isbc Independent School Benefits Consortium

Self-Funded Stop-Loss Captives

A BETTER SCHOOL OF THOUGHT

Imagine an employee benefits plan that is flexible, transparent, and allows your school to retain 100% of the unused claims dollars. The Independent School Benefits Consortium (ISBC) embodies that vision.

The ISBC was created exclusively for independent schools, in response to rising cost of healthcare and the desire to take control of their health insurance spend. It is an employee benefit solution that focuses on cost control through an innovative funding arrangement and cultivating a healthy work environment.

Currently the ISBC includes 68 schools, 11,000 plan members and is located in 13 states. This program enables schools to have flexibility of plan design, full transparency of claim utilization data and incorporates cost savings opportunities through wellness incentives.

ISBC offers financial leverage and stability through a proven track record of performing significantly better than industry standards. In an environment where inflation for medical & prescription cost has been double digits, over the past 6years, the overall average annual cost for all schools has increased only 1.5%.

Average annual cost for all ISBC schools collectively over the past 6 years has increased only 1.5%.

In 2014 the ISBC transitioned to a funding arrangement that allows schools to keep 100% of unused premiums. Since inception of this program over $13 million has been returned to the schools as underwriting dividends.

Almost **$13 million** has been returned as underwriting dividends.

The ISBC not only enables schools to control their health insurance spend, the program provides a full range of services including plan member concierge & advocacy resources, telemedicine, mobile app, care coordination and chronic condition management.

Times may be turbulent for health insurance, but by joining ISBC, you gain a partner—and a program—with proven results and a plan of protection for the challenging road ahead!

STOP-LOSS INSURANCE PROTECTS A SELF-FUNDED PLAN

Instead of buying insurance for health-related expenses such as office visits, office procedures and maintenance medication, self-funded plans pay these expected claims as an expense and buy stop-loss insurance for the unpredictable claims. Aggregate stop-loss protects self-funded plans from overall high frequency of claims in any one plan year, while specific stop-loss provides protection from high individual or catastrophic claims. The aggregate attachment point, or maximum claim liability, is determined based on a corridor (usually 120%) over total expected claims. The specific deductible is determined based on the size of the group and level of risk an employer is willing to accept.

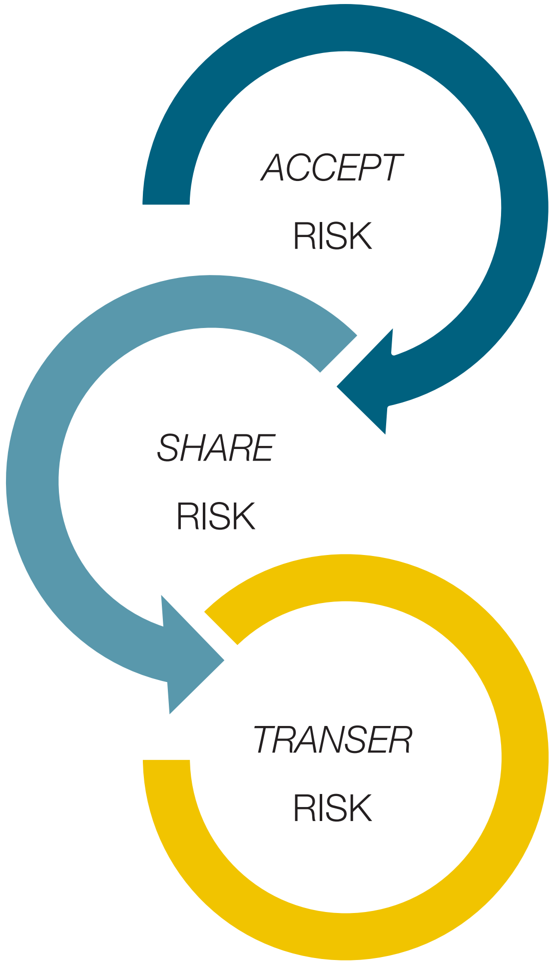
WHAT IS A SELF-FUNDED STOP-LOSS CAPTIVE

As health insurance costs continue to escalate and uncertainty in the marketplace persists, self-funded stop-loss captives offer a cost-effective method for employers to better manage their group health insurance plans. In the past, self-funding was only a viable funding alternative for larger employers. Now, group captives have also made self-funding attractive to smaller organizations with as few as 25 covered employees.

Self-funding can be attractive to organizations with as few as **25 covered employees.**

A group captive is an insurance arrangement that insulates self-funded employers from adverse market renewals by sharing risk with other employers of similar size and risk profile. Employers that perform well financially are rewarded, and those that do not perform as well are protected.

HOW WE POOL AND SHARE RISK IN THE CAPTIVE



EMPLOYER LAYER

Each employer will self-fund paid claims up to their specific deductible per member, per policy period.

CAPTIVE LAYER

Employers pool stop-loss premium and share claims between their specific deductible and $500,000.

REINSURANCE LAYER

Claims above $500,000 are paid by a reinsurance carrier.

SELF-FUNDING TURNS FIXED COST INTO VARIABLE COSTS

Whether fully-insured or self-funded, cost components in a group health plan are the same, comprised of administrative fees, risk premium and claims. All fully-insured plan costs are fixed and 100% of the risk is transferred to a commercial insurance company. In a self-funded plan, the employer assumes some of the risk, significantly reducing fixed cost. This allows more of the total health insurance spend to fund claims, if and when they occur. Premium dividends (profit) are retained by a self-funded employer rather than by an insurance carrier.

Learn more about the ISBC and other captive solutions. Contact **your ISBC broker representative.**