on the group as a whole, rather than specific individuals.

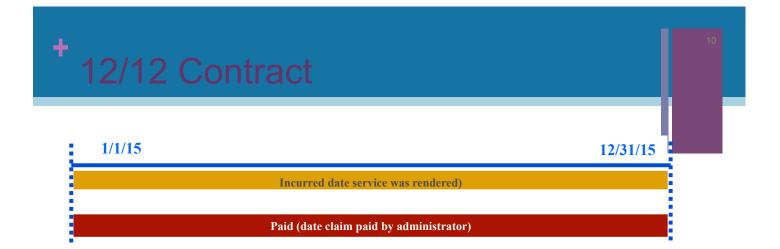
- The stop loss carrier reimburses the self-funded employer for all eligible claims that exceed the aggregate deductible.
- Claims in excess of the specific deductible are removed from the claims that apply toward the aggregate deductible.
- Aggregate accommodation provides monthly limits for claims.
- At each contract renewal, claims accumulations will be subject to a new aggregate deductible.





- Incurred in 12 and Paid in 15 (12/15) Eligible claims must be incurred during the contract period and paid within the contract period or the three months immediately following.
 - This is an abbreviated version of the "true incurred" contract.





- Incurred and Paid (12/12) Eligible claims must be incurred <u>and</u> paid within the policy year. For renewal years, the contract will convert to a paid contract and the claims will be eligible under the renewal contract regardless of the date incurred, as long as it was incurred on or after the initial effective date of the contract.
- This is an appropriate first-year contract type for a group that is currently fully-insured or a group that is self-funded and the policy has a run-out provision.



Plan Offering Multiple Option with: HRA or HSA Multiple Option Yes Multiple Option Yes Benefits Network Single/Family Network Single/Family Office Copay (PC/SPC) Other Copays (IP/ER/UC) Ded + 20% N/A Other Copays (IP/ER/UC) Ded + 20% N/A Other Copays (IP/ER/UC) Ded + 20% N/A Deductible \$2,500 / \$5,000 \$2,000 / \$6,000 Coinsurance 80% 70% Out-of-Pocket \$5,000 / \$10,000 \$5,000 / \$10,000 Coinsurance Out of Network Single/Family Out of Network Single/Family Deductible Out of Network Single/Family S5,000 / \$10,000 Coinsurance 60% S10,000 / \$10,000 Gow S10,000 / \$20,000 S10,000 / \$10,000 Employee 123 35 Family 387 53 Total Rates Rates (Billed) Rates (Billed) Current Renewal \$50.13,597 \$5,013,597 Monthly Cost \$861,665 \$861,665 \$417,800 \$417,800 Shondsi	Santa Rosa County Schools 1/1/15	Florid	Florida Blue		Florida Blue		
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Total Annual Premium\$15,353,572	Annual Cost	\$10,339,976	\$10,339,976	\$5,013,597	\$5,013,597		
		0.00% 0.00%					
	Total Annual Premium		\$15,3	53,572			

Santa Rosa County School 1/1/15	HM Insurance Group
TPA	BCBS of Florida
Network	BCBS Florida and Blue Card
Plan Design	HSA/PPO
Specific Deductible	\$150,000
Specific Contract Basis	12/15
Aggregate Contract Basis	12/12
Stop Loss Funding	ASO
Fixed Costs (approx)	1150
Employee	\$46.50
Employee + Spouse	\$46.50
Employee + Child(ren)	\$46.50
Family	\$46.50
rumuy	\$40.50
Total Monthly	\$96.072
	\$86,072
Total Annual	\$1,032,858
Governmental Fees	¢2,502
PCORI (\$2 PEPY)	\$3,702
Reinsurance Fee (\$63 PEPY)	\$116,613
Total Annual	\$120,315
Stop Loss Premium	
Specific Premium	
Employee	\$37.84
Employee + Spouse	\$81.06
Employee + Child(ren)	\$69.24
Family	\$112.46
Aggregate Premium	
Composite	\$5.17
Stop Loss Premium	
Total Monthly	\$125,963
Total Annual	\$1,511,557
Variable Costs	\$1,011,007
Expected Claims Cost	Includes Medical and Rx
Expected Claims Cost Employee	\$260.32
Employee + Spouse	\$520.64
Employee + Child(ren)	\$429.53
	\$754.92
Family	\$754.92
Total Monthly	\$777 755
Total Monthly	\$777,755
Total Annual	\$9,333,055
Aggregate Claims Cost	
Employee	\$325.40
Employee + Spouse	\$650.80
Employee + Child(ren)	\$536.91
Family	\$943.65
Total Monthly	\$972,193
Total Annual	\$11,666,318
Enrollment	
Employee	1055
Employee + Spouse	198
Employee + Child(ren)	158
Family	440
Total	1851
First Year Expected	
-	\$1,022,959
Madical Administration	\$1,032,858
Medical Administration	\$1,511,557
Stop Loss Premium	
Stop Loss Premium Expected Claims	\$9,333,055
Stop Loss Premium Expected Claims	
Stop Loss Premium Expected Claims Governmental Fees	\$9,333,055
Stop Loss Premium Expected Claims Governmental Fees	\$9,333,055 \$120,315
Stop Loss Premium Expected Claims Governmental Fees Total First Year Expected First Year Maximum Cost	\$9,333,055 \$120,315 \$11,997,784
Stop Loss Premium Expected Claims Governmental Fees Total First Year Expected First Year Maximum Cost Medical Administration	\$9,333,055 \$120,315 \$11,997,784 \$1,032,858
Stop Loss Premium Expected Claims Governmental Fees Total First Year Expected First Year Maximum Cost Medical Administration Stop Loss Premium	\$9,333,055 \$120,315 \$11,997,784 \$1,032,858 \$1,511,557
Stop Loss Premium Expected Claims Governmental Fees Total First Year Expected First Year Maximum Cost Medical Administration Stop Loss Premium Maximum Claims	\$9,333,055 \$120,315 \$11,997,784 \$1,032,858 \$1,511,557 \$11,666,318
Stop Loss Premium Expected Claims Governmental Fees Total First Year Expected First Year Maximum Cost Medical Administration Stop Loss Premium	\$9,333,055 \$120,315 \$11,997,784 \$1,032,858 \$1,511,557

1) Aggregate Accommodation & TLO are Included.

Santa Rosa County Schools Example - Claim Scenario - TPA & Stop Loss - \$150,000 Specific Premium ASO - Administrative Services Only Arrangement Scenario Date 1/1/2015 to 12/31/2015										
Based on: 1851 lives Blue Cross Blue Shield - Fully Insured 1/1/2015 to 12/31/2015										
Total Fully Insured Cost	\$15,353,572	\$15,353,572	\$15,353,572	\$15,353,572	\$15,353,572					
Based on: 1851 lives Self-Funded - TPA & Stop Loss \$150,000 Specific Premium 1/1/2015 to 12/31/2015										
Claims Rate	Low - 60%	ACTUAL - 70.76%	Expected - 80%	High - 90%	Max - 100%					
Fixed Medical Admin Fixed Stop Loss Costs Governmental Fees Variable Claims Costs	\$1,032,858 \$1,511,557 \$120,315 \$6,999,791	\$1,032,858 \$1,511,557 \$120,315 \$8,255,087	\$1,032,858 \$1,511,557 \$120,315 \$9,333,054	\$1,032,858 \$1,511,557 \$120,315 \$10,499,686	\$1,032,858 \$1,511,557 \$120,315 \$11,666,318					
Total Self-Funded Costs	\$9,664,521	\$10,919,817	\$11,997,784	\$13,164,416	\$14,331,048					
Total Savings Self-Funded vs Fully Insured	\$5,689,051	\$4,433,755	\$3,355,788	\$2,189,156	\$1,022,524					
Savings Versus Fully Insured	37.05%	28.88%	21.86%	14.26%	6.65%					



Questions?



HCC Life Insurance Company

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