

## \*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.

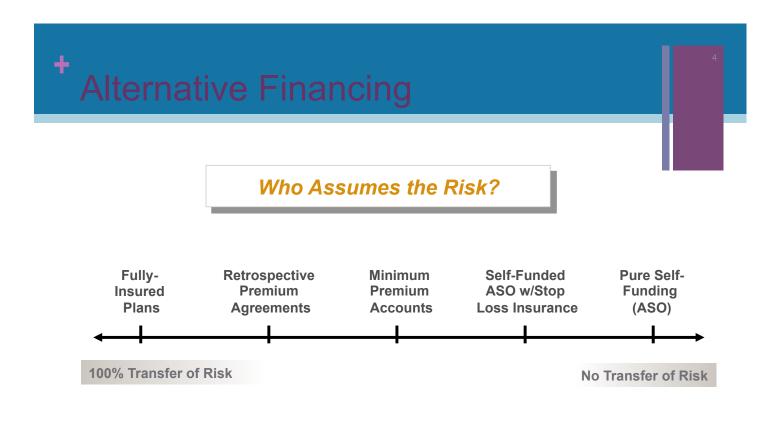
#### **Stop loss insurance:**

- 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.

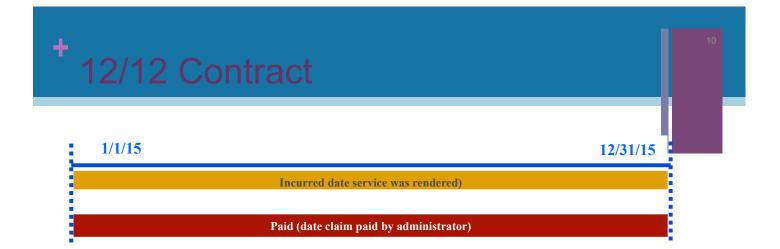
- The stop loss carrier reimburses the self-funded employer for all eligible claims that exceed the aggregate deductible.
- Claims in excess of the specific deductible are removed from the claims that apply toward the aggregate deductible.
- Aggregate accommodation provides monthly limits for claims.
- 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		
Plan Offering Multiple Option with: HRA or HSA         Multiple Option Yes         Multiple Option Yes           Benefits         Yes         Network Single/Family         Network Single/Family           Office Copays (PCP/SPC)         Ded + 20%         N/A         N/A           Other         N/A         N/A         N/A           Deductible         \$2,500 / \$5,000         \$2,000 / \$6,000         \$2,000 / \$6,000           Out-of-Pocket         \$5,000 / \$10,000         \$5,000 / \$10,000         \$5,000 / \$10,000           Pharmacy         Out of Network Single/Family         Out of Network Single/Family           Deductible         \$5,000 / \$10,000         \$5,000 / \$10,000         \$5,000 / \$10,000           Coinsurance         66%         \$10,000 / \$20,000         \$10,000 / \$20,000         \$10,000 / \$20,000           Employee         653         402         \$10,000 / \$20,000         \$10,000 / \$20,000           Employee         653         402         \$10,000 / \$20,000         \$10,000 / \$20,000           Employee         S10,01         \$430,16         \$430,16         \$567,29         \$567,29           Employee         \$57,77         \$767,77         \$1,350,16         \$1,350,16         \$1,350,16         \$1,350,16         \$1,350,16         \$1,350,16         \$1,350,16<	Plan Name	H	SA	РРО			
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HR.A or HSA         Yes         Yes           Benefits         Network Single/Family         Status           Office Copay (PCP/SPC)         Ded + 20%         Network Single/Family           Other Copays (IP/ER/UC)         Ded + 20%         N/A           Deductible         \$\$2,500 / \$5,000         N/A           Coinsurance         80%         \$\$2,000 / \$5,000           Out-of-Pocket         \$\$5,000 / \$10,000         \$\$5,000 / \$10,000           Pharmacy         20% up to OOP         \$\$5,000 / \$10,000           Deductible         \$\$5,000 / \$10,000         \$\$5,000 / \$10,000           Coinsurance         60%         \$\$0%         \$\$0%           Out of Network Single/Family         \$\$5,000 / \$10,000         \$\$5,000 / \$10,000           Deductible         \$\$10,000 / \$20,000         \$\$10,000 / \$20,000         \$\$10,000 / \$20,000           Employee         653         402           Employee         123         35           Family         387         53           Total         Statol 6         \$\$430.16         \$\$1,350.16           Statol 6         \$\$430.16         \$\$1,350.16         \$\$1,350.16           Employee         \$\$10,006.52         \$1,006.52         \$1,043.82           S	Plan Offering	Multiple	e Option	Mult	iple Option		
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Deductible         \$2,500 / \$5,000         \$2,000 / \$6,000           Coinsurance         80%         70%           Out-of-Pocket         \$5,000 / \$10,000         \$5,000 / \$10,000           Pharmacy         20% up to OOP         \$5,000 / \$10,000           Deductible         60%         \$5,000 / \$10,000           Coinsurance         60%         \$5,000 / \$10,000           Coinsurance         60%         \$5000 / \$10,000           Coinsurance         60%         \$10,000 / \$20,000           Employee         653         402           Employee + Spouse         154         44           Employee + Child(ren)         387         53           Total         Rates (Billed)         Current         Renewal           \$593.58         \$593.58         \$1,350.16         \$1,350.16           Stanily         \$1,006.52         \$1,06.52         \$1,043.82         \$1,043.82           Monthly Cost         \$861,665         \$861,665         \$417,800         \$417,800           Annual Cost         \$10,339,976         \$10,339,976         \$10,339,976         \$10,339,976           Change from Current         0.00%         0.00%         \$5,013,597         \$5,013,597	Other Copays (IP/ER/UC)	Ded -	+ 20%	N/A	N/A / \$400 / \$75		
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Pharmacy       20% up to OOP       \$5 / \$60 / \$100         Deductible       Out of Network Single/Family       \$5,000 / \$10,000         Coinsurance       60%       \$10,000 / \$20,000         Enrollment       \$10,000 / \$20,000       \$10,000 / \$20,000         Employee       653       402         Employee + Spouse       154       44         Employee + Child(ren)       123       35         Family       387       53         Total       1317       534         Employee       \$430.16       \$430.16         \$93.58       \$593.58       \$567.29         \$1,006.52       \$1,006.52       \$1,043.82         S1,043.82       \$1,043.82       \$1,043.82         S10,339.976       \$10,339.976       \$10,339.976         \$10,339.976       \$10,339.976       \$10,339.976         \$10,339.976       \$10,339.976       \$10,339.976         \$10,339.976       \$10,339.976       \$10,339.976         \$10,339.976       \$10,339.976       \$10,339.976         \$10,339.976       \$10,339.976       \$10,339.976         \$10,339.976       \$10,339.976       \$10,339.976	Coinsurance	80	)%		70%		
Out of Network Single/Family           Deductible           Coinsurance         Out of Network Single/Family           Out of Pocket         \$5,000 / \$10,000           Enrollment         \$5,000 / \$20,000           Employee         653         402           Employee + Spouse         154         44           Employee + Child(ren)         123         35           Family         387         53           Total         Rates (Billed)         Rates (Billed)           Current         Renewal         \$567.29         \$567.29           Spouse         \$767.77         \$767.77         \$1,350.16         \$1,350.16           Employee + Spouse         \$10,006.52         \$10,0339.976         \$10,339.976         \$10,339.976           Monthly Cost         \$861,665         \$861,665         \$417,800         \$417,800           Monthly Cost         \$10,339.976         \$10,339.976         \$10,339.976         \$10,339.976           Change from Current         0.00%         0.00%         0.00%	Out-of-Pocket	\$5,000 / \$10,000		\$5,00	00 / \$10,000		
Deductible         \$5,000 / \$10,000         \$5,000 / \$10,000           Coinsurance         60%         \$10,000 / \$20,000         \$10,000 / \$20,000           Employee         653         402           Employee + Spouse         154         44           Employee + Child(ren)         387         53           Family         387         53           Total         Rates (Billed)         Current         Renewal           \$430.16         \$430.16         \$430.16         \$567.29         \$567.29           Employee + Spouse         \$767.77         \$767.77         \$767.77         \$1,350.16         \$1,350.16           Employee + Child(ren)         \$593.58         \$593.58         \$593.58         \$1,043.82         \$1,043.82           Monthly Cost         \$1,006.52         \$1,006.52         \$1,0339.976         \$10,339.976         \$10,339.976           Monthly Cost         \$861,665         \$861,665         \$417,800         \$417,800           Annual Cost         \$10,339.976         \$10,339.976         \$10,339.976         \$0.00%           Ologo/         0.00%         \$0.00%         \$0.00%	Pharmacy	20% up	20% up to OOP		\$5 / \$60 / \$100		
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Out of Pocket         \$10,000 / \$20,000         \$10,000 / \$20,000           Employee         653         402           Employee + Spouse         154         44           Employee + Child(ren)         123         35           Family         387         53           Total         Rates         Rates (Billed)         Current         Renewal           \$430.16         \$430.16         \$430.16         \$567.29         \$567.29           Employee + Spouse         \$593.58         \$593.58         \$1,043.82         \$1,043.82           Employee + Child(ren)         \$861,665         \$861,665         \$10,339,976         \$10,339,976         \$10,339,976           Monthly Cost         \$861,665         \$861,665         \$861,665         \$417,800         \$417,800           Monthly Cost         \$0.00%         0.00%         0.00%         0.00%	Deductible	\$5,000 /	\$10,000	\$5,000 / \$10,000			
Enrollment           Employee           Employee + Spouse           Employee + Child(ren)           Family           Total           Rates           Employee + Child(ren)           Family           Total           Rates           Barloyee + Spouse           Employee + Spouse           Employee + Spouse           Employee + Spouse           States           States           States           Rates           States           St	Coinsurance	60	)%	50%			
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Employee + Spouse       154       44         Employee + Child(ren)       123       35         Family       387       53         Total       1317       534         Rates       Billed)       Current       Rates (Billed)         Current       Renewal       \$567.29       \$567.29         Employee       \$767.77       \$767.77       \$1,350.16       \$1,350.16         Employee + Spouse       \$767.77       \$767.77       \$1,350.16       \$1,350.16         Employee + Child(ren)       \$593.58       \$593.58       \$1,043.82       \$1,043.82         Family       \$1,006.52       \$1,006.52       \$1,0339.976       \$10,339.976       \$1,3597       \$5,013,597         Monthly Cost       \$861,665       \$861,665       \$417,800       \$417,800       \$417,800         Annual Cost       0.00%       0.00%       \$0.00%       \$0.00%	Enrollment						
Employee + Child(ren)       123       35         Family       387       53         Total       1317       534         Rates       Billed)       Current       Rates (Billed)         Current       Renewal       \$567.29       \$567.29         Employee + Spouse       \$767.77       \$767.77       \$1,350.16       \$1,350.16         Employee + Child(ren)       \$593.58       \$593.58       \$1,043.82       \$1,043.82         Family       \$1,006.52       \$1,006.52       \$1,769.97       \$1,769.97         Monthly Cost       \$861,665       \$861,665       \$417,800       \$417,800         Annual Cost       \$10,339,976       \$10,339,976       \$0.00%       \$0.00%         Total Annual Premium       \$15,353,572       \$10,00%       \$10,00%       \$10,00%	Employee	6:	653		402		
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Rates       Rates (Billed)       Rates (Billed)         Employee       \$430.16       \$430.16         Employee + Spouse       \$767.77       \$767.77         Employee + Child(ren)       \$593.58       \$593.58         Family       \$1,006.52       \$1,043.82         Monthly Cost       \$861,665       \$861,665         Annual Cost       \$861,665       \$861,665         Change from Current       0.00%       0.00%	Family	38	87	53			
Current         Renewal         Current         Renewal           Employee         \$430.16         \$430.16         \$567.29         \$567.29           Employee + Spouse         \$767.77         \$767.77         \$1,350.16         \$1,350.16           Employee + Child(ren)         \$593.58         \$593.58         \$1,043.82         \$1,043.82           Family         \$1,006.52         \$1,006.52         \$1,769.97         \$1,769.97           Monthly Cost         \$861,665         \$861,665         \$417,800         \$417,800           Annual Cost         \$10,339,976         \$10,339,976         \$0.00%         \$0.00%           Total Annual Premium         \$15,353,572         \$15,353,572         \$15,353,572	Total	13	17	534			
Employee       \$430.16       \$430.16       \$567.29       \$567.29         Employee + Spouse       \$767.77       \$767.77       \$1,350.16       \$1,350.16         Employee + Child(ren)       \$593.58       \$593.58       \$1,043.82       \$1,043.82         Family       \$1,006.52       \$1,006.52       \$1,769.97       \$1,769.97         Monthly Cost       \$861,665       \$861,665       \$417,800       \$417,800         Annual Cost       \$10,339,976       \$10,339,976       \$0.00%       \$0.00%         Total Annual Premium       \$15,353,572       \$10,339,976       \$15,353,572	Rates	Rates (	(Billed)	Rates (Billed)			
Employee + Spouse       \$767.77       \$767.77       \$1,350.16       \$1,350.16         Employee + Child(ren)       \$593.58       \$593.58       \$1,043.82       \$1,043.82         Family       \$1,006.52       \$1,006.52       \$1,769.97       \$1,769.97         Monthly Cost       \$861,665       \$861,665       \$417,800       \$417,800         Annual Cost       \$10,339,976       \$10,339,976       \$0.00%       \$0.00%         Total Annual Premium       \$15,353,572       \$15,353,572       \$15,353,572		Current	Renewal	Current	Renewal		
Employee + Child(ren)       \$593.58       \$593.58       \$1,043.82       \$1,043.82         Family       \$1,006.52       \$1,006.52       \$1,043.82       \$1,043.82         Monthly Cost       \$1,006.52       \$1,006.52       \$1,769.97       \$1,769.97         Monthly Cost       \$861,665       \$861,665       \$417,800       \$417,800         Annual Cost       \$10,339,976       \$10,339,976       \$0.00%       \$0.00%         Total Annual Premium       \$15,353,572       \$10,339,976       \$10,339,976			\$430.16	\$567.29	\$567.29		
Family       \$1,006.52       \$1,006.52       \$1,769.97       \$1,769.97         Monthly Cost       \$861,665       \$861,665       \$417,800       \$417,800         Annual Cost       \$10,339,976       \$10,339,976       \$0.00%       \$0.00%         Change from Current       0.00%       \$15,353,572	Employee + Spouse			· · · · · · · · · · · · · · · · · · ·			
Monthly Cost       \$861,665       \$861,665       \$417,800       \$417,800         Annual Cost       \$10,339,976       \$10,339,976       \$5,013,597       \$5,013,597         Change from Current       0.00%       0.00%       0.00%         Stal Annual Premium       \$15,353,572	Employee + Child(ren)	\$593.58	\$593.58	\$1,043.82	\$1,043.82		
Annual Cost         \$10,339,976         \$10,339,976         \$5,013,597         \$5,013,597           Change from Current         0.00%         0.00%         0.00%           Total Annual Premium         \$15,353,572         \$10,339,976 <td>Family</td> <td>\$1,006.52</td> <td>\$1,006.52</td> <td>\$1,769.97</td> <td>\$1,769.97</td>	Family	\$1,006.52	\$1,006.52	\$1,769.97	\$1,769.97		
Change from Current0.00%0.00%Total Annual Premium\$15,353,572	Monthly Cost	\$861,665	\$861,665	\$417,800	\$417,800		
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										
<b>Total Fully Insured Cost</b>	\$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

11