



Self-Funding & Stop Loss 101



GODFREYDOWNS
SELF FUNDING CONSULTANTS

+ 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.



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+ 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:

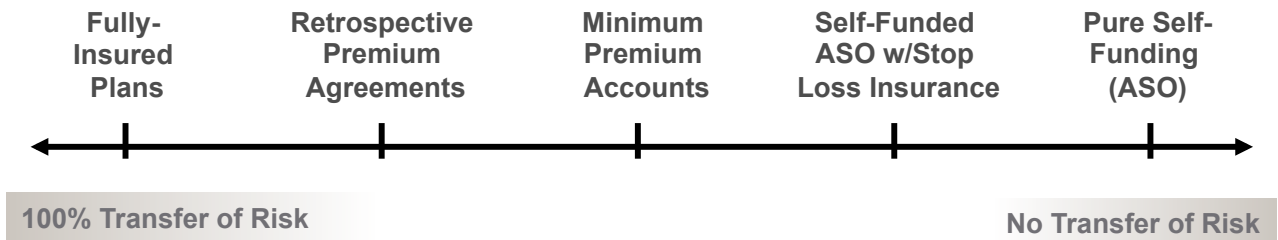
- Total claims underwriter Expects you to have in a policy year.
- Maximum claims allowed in a plan year.



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+ Alternative Financing

Who Assumes the Risk?





Self-Funding Advantages

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- 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.



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Specific (Individual Coverage)

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- 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.



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Specific (Individual) Coverage

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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



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Aggregate Coverage

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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.



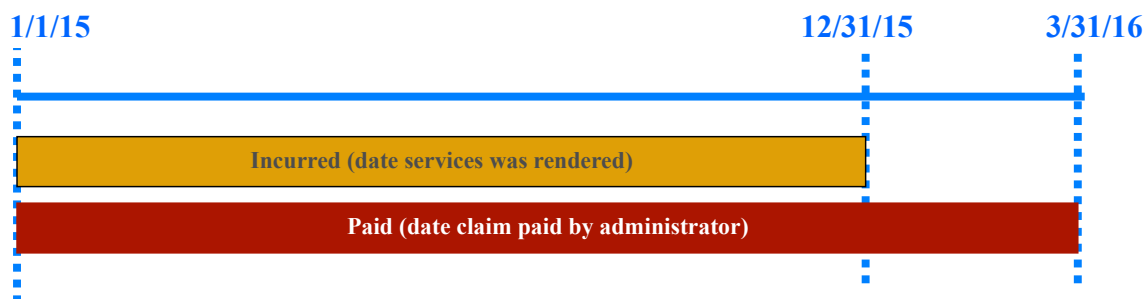
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12/15 Contract

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- 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.



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12/12 Contract

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1/1/15

12/31/15

Incurred (date service was rendered)

Paid (date claim paid by administrator)

- Incurred and Paid (12/12) - Eligible claims must be incurred and 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.



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Santa Rosa County Schools
1/1/15

Florida Blue

Florida Blue

Plan Name	HSA		PPO	
<i>Product</i>	BOP / 05192 & 05193		BOP / 05773	
<i>Plan Offering</i>	Multiple Option		Multiple Option	
<i>Multiple Option with: HRA or HSA</i>	Yes		Yes	
Benefits	Network Single/Family		Network Single/Family	
<i>Office Copay (PCP/SPC)</i>	Ded + 20%		\$35/\$65	
<i>Other Copays (IP/ER/UC)</i>	Ded + 20%		N/A / \$400 / \$75	
<i>Other</i>	N/A		N/A	
<i>Deductible</i>	\$2,500 / \$5,000		\$2,000 / \$6,000	
<i>Coinsurance</i>	80%		70%	
<i>Out-of-Pocket</i>	\$5,000 / \$10,000		\$5,000 / \$10,000	
<i>Pharmacy</i>	20% up to OOP		\$5 / \$60 / \$100	
	Out of Network Single/Family		Out of Network Single/Family	
<i>Deductible</i>	\$5,000 / \$10,000		\$5,000 / \$10,000	
<i>Coinsurance</i>	60%		50%	
<i>Out of Pocket</i>	\$10,000 / \$20,000		\$10,000 / \$20,000	
Enrollment				
<i>Employee</i>	653		402	
<i>Employee + Spouse</i>	154		44	
<i>Employee + Child(ren)</i>	123		35	
<i>Family</i>	387		53	
<i>Total</i>	1317		534	
Rates	Rates (Billed)		Rates (Billed)	
	Current	Renewal	Current	Renewal
<i>Employee</i>	\$430.16	\$430.16	\$567.29	\$567.29
<i>Employee + Spouse</i>	\$767.77	\$767.77	\$1,350.16	\$1,350.16
<i>Employee + Child(ren)</i>	\$593.58	\$593.58	\$1,043.82	\$1,043.82
<i>Family</i>	\$1,006.52	\$1,006.52	\$1,769.97	\$1,769.97
<i>Monthly Cost</i>	\$861,665	\$861,665	\$417,800	\$417,800
<i>Annual Cost</i>	\$10,339,976	\$10,339,976	\$5,013,597	\$5,013,597
<i>Change from Current</i>	0.00%		0.00%	
Total Annual Premium Change from Current	\$15,353,572			

Santa Rosa County School 1/1/15	HM Insurance Group
TPA	BCBS of Florida
<i>Network</i>	BCBS Florida and Blue Card
<i>Plan Design</i>	HSA/PPO
<i>Specific Deductible</i>	\$150,000
<i>Specific Contract Basis</i>	12/15
<i>Aggregate Contract Basis</i>	12/12
<i>Stop Loss Funding</i>	ASO
Fixed Costs (approx)	
<i>Employee</i>	\$46.50
<i>Employee + Spouse</i>	\$46.50
<i>Employee + Child(ren)</i>	\$46.50
<i>Family</i>	\$46.50
<i>Total Monthly</i>	\$86,072
<i>Total Annual</i>	\$1,032,858
Governmental Fees	
<i>PCORI (\$2 PEPY)</i>	\$3,702
<i>Reinsurance Fee (\$63 PEPY)</i>	\$116,613
<i>Total Annual</i>	\$120,315
Stop Loss Premium	
<i>Specific Premium</i>	
<i>Employee</i>	\$37.84
<i>Employee + Spouse</i>	\$81.06
<i>Employee + Child(ren)</i>	\$69.24
<i>Family</i>	\$112.46
<i>Aggregate Premium</i>	
<i>Composite</i>	\$5.17
<i>Stop Loss Premium</i>	
<i>Total Monthly</i>	\$125,963
<i>Total Annual</i>	\$1,511,557
Variable Costs	
<i>Expected Claims Cost</i>	<i>Includes Medical and Rx</i>
<i>Employee</i>	\$260.32
<i>Employee + Spouse</i>	\$520.64
<i>Employee + Child(ren)</i>	\$429.53
<i>Family</i>	\$754.92
<i>Total Monthly</i>	\$777,755
<i>Total Annual</i>	\$9,333,055
<i>Aggregate Claims Cost</i>	
<i>Employee</i>	\$325.40
<i>Employee + Spouse</i>	\$650.80
<i>Employee + Child(ren)</i>	\$536.91
<i>Family</i>	\$943.65
<i>Total Monthly</i>	\$972,193
<i>Total Annual</i>	\$11,666,318
Enrollment	
<i>Employee</i>	1055
<i>Employee + Spouse</i>	198
<i>Employee + Child(ren)</i>	158
<i>Family</i>	440
<i>Total</i>	1851
First Year Expected	
<i>Medical Administration</i>	\$1,032,858
<i>Stop Loss Premium</i>	\$1,511,557
<i>Expected Claims</i>	\$9,333,055
<i>Governmental Fees</i>	\$120,315
<i>Total First Year Expected</i>	\$11,997,784
First Year Maximum Cost	
<i>Medical Administration</i>	\$1,032,858
<i>Stop Loss Premium</i>	\$1,511,557
<i>Maximum Claims</i>	\$11,666,318
<i>Governmental Fees</i>	\$120,315
<i>Total First Year Maximum</i>	\$14,331,048

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
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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

\$1,032,858

\$1,032,858

\$1,032,858

\$1,032,858

\$1,032,858

Fixed Stop Loss Costs

\$1,511,557

\$1,511,557

\$1,511,557

\$1,511,557

\$1,511,557

Governmental Fees

\$120,315

\$120,315

\$120,315

\$120,315

\$120,315

Variable Claims Costs

\$6,999,791

\$8,255,087

\$9,333,054

\$10,499,686

\$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?