Brown & Brown

Alternative Funding Strategies and Unique Strategies in Employer Benefits

Presented By:
Adam Bowling, Employee Benefits Consultant

Brown & Brown Insurance, Inc.

Agenda

1. It Starts with Strategy…
2. Fully Insured Overview
3. Level Funding Overview
4. Self Funding Overview
5. Unique Strategies
6. Questions

01 It Starts with Strategy

Three Unique Health Benefit Strategies

ATTRACTION AND RETENTION

Benefits are a key component of the employment value proposition; willing to invest in healthcare benefits that support the attraction and retention of top talent in a competitive labor market

Utilizes emerging strategies to support employees based on individual situations (e.g., student loan repayment, childcare benefits, concierge services, additional perks)

AFFORDABILITY AND CONSUMERISM

Encourages employees (and provides tool necessary) to make educated decisions regarding their care

Implement appropriately structured consumer-driven health plans to incentivize consumerism and reduce costs

EBITDA MAXIMIZATION

Ensures basic level of coverage is provided to employees and incorporates cost savings strategies recognized by the market and industry

Optimizes contribution strategies to manage participation and drive cost efficiency

Where does your company see itself positioned on this spectrum today and in the future?

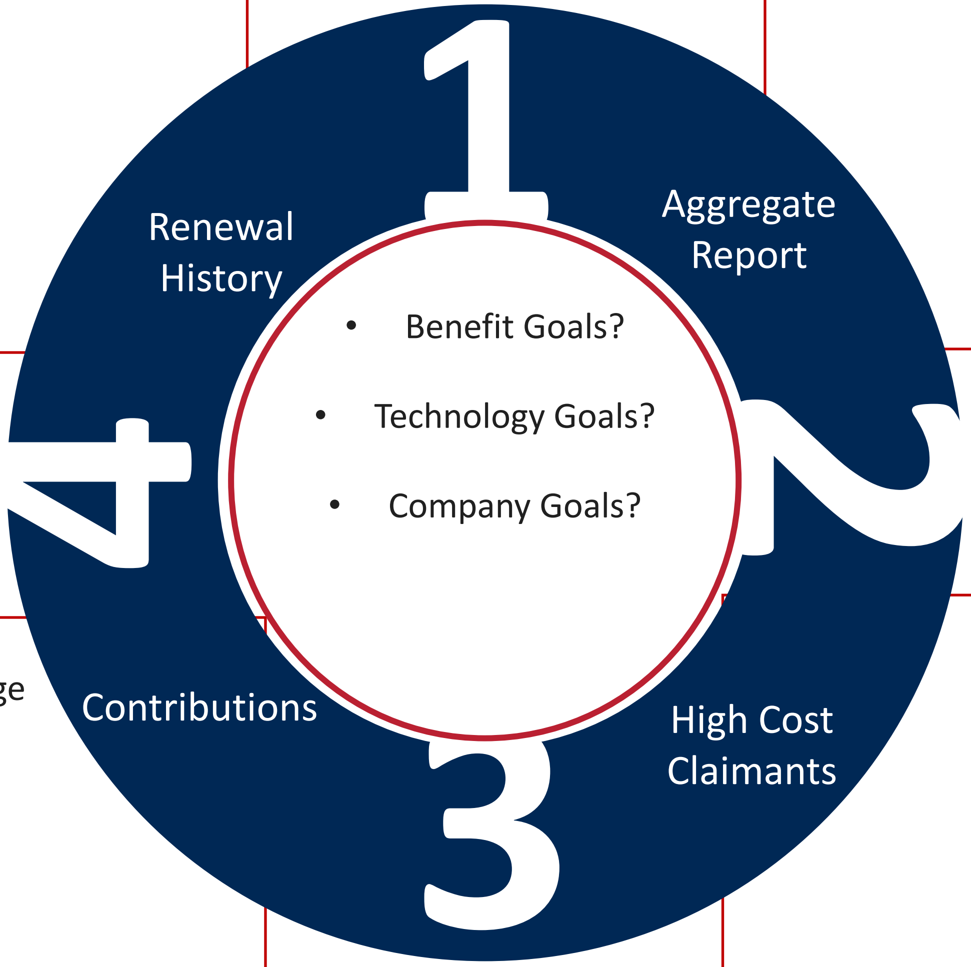
EXECUTIVE SUMMARY
09/2022 – 1/2023

2018 Renewal: +14%
2019 Renewal: +10%
2020 Renewal: +13%
2021 Renewal: 0% (BCBS)
2022 Renewal: +11.6%(Aetna)

Plan Year Aggregate: $103,062
Total Paid Claims: $85,712

Loss Ratio: 83%

Surplus*:
$17,349
**NOT Paid if carrier change*



No Visibility in HCC's due to size

Only available for 100+ FTE's

100% ER paid for EE medical coverage

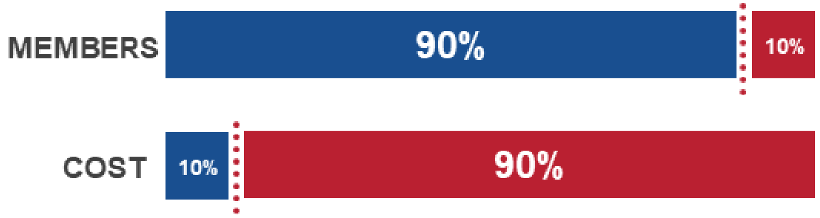
ER paid hospital indemnity benefit

CURRENT PLAN DESIGN

Medical Plans (Aetna LFP)	Final Selected Plans Aetna CPOSII 1500 80/50		Final Selected Plans Aetna CPOSII 3000 100/50	
Benefit Comparison	**In-Network**	**Out-of-Network**	**In-Network**	**Out-of-Network**
Annual Individual / Family Deductible	$1,500 / $3,000	$5,000 / $10,000	$3,000 / $6,000	6,000 / $18,000
Coinsurance	80%	50%	100%	50%
Annual Out-of-Pocket Maximum	$5,000 / $10,000	$13,000 / $39,000	$6,000 / $12,000	$16,000 / $48,000
Preventive Benefit	No Charge	50% After Deductible	No Charge	50% After Deductible
Office Visits				
Primary Care	$30 Copay	50% After Deductible	$35 Copay	50% After Deductible
Specialist	$60 Copay	50% After Deductible	$70 Copay	50% After Deductible
Hospital Services In-Patient	80% After Deductible	50% After Deductible	100% After Deductible	50% After Deductible
Outpatient Diagnostic X-Ray & Lab Services	80% After Deductible	50% After Deductible	100% After Deductible	50% After Deductible
Major Lab - MRI, PET Scan, CAT Scan	80% After Deductible	50% After Deductible	100% After Deductible	50% After Deductible
Emergency Room Facility Charge	$500 Copay/Visit		$500 Copay/Visit	
Urgent Care Visit *(excludes certain diagnostic procedures)*	$75 Copay/Visit	50% After Deductible	$75 Copay/Visit	50% After Deductible
Annual Prescription Deductible	No Rx Deductible		No Rx Deductible	
RX - Tier 1a / Tier 1 / Tier 2 / Tier 3	$3 /$10 / $45 / $75		$3/ $10 / $45 / $75	
RX - Specialty	20% up to $250 or 40% up to $500		20% up to $250 or 40% up to $500	

Rates	Rates Table				Rates Table			
	Counts	**Tier**	**Current**	**Renewal**	**Counts**	**Tier**	**Current**	**Renewal**
	39	EE	$677.70	$752.82	7	EE	$651.99	$721.93
	0	ES	$1,423.17	$1,638.54	0	ES	$1,369.19	$1,568.45
	2	EC	$1,321.52	$1,527.80	0	EC	$1,271.39	$1,462.62
	2	FAM	$2,066.99	$2,339.75	1	FAM	$1,988.58	$2,238.66

LARGE CLAIMS DRIVE COSTS



Large claims drive costs,

NOT general utilization

Level of Benefit	Members	% of Total Members	Total Paid	% of Total Paid
None	1,897	9.08%		
$1 to $100	1,804	8.64%	$109,779	.15%
$101 to $250	3,192	15.28%	$546,298	.72%
$251 to $500	3,528	16.89%	$1,291,348	1.71%
$501 to $750	1,983	9.49%	$1,219,147	1.61%
$751 to $1,000	1,532	7.33%	$1,337,499	1.77%
$1,001 to $1,500	1,653	7.91%	$2,022,842	2.68%
$1,501 to $2,500	1,563	7.48%	$3,040,750	4.03%
$2,501 to $5,000	1,579	7.56%	$5,534,360	7.33%
$5,001 to $10,000	944	4.52%	$6,623,548	8.77%
Over $10,000	1,216	5.82%	$53,813,629	71.24%
Total	**20,891**	**100.00%**	**$75,539,204**	**100.00%**

66.7%

6.0%

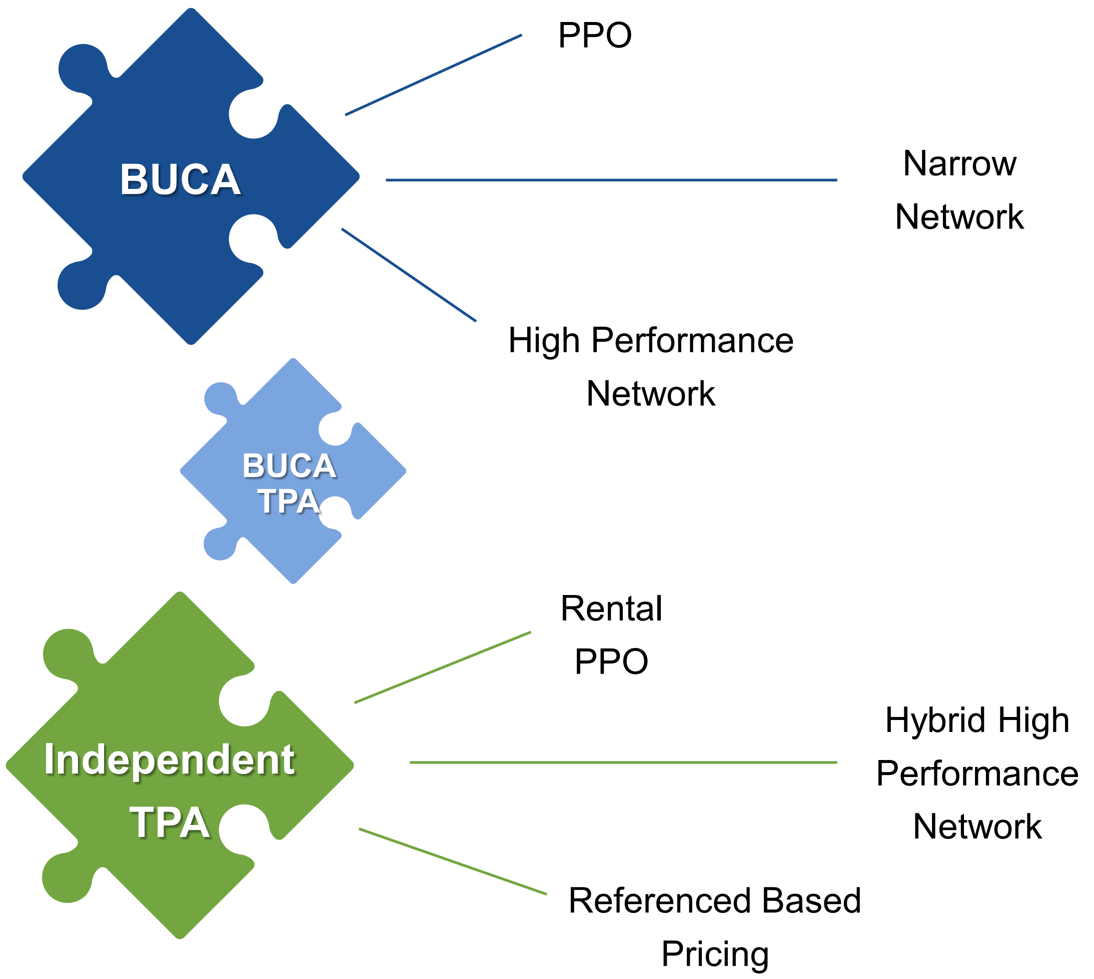
10.3%

80.0%

NETWORK OPTIMIZATION

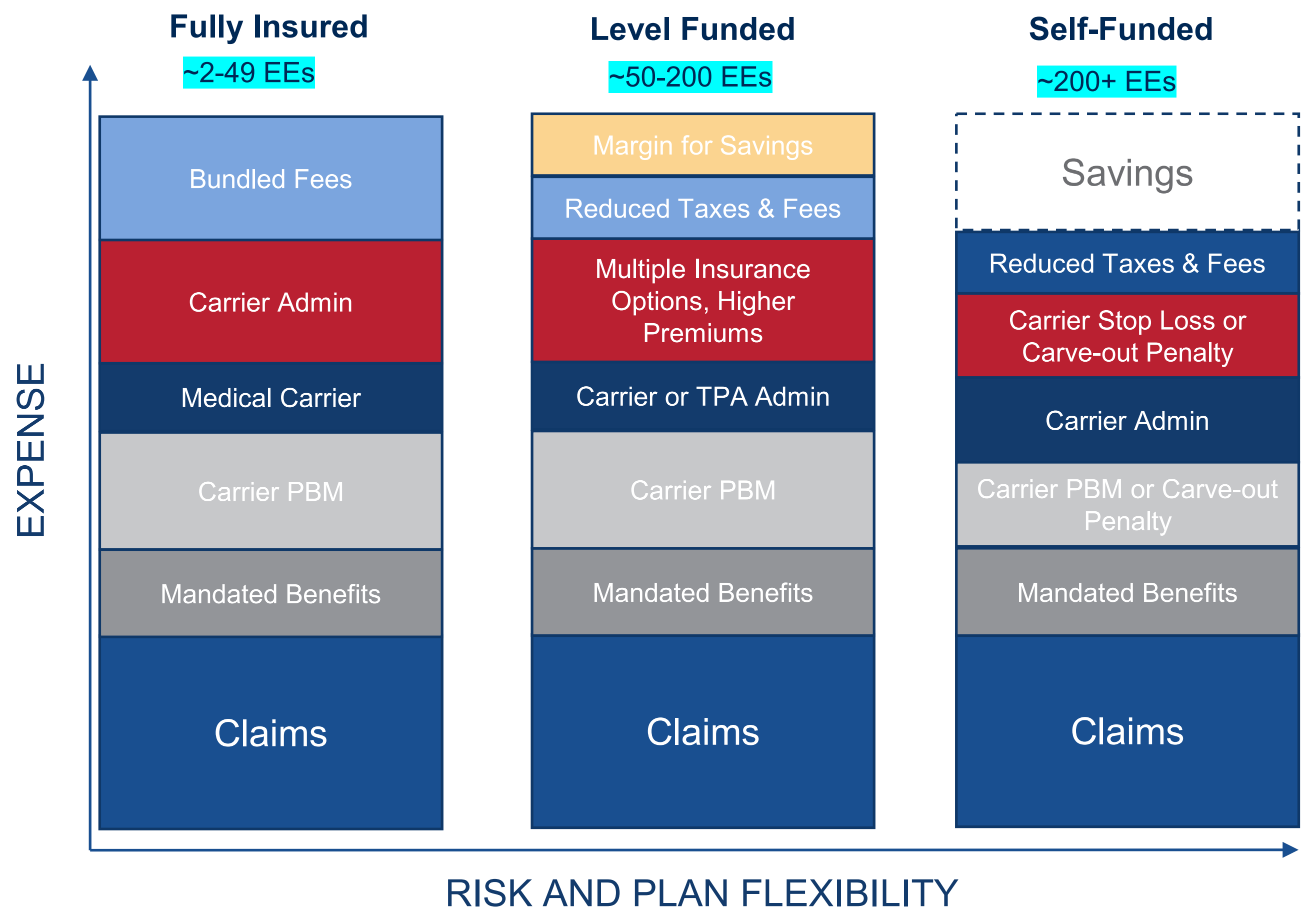
Third Party Administrators:

Cost Containment Strategies:



- Reference Based Pricing
- Secondary Medical
- Captives
- Specialty Rx Sourcing
- Carve-Outs
  - » Dialysis
  - » Transplant
  - » Gene and Cell Therapy

UNDERSTANDING THE OPTIONS

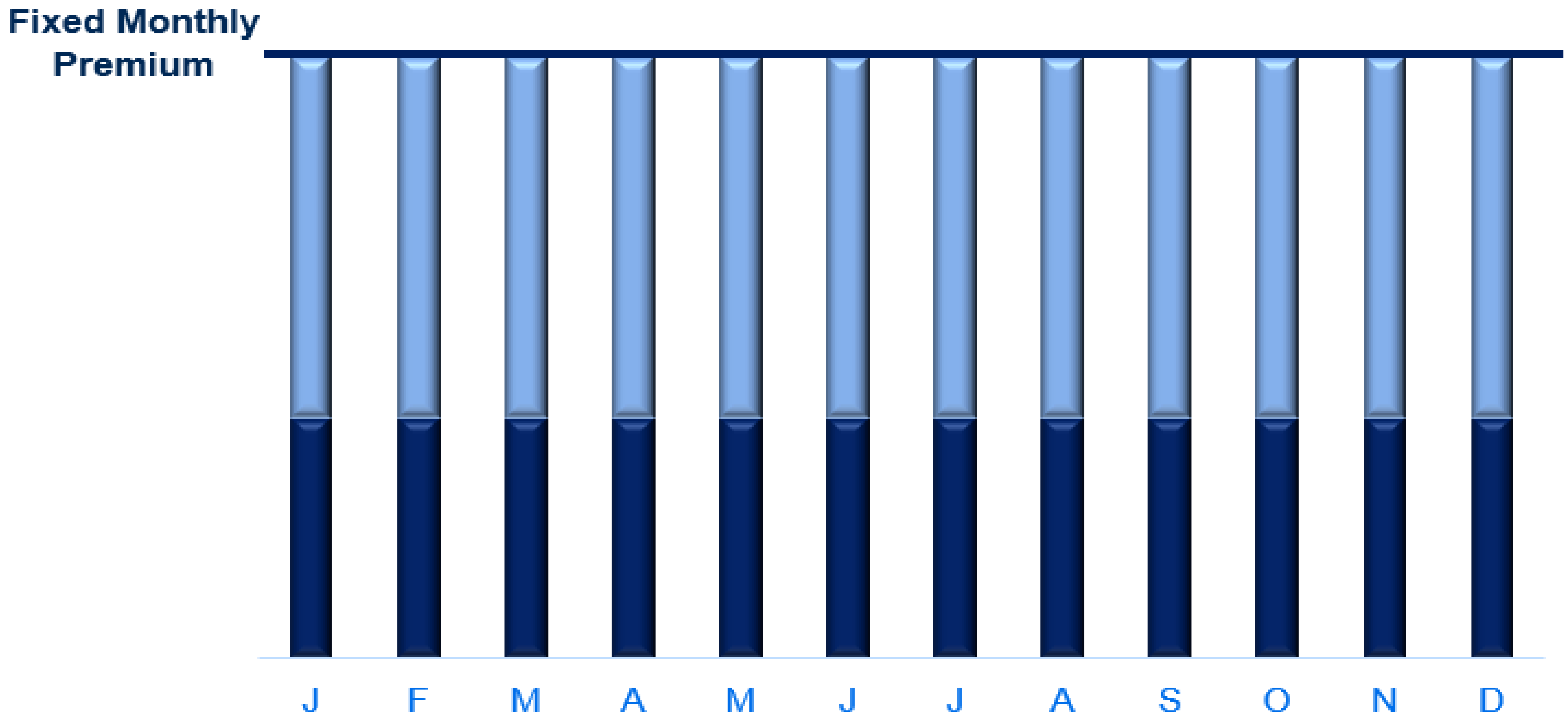


- For groups with more than 100 covered lives, the most significant cost driver is claims expense
- Employers can implement a variety of strategies to better control claim costs, but claims remain the same under any funding model
- Alternative funding strategies can reduce or eliminate extraneous costs while introducing tremendous flexibility
- The elimination of carrier profit, excess margin and the potential elimination of mandated benefits create savings
- The reduction and/or elimination of ACA taxes and fees create additional savings
- Stop Loss replaces pooling charges and protects the employer from large claims risk

02 Fully Insured

FULLY INSURED

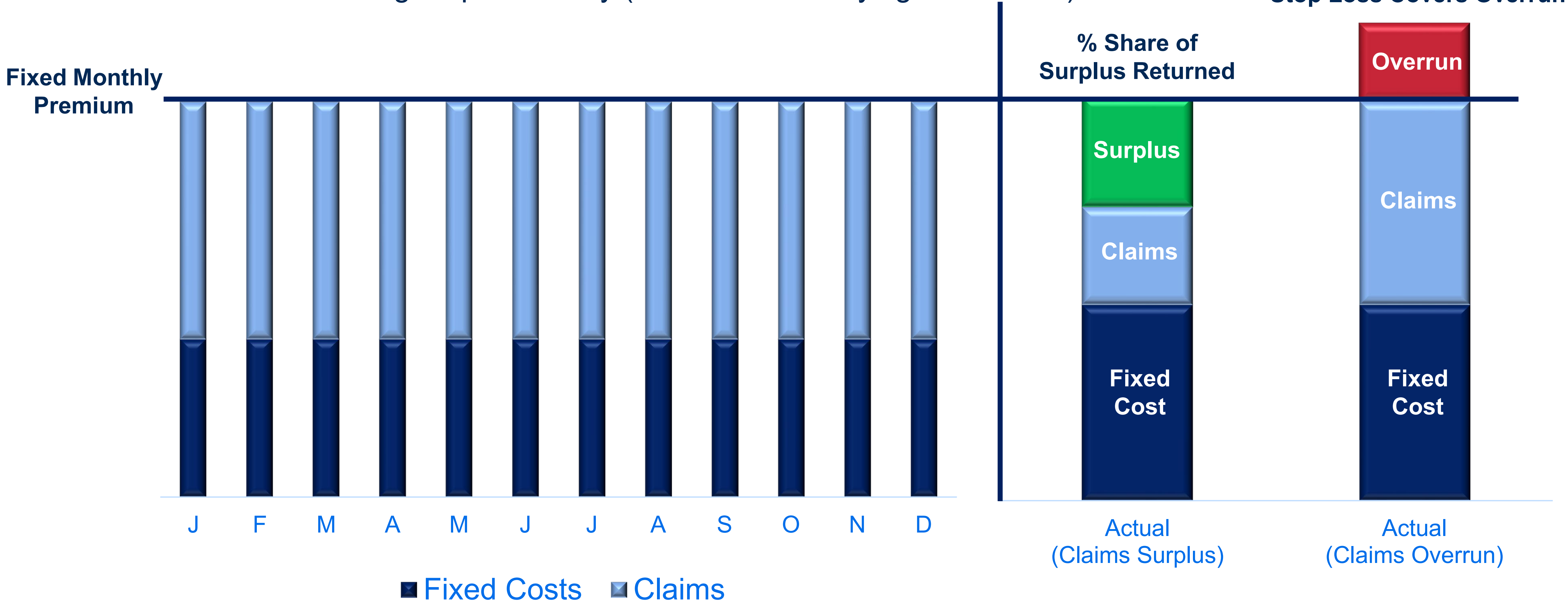
- Fixed monthly premium
- Insurance carrier retains potential savings and the potential risk



03 Level Funding Overview

LEVEL FUNDING(PARTIALLY SELF-FUNDED)

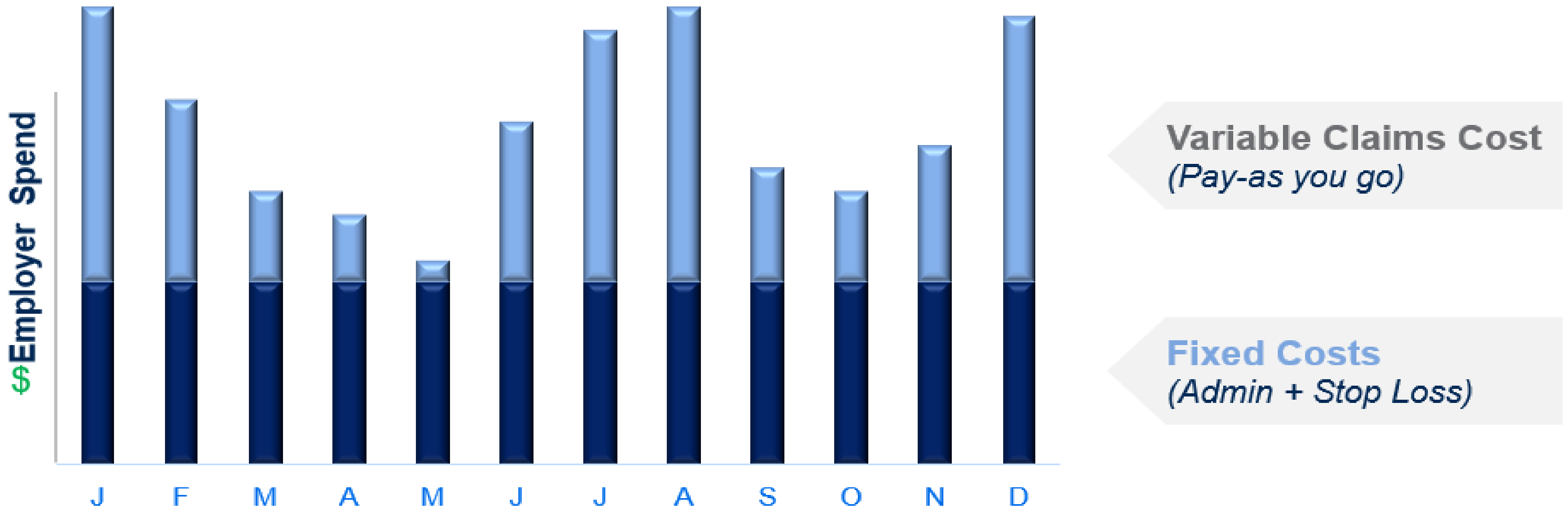
- Self-Funded Plan that looks and feels like Fully-Insured
- Potential of receiving surplus money (carriers have varying restrictions)



04

Self Funding Overview

SELF FUNDING



- Efficient allocation of claims funding
- Claims can be low in first few months of self funding
- Employer earns interest on funds kept on hand to pay claims, and reserves are held in bank account

PROS & CONS OF SELF-FUNDING

PROS

- + Lower premium taxes, admin. costs, and no carrier profit margins
- + No insurance carrier industry tax due to Health Care Reform
- + Cash Flow- pay claims as incurred
- + Immature claims 1st year – reserve
- + Funds stay in your bank account and build claims reserve in “good” years
- + Ultimate plan design flexibility
- + Stop-loss protection on large claims
- + Unbundled which allows you to select administrator, PPO, PBM, stop-loss
- + Change stop-loss carriers, but keep the same administrator

CONS

- – Administration is slightly more burdensome
- – Claims costs fluctuate month to month
- – Maximum annual cost can be higher than guaranteed fully-insured premiums
- – May have to fund large claim before being reimbursed
- – The plan administrator may have to be involved in claim appeals which can be uncomfortable

05

Unique Strategies

LEVEL FUNDED TPA

Third Party Administrators:

Cost Containment Strategies:

- **Reference Based Pricing**
- **Secondary Medical**
- Specialty Rx Outsourcing
- Case Management
- Stop Loss Pricing
- Administration Pricing

REFERENCE BASED PRICING

An alternative self-funded type of arrangement. Claims are paid on a % of Medicare and employees are not restricted to a specific network. The goal is cost containment. This can be offered via Level or Self Funding.

ADVANTAGES	DISADVANTAGES
✓ Financial Savings	✓ Employee Education
✓ No Facility Restrictions	✓ Potential for Balance Billing
✓ PHCS Network (National Network)	✓ Potential Addition of HR Burden

REFERENCE BASED PRICING EXAMPLE:

Here is a real example of the savings you can receive with a Reference Based Pricing solution:

The client had a facility charge of **$146,655.**

Medicare would have only paid **$16,774.**

That's a

874%

mark-up above Medicare pricing.

- Through Reference Based Pricing, the plans responsibility was reduced to **$23,483**. (140% of the Medicare-Based price)
- Generating over **$123,000** in savings compared to Billed Charges
- A typical carrier PPO discount of 50%, would leave the charge at $73,327, $49,844 higher

SECONDARY MEDICAL

An alternative funding arrangement where 2 ID cards are utilized for all medical services. Major Medical Deductible is raised to the legal limit & the secondary medical carrier bridges the gap so there is no change in deductible to the end consumer.

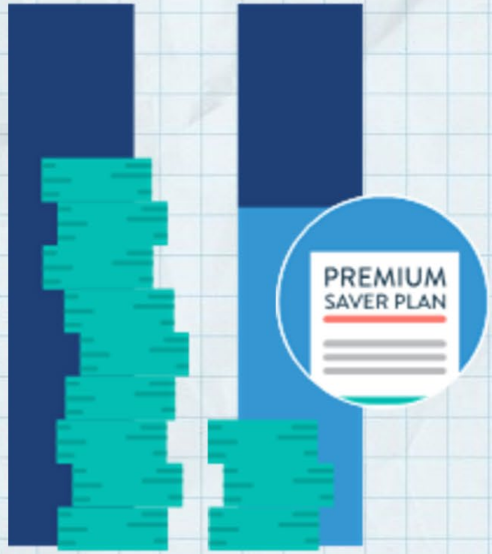
ADVANTAGES	DISADVANTAGES
✓ Financial Savings	✓ Employee Education ✓ Potential Addition of HR Burden

SECONDARY MEDICAL EXAMPLE:

Plan Example

CURRENT & RENEWAL PLAN

- **Current Plan**
  - $250 Deductible / 100% plan
  - 11 Employees
  - Monthly Rate - $8,527.30
- **Renewal Plan (same benefits)**
  - Monthly Rate - $10,579.90



ALTERNATE PLAN WITH PREMIUM SAVER

- MM - $5000/100% Plan
- PS - $250 Deductible/$4,750 Benefit
- Overall $250/100% Plan
- Monthly Premium - $8,388.92

SAVINGS

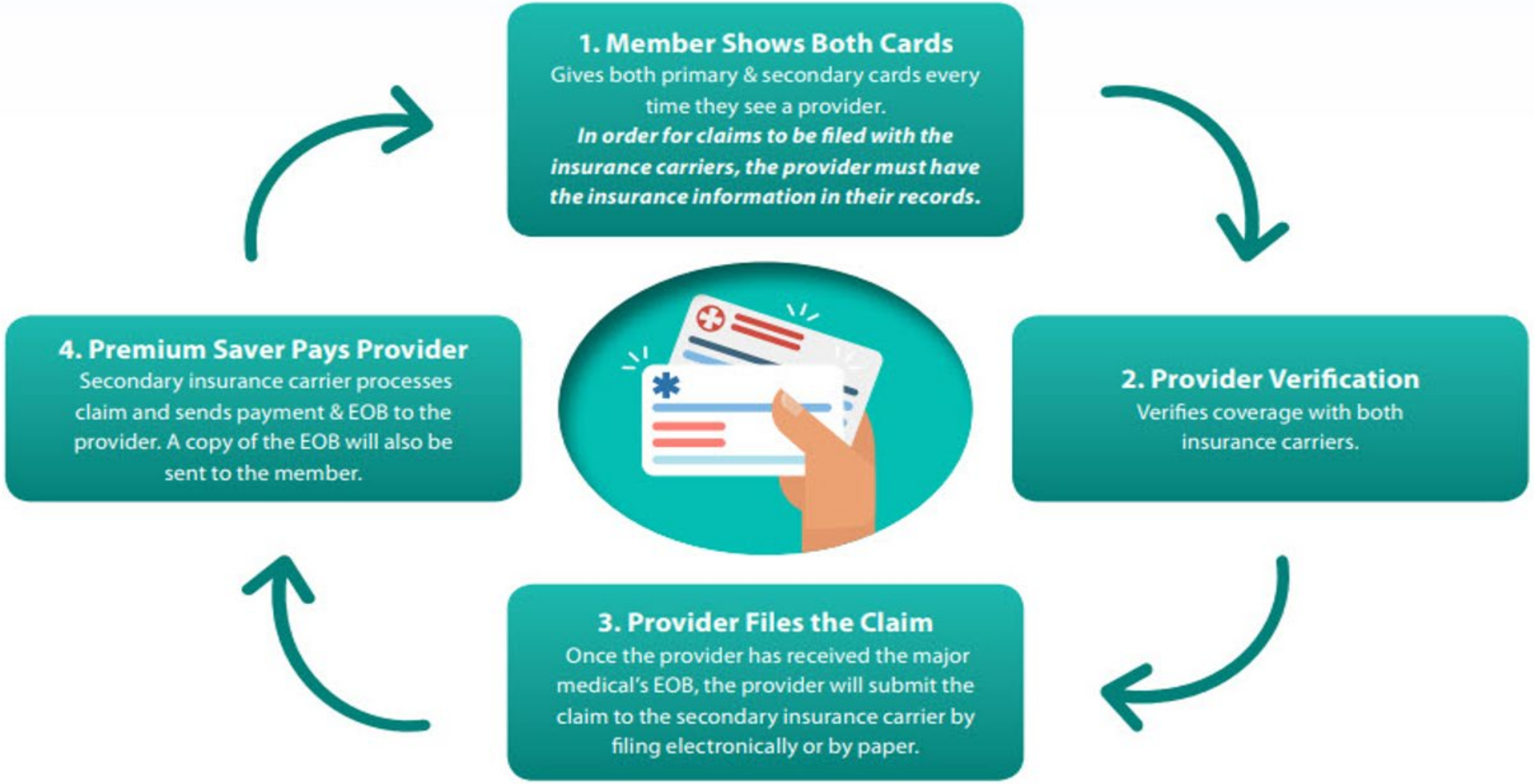
Monthly: $2,190.98 Annual : $26,291.76

Same plan w/$500 deductible saves $28,325.88 annually

SECONDARY MEDICAL EXAMPLE:

The employee simply presents their primary and secondary insurance cards **every time** they see their provider.
The provider and insurance carriers do all the work and the member pays the final bill.

This is called the Two-Card System!

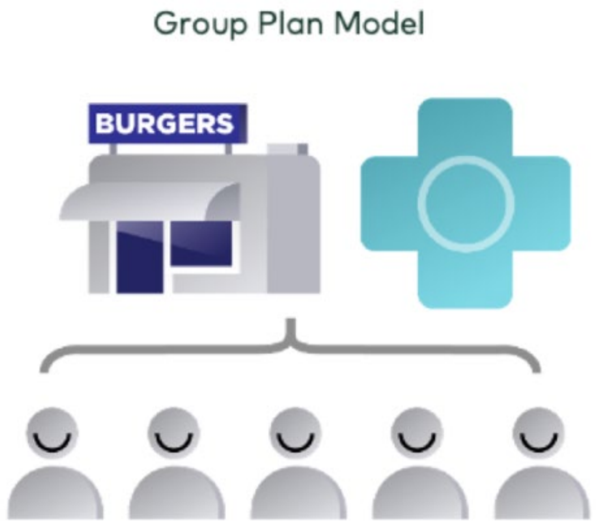


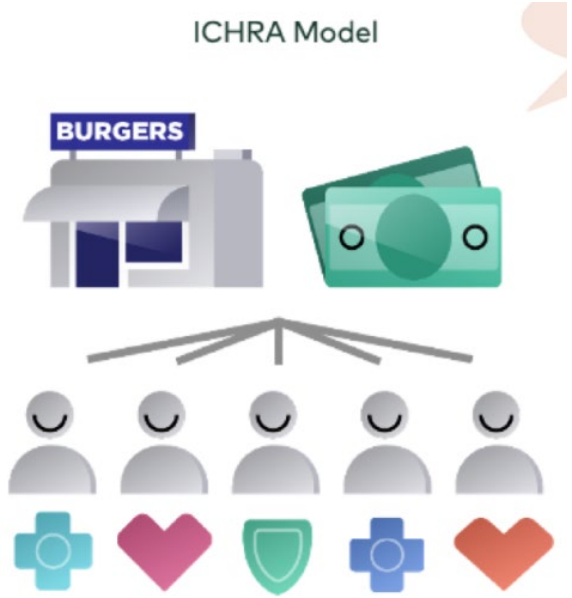
CAPTIVES

	Self-Funded Plans
Payments	Employer contributes a small amount up-front & pays a fixed monthly amount. Employers pays claims as they are incurred
Stop Loss	Provides protection by paying for claims that are above the Captive layer maximum
Assumption of Risk	**Risk is shared with other organizations of the Captive**
Plan Design	Employers have **more control** and freedom regarding plan design.
Compliance Payments	Health plan must comply with ERISA, but **not state regulations.**

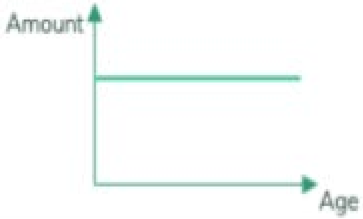
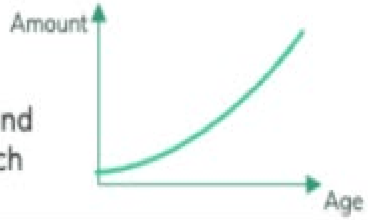
ICHRA's

An "Individual Coverage Health Reimbursement Arrangement" enables employers of any size to reimburse their employees tax-free. Employers set an allowance and employees choose the plan that fits their needs.

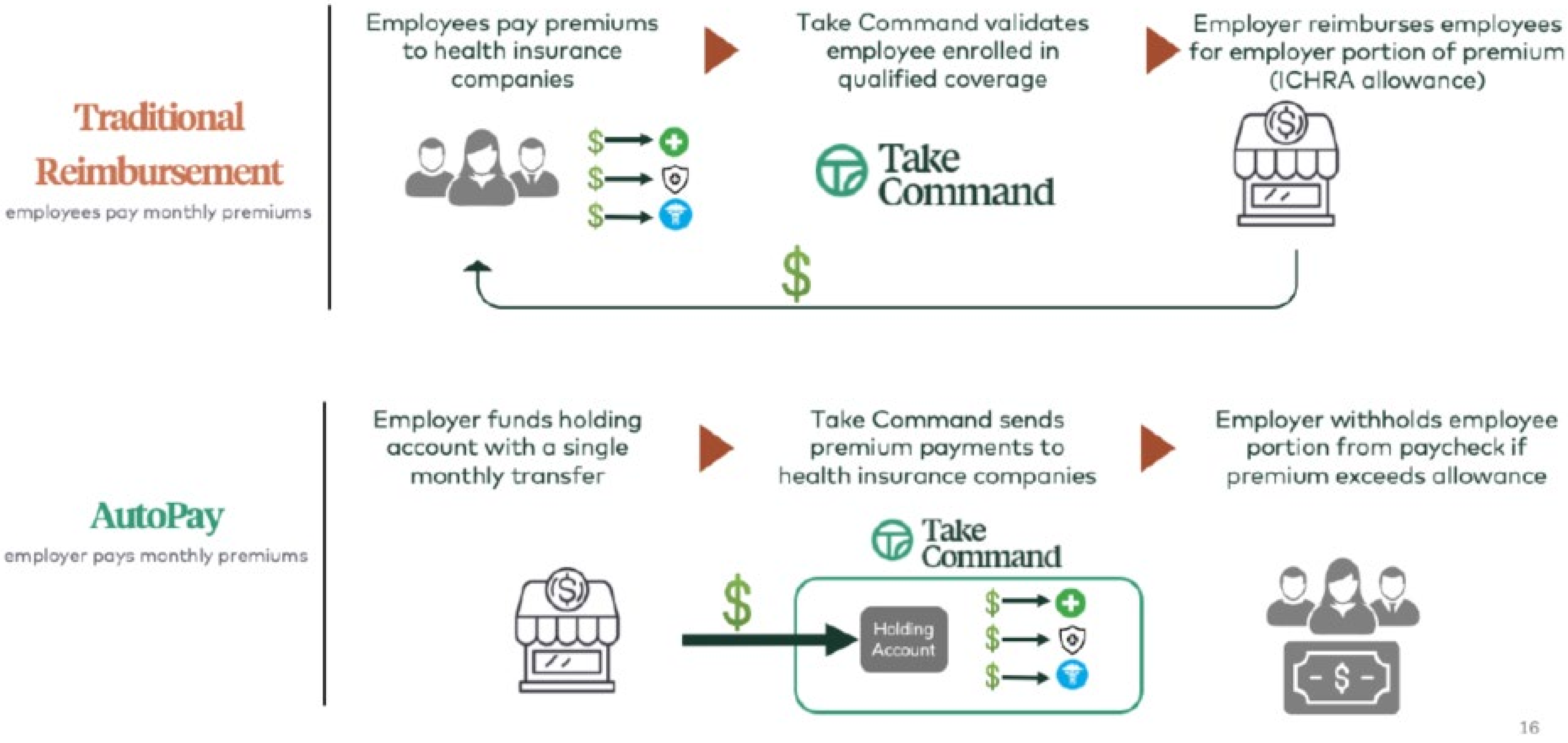




ICHRA'S

Structure	Description		Works Best For...
Flat	All employees get the same amount no matter their age (ex: everyone gets $400/mo)		Small companies new to benefits (and companies in NY & VT)
Vary by Age (Curve)	Employees get an amount proportional to plan costs (ex: if a 21 year old employee gets $200/mo, then a 64 year old employee gets $600/mo and everyone else in between receives a proportional level to achieve similar buying power, such as 80% of the lowest silver plan)		Companies leaving a group health plan. Provides "equal buying power" while optimizing budget

ICHRA'S


Traditional Reimbursement
employees pay monthly premiums
Employees pay premiums to health insurance companies
Take Command validates employee enrolled in qualified coverage
Employer reimburses employees for employer portion of premium (ICHRA allowance)
Take Command
$
AutoPay
employer pays monthly premiums
Employer funds holding account with a single monthly transfer
Take Command sends premium payments to health insurance companies
Employer withholds employee portion from paycheck if premium exceeds allowance
Take Command
Holding Account
16

ICHRA'S

ADVANTAGES	DISADVANTAGES
✓ No Carrier Renewals	✓ Employee Education
✓ No Participation Requirements	✓ Potential Addition of HR Burden
✓ Set your Budget & Cap Spend	✓ Lack of Technology & Integration with existing systems
✓ Employee Choice for Healthcare	