

# IT'S ALL ABOUT SELF-FUNDING



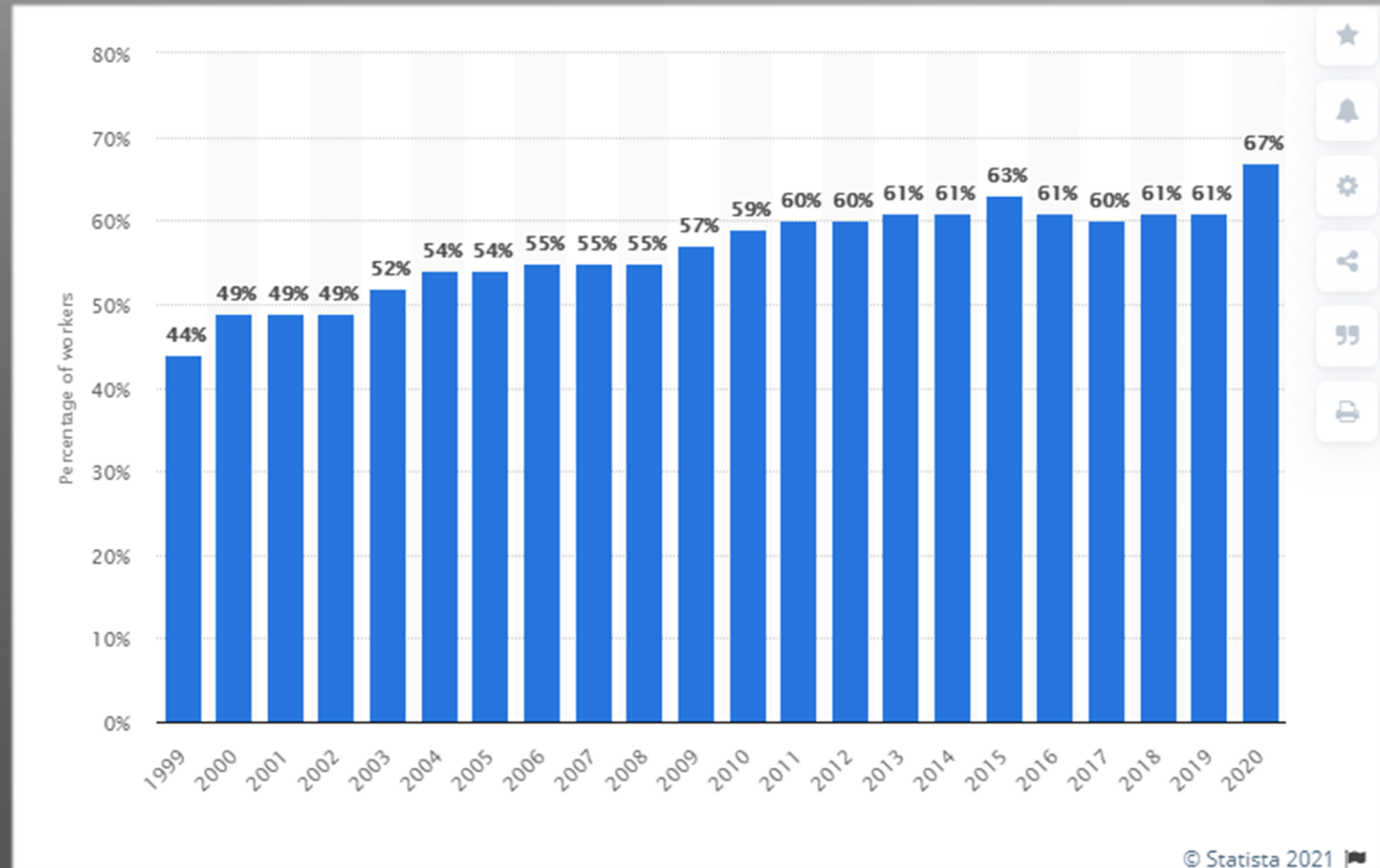


MYTHS

FACTS



# Percentage of U.S. workers covered by a self-funded health insurance plan





**HEALTHCARE FINANCE** FOR PAYERS

REIMBURSEMENT | REVENUE CYCLE MANAGEMENT | STRATEGIC PLANNING | CAPITAL FINANCE | SUPPLY CHAIN

OCT 29, 2019 | MORE ON OPERATIONS

## Self-insured employers are playing an increasing role in taking on the status quo to lower costs

The insurance industry will remain but the traditional PPO is beginning to come to an end as costs are outstripping inflation and wages, CEO says.

Susan Morse, *Managing Editor*

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Best Practices

## Self-insured employers have more leverage than they think

By Lawrence Thompson | February 19, 2020 at 10:13 AM

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# IT'S ALL ABOUT SELF-FUNDING

ELIMINATE THE EXCUSES

CHANGE THE STORY

IMPROVE THE QUALITY

# Today's Journey

- ✓ Webinar is being **RECORDED**
- ✓ Questions:
  - **Q&A section**
- ✓ Value Creation – CALL TO ACTION
  - Wait to the end... it will be **WORTH IT**
- ✓ **SAVE THE DATE**
  - 2/25 = Employer Facing Webinar
  - Co-Market - Lead Generation



# TRANSPARENT HEALTH BENEFITS



**19-year** employee benefits professional

**12 years** at large consulting house

**\$3.5M+** personal production

Chief Growth Officer for **\$350M+** practice

Self-funding and health management **expert**

Creator of THB and disruptor of the status quo



**LESTER J MORALES**

**Founder & CEO, Next Impact**

**Creator of Transparent Health Benefits**

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# OUR TOPIC BREAKDOWN

✓ IS SELF-FUNDING THE WAY TO GO?

✓ MYTHS AND TRUTHS

✓ THE PROOF

# OUR SPEAKERS



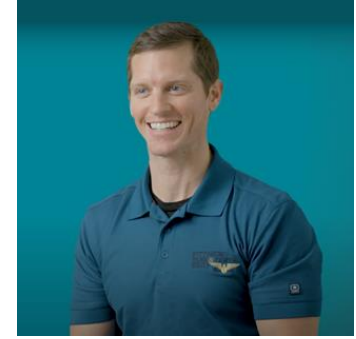
**Spencer Smith**  
Senior Vice President  
Plansight



**Steve Watson**  
CFO/CHRO  
TrendBreakers



**Trendbreakers**



**Dylan Phelps**  
Chief Wellness Officer  
PTTG



*"100 years and still climbing"*

IS SELF-FUNDING  
THE WAY TO GO?



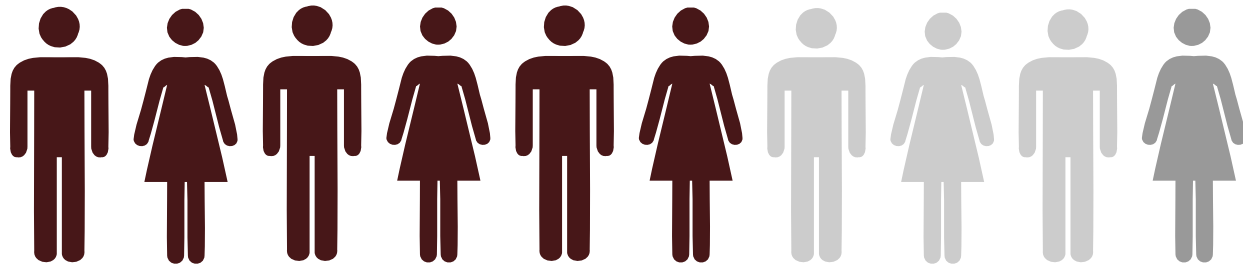
# Self-Funding & Stop Loss





# Healthcare Industry Survey

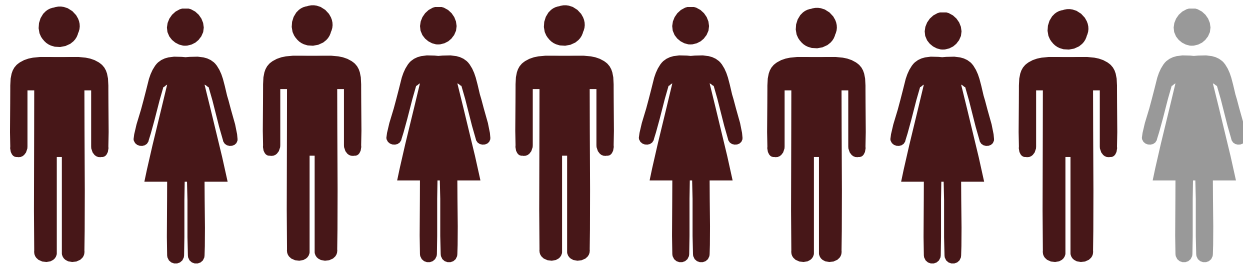
**Self-funding is very popular in the overall market and among companies with more than 1000 employees, but not so with smaller companies**



**61%**

Of all covered employees participate in self-funded plans

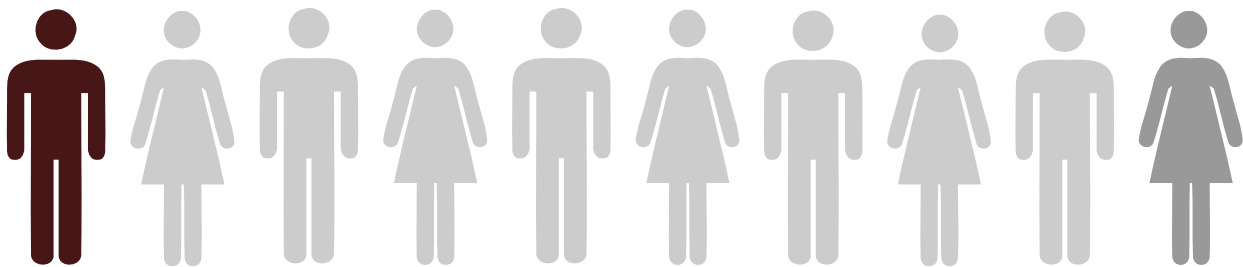
Percentage of all covered employees in a partially or completely self-funded plan regardless of company size



**89%**

Of covered employees at Large Employers participate in self-funded plans

Percentage of covered employees in a partially or completely self-funded plan who work for a company with 1000 or more employees



**13%**

Of covered employees at Small Employers participate in self-funded plans

Percentage of all covered employees in a partially or completely self-funded plan who work for a company with less than 200 employees

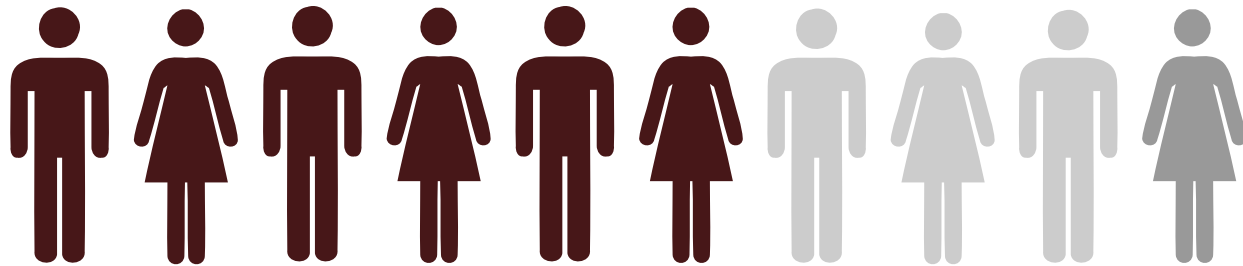
\*Based on the 2016 Employer Health Benefits Survey by the Kaiser Family Foundation: <http://www.kff.org>



# Healthcare Industry Survey

Self-funding has experienced a huge increase in popularity among large employers

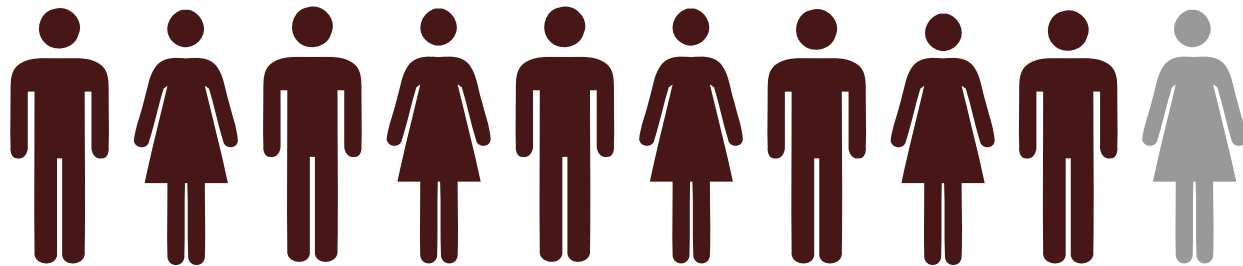
.....



62%

1999 Survey Results

Percentage of covered employees in a partially or completely self-funded plan who work for a company with 1000 or more employees



89%

2016 Survey Results

Percentage of covered employees in a partially or completely self-funded plan who work for a company with 1000 or more employees

\*Based on the 2016 Employer Health Benefits Survey by the Kiser Family Foundation: <http://www.kff.org>

# Healthcare Industry Survey

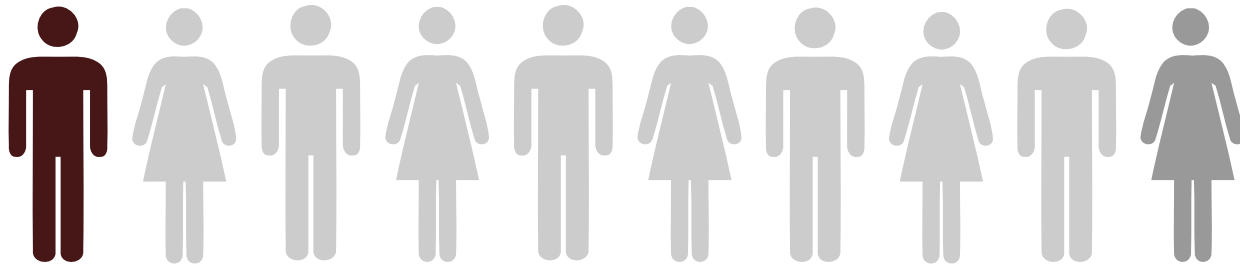
..... but the participation rate in self-funding remains unchanged for smaller companies.



**13%**

**1999 Survey Results**

Percentage of all covered employees in a partially or completely self-funded plan who work for a company with less than 200 employees



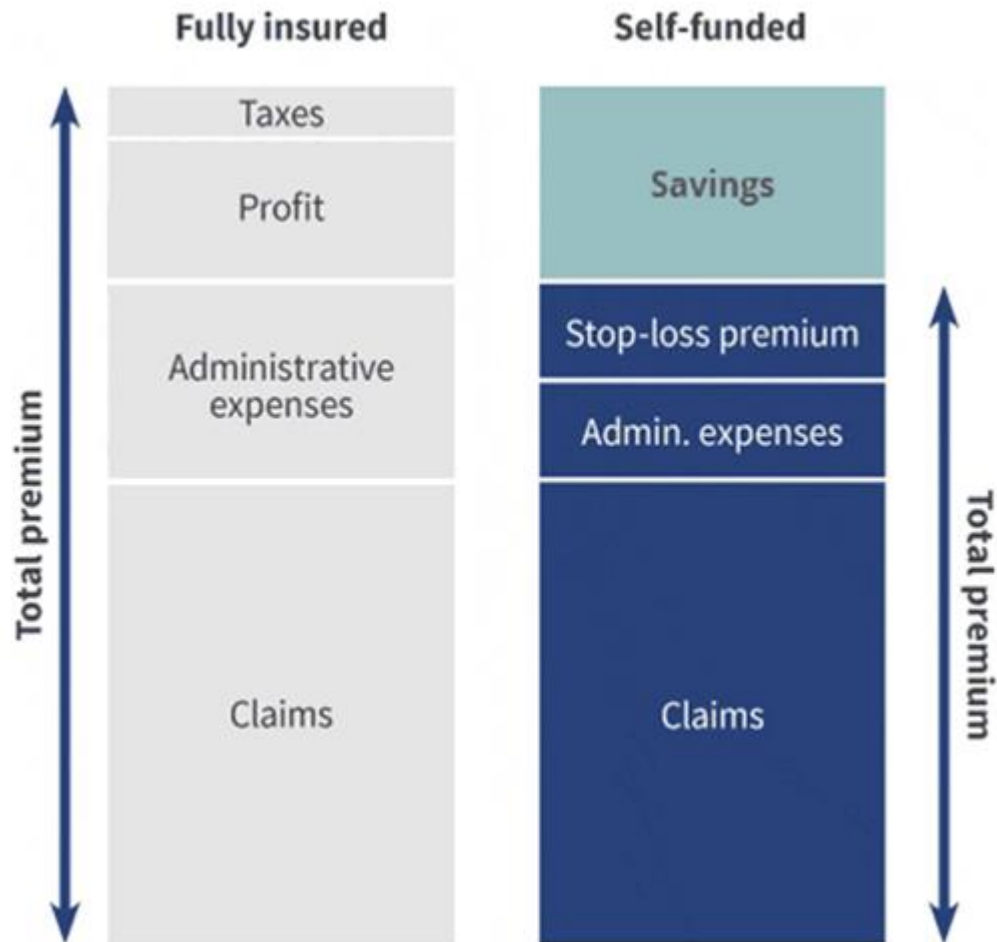
**13%**

**2016 Survey Results**

Percentage of all covered employees in a partially or completely self-funded plan who work for a company with less than 200 employees

\*Based on the 2016 Employer Health Benefits Survey by the Kiser Family Foundation: <http://www.kff.org>

# Employers are switching to self-funding because of the potential for large savings



Self-funding prevents insurance companies from passing on the full costs of increasing healthcare prices and creates large cost savings.

Employers of any size can use level-funded plans to build up cash reserves that act as a bridge to a fully self-funded plan.





# Additional Self-Funding Advantages

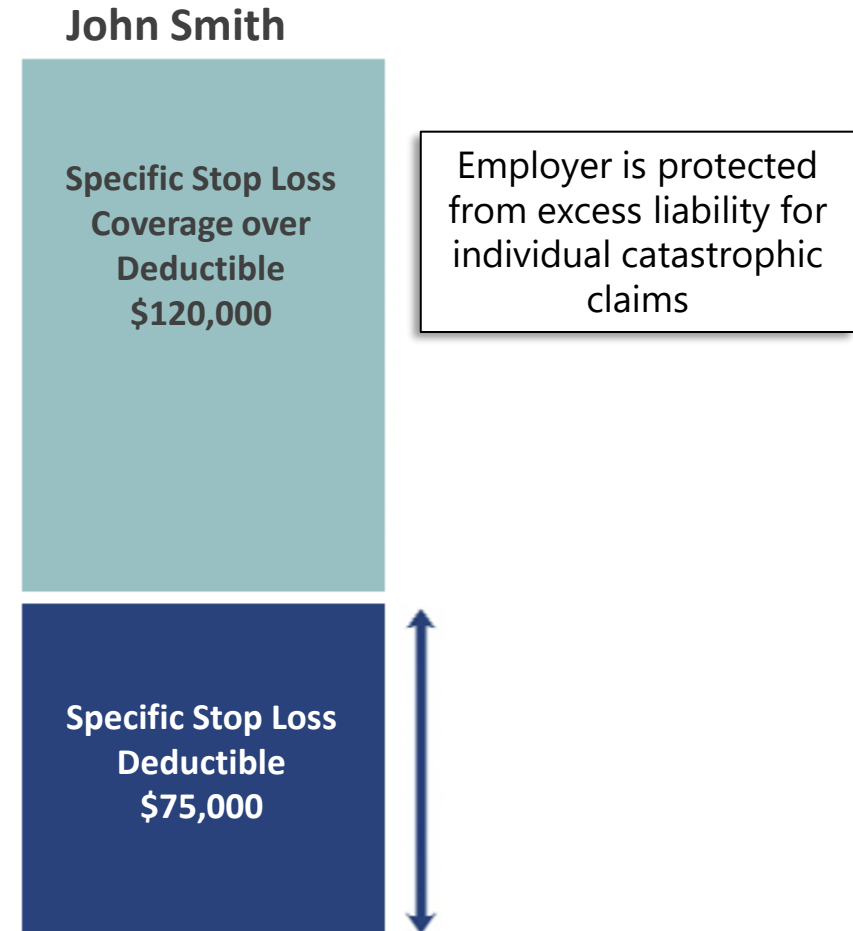
1. Control plan design and benefits offered
2. Lower administrative costs
3. Choice of networks and vendors
4. Ability to build claim reserves
5. Collection of health plan data
6. Control Cash Flow – Fund claims as you go
7. Reduced premium tax



# Specific Stop Loss Insurance (Individual)

Specific stop loss coverage provides protection from catastrophic losses on each individual insured under the plan. Employer is responsible for all claims on every member until the deductible is met.

Example: An employer group with 250 employees selects a \$75,000 specific deductible. Employee John Smith has a heart attack and the total claims incurred during his hospital stay totaled \$195,000. The employer is responsible for the first \$75,000 in medical claims incurred by John Smith. The stop loss carrier then reimburses the employer for the \$120,000 that exceeded the specific deductible.



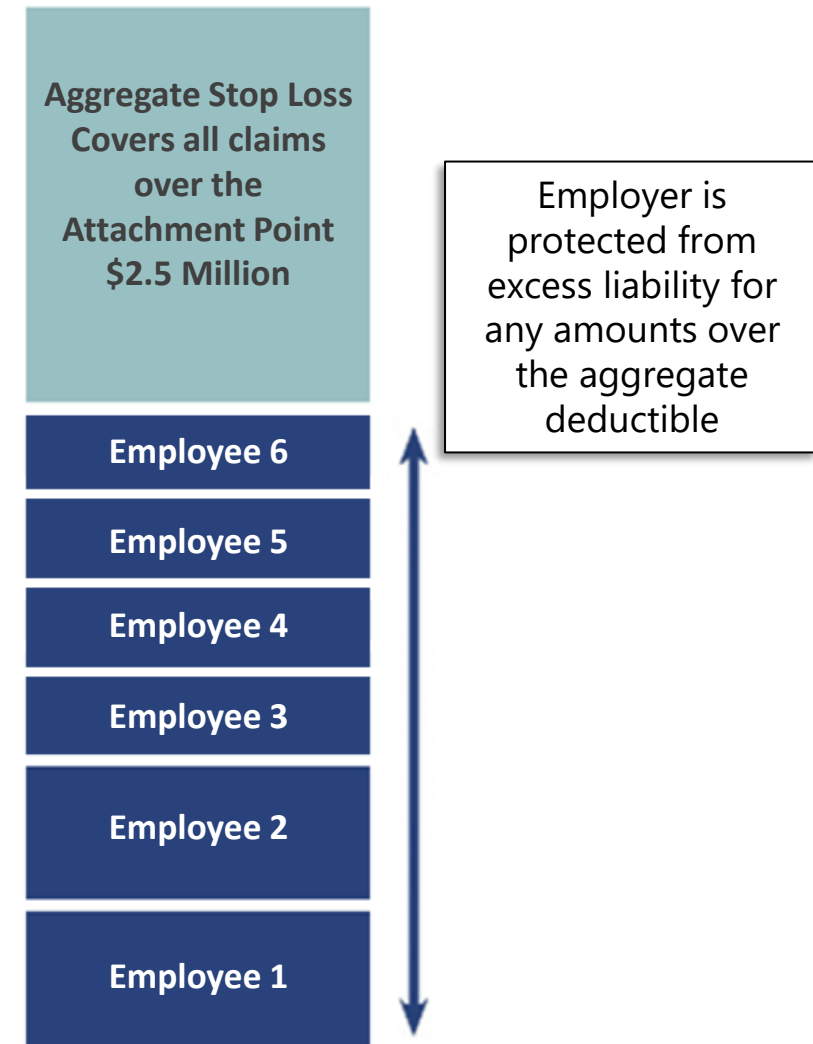
# Aggregate Stop Loss Insurance (Group)

Aggregate Stop Loss Insurance provides a second layer of protection for self funded health plans intended to limit the plan's maximum financial exposure. The aggregate "deductible" is determined by the insurance company and is regularly set at 125% of the expected claims for the group.

Example: A stop loss carrier evaluates a 250 EE company's data and develops an expected claims attachment point of \$2M. They then adjust it by 25% to arrive at a maximum claims attachment point of \$2.5M.

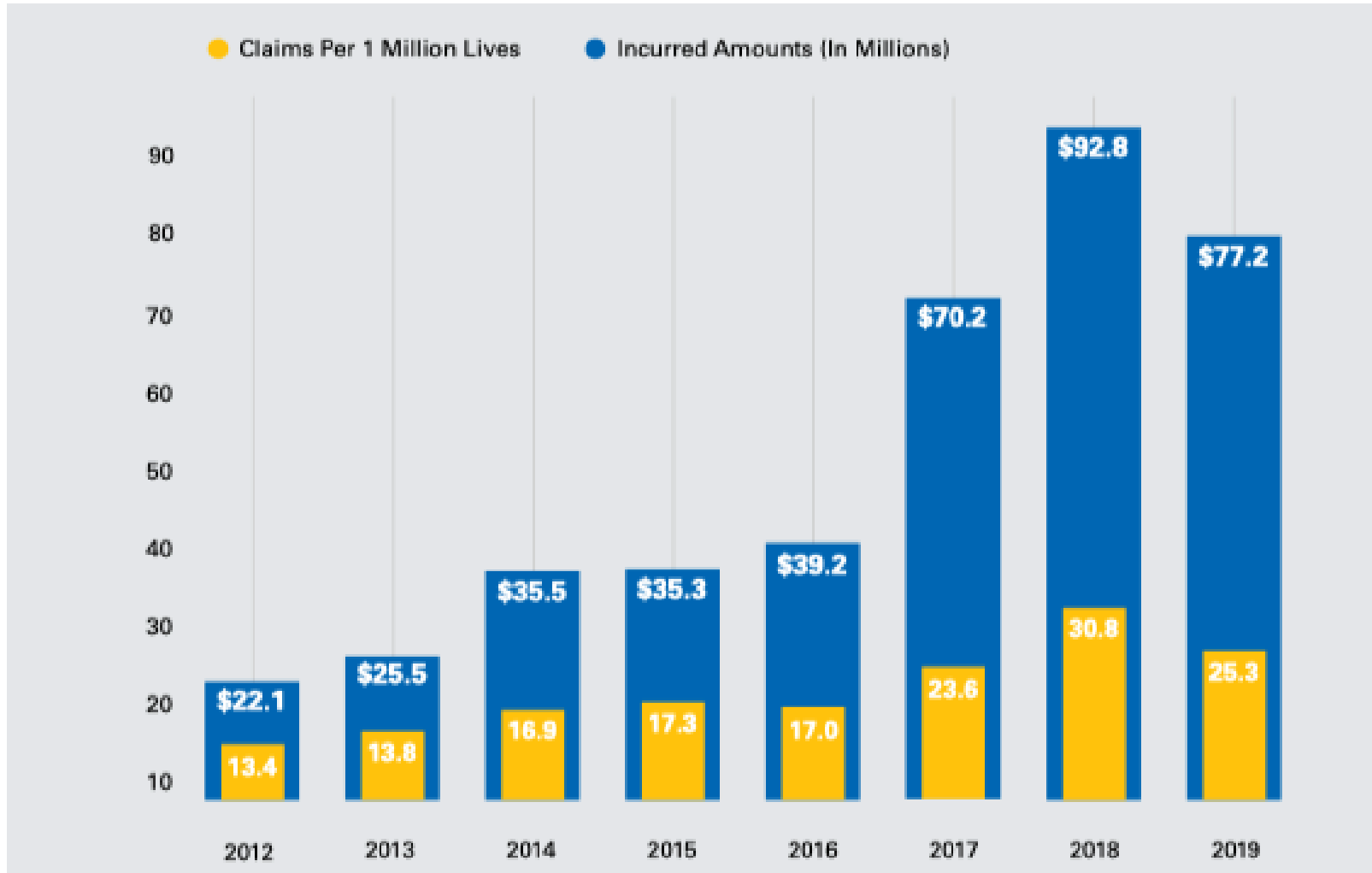
Items to consider:

- Aggregate coverage can be difficult to secure due to a lack of claims data.
- Aggregate coverage is not always purchased since medical claim costs rarely exceed 125% of expected claims.



# MILLION DOLLAR CLAIMS

In Excess Of \$1,000,000 YTD Jan - Dec Over Specific Deductible



Beginning in 2014, provisions within the Affordable Care Act (ACA) required insurers to assume unlimited claim liability. As a result of the ACA, there was a significant increase in both frequency (number of claims) and severity (amount of individual claims) that exceeded \$1 million.




# MYTHS AND TRUTHS




Trendbreakers

# TOP MYTHS



My broker is presenting me with all of the options.



Self-funding is only for large employers (500+ employees).




Self-funding is harder to administer as an HR professional.



It's too complicated for my employees to understand.


# TOP MYTHS




There are only two options: Fully-Insured and Self-Funding.



I have to change carriers and plan designs if I move to self-funding.




Self-funding doesn't work if I have large claims.




I'm going to go bankrupt if I have a large claim.


# TOP QUESTIONS EMPLOYERS SHOULD ASK




Please show me a comparison of the total claims vs the total premium paid over the last 3 years. Where did all the money go that wasn't spent on claims?



Do you even know how much your broker is making and how they make their money?



If you broke out the broker's book of business how much of it is fully-insured vs self-funded?




Show me a company similar to mine that you've implemented what you're showing me. What is their contact info so I can call them? Has to be an actual client of the broker.


# TOP QUESTIONS EMPLOYERS SHOULD ASK



How do you price your services for your clients and why?



I had a million dollar plus ongoing claim for a drug called Strensiq. What would be your solution?



What do you think of aggregate specific stop-loss?



What broker groups are you a part of and why?



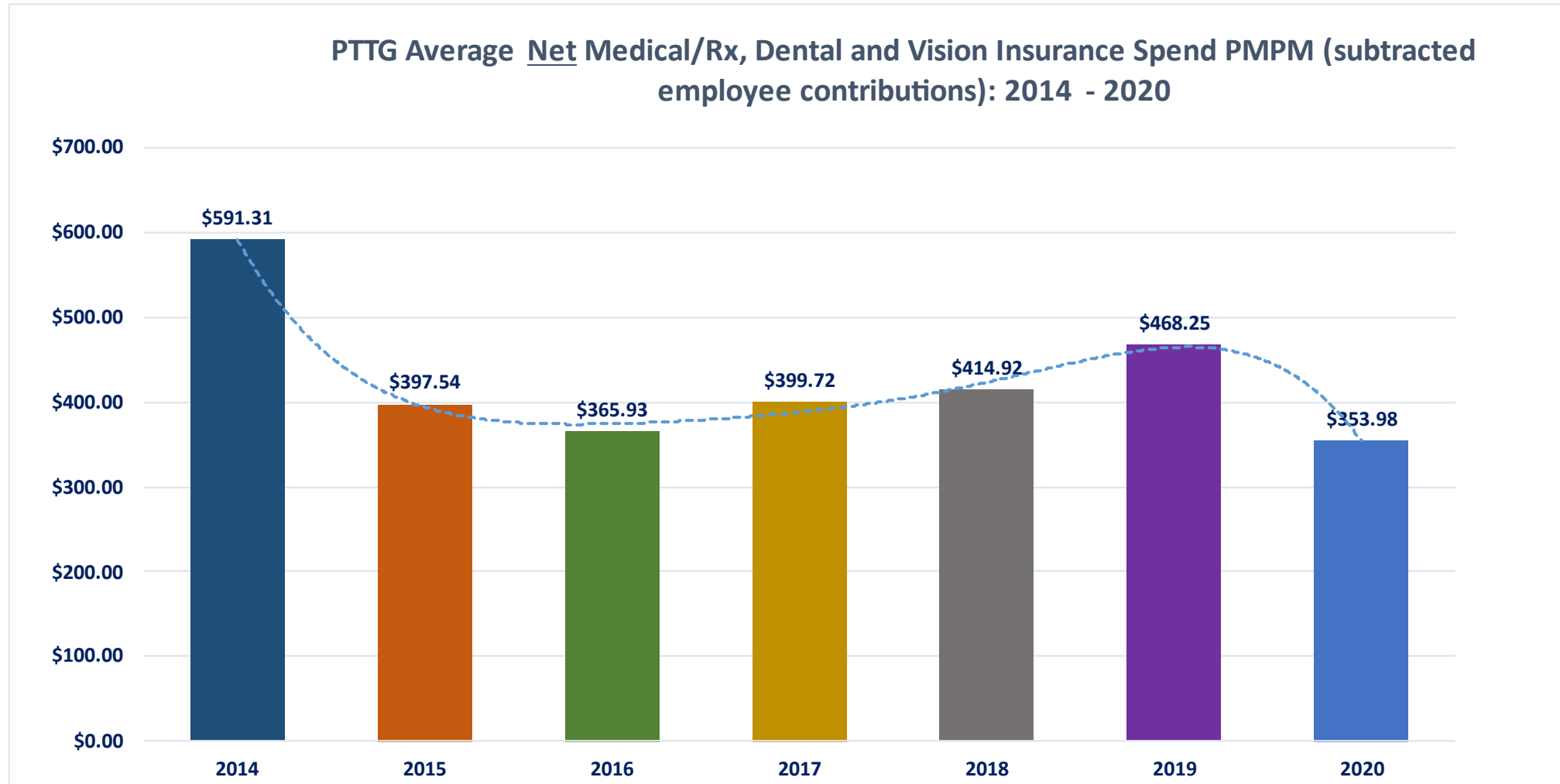
# THE PROOF

**PITTSBURGH  
TANK & TOWER  
GROUP**   
Since 1919

*"100 years and still climbing"*

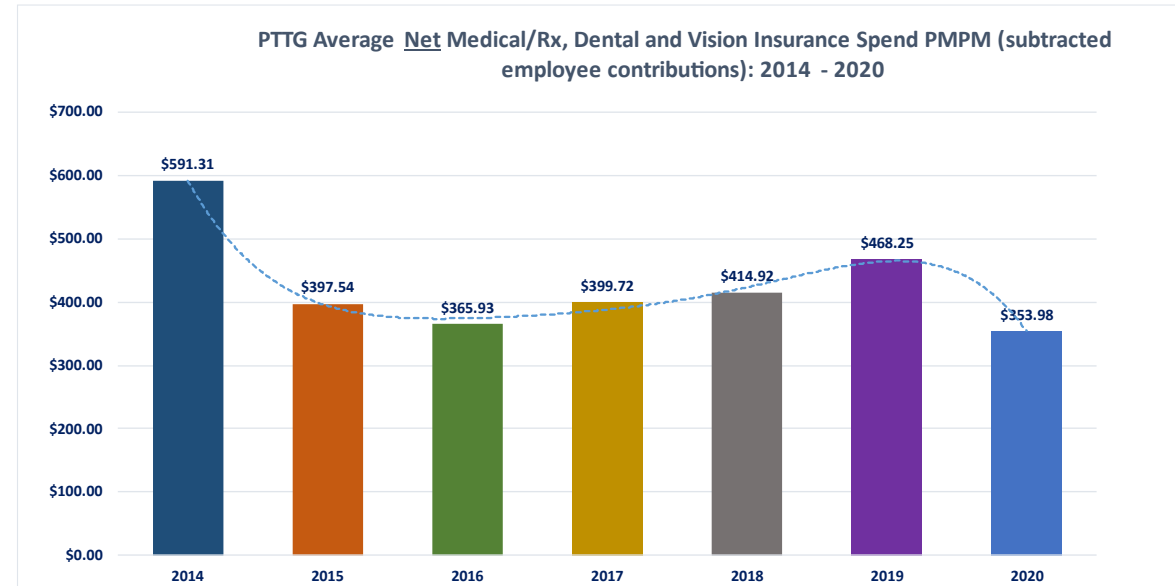


# SAVINGS AND STRATEGIES TAKEN

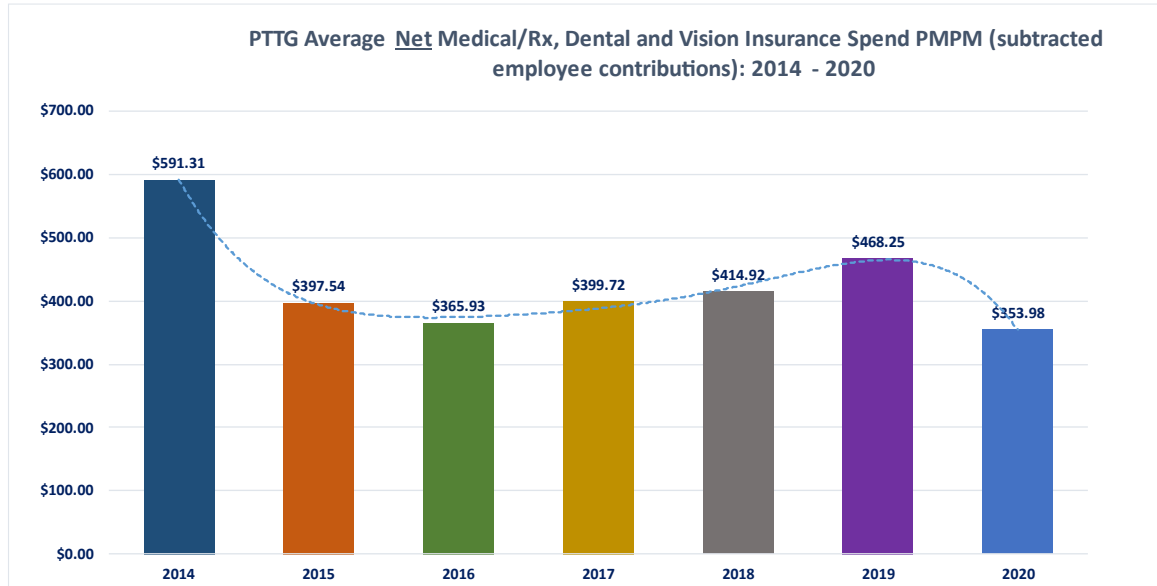


# SAVINGS AND STRATEGIES TAKEN

- ✓ **1/1/2015 - Switched from fully insured plan to self-funded plan.**
- ✓ **Administration and network remained the same (Anthem)**
- ✓ **2015 to 2018 - Pharmacy cost trend demonstrated 20%+ average cost increase year-over-year.**
- ✓ **1/1/2019 - Self-funded status allowed us to carve out PBM.**
  - ✓ **Used Cigna as the PBM for the year.**
- ✓ **1/1/2021- Moved to more Transparency**

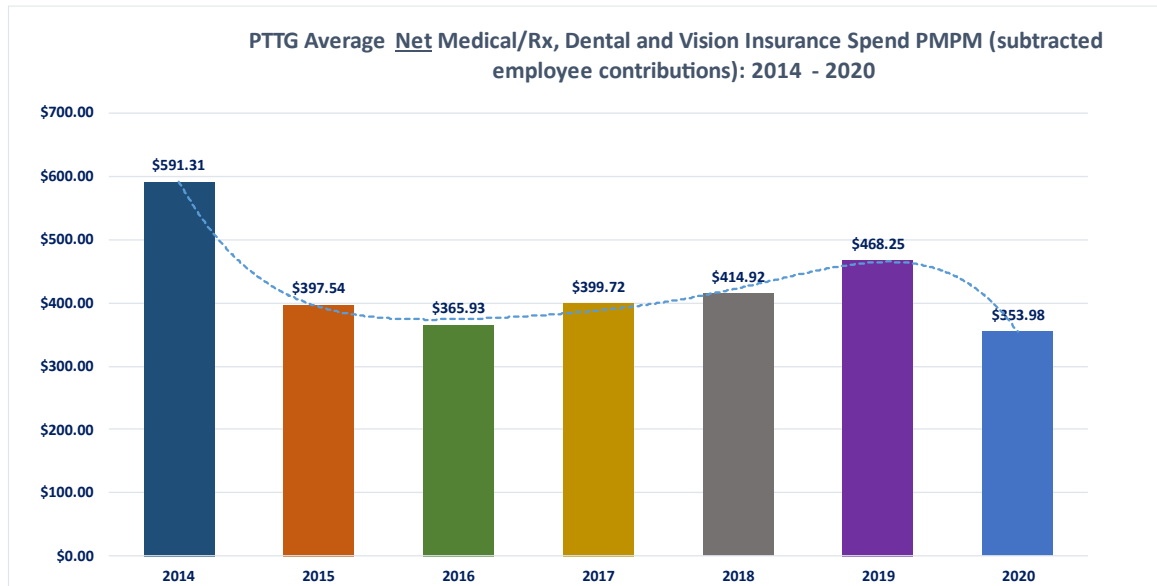


# SAVINGS AND STRATEGIES TAKEN



- ✓ Pharmacy costs stabilized according to the five-year trend.
- ✓ \$940,000 actual spend whereas trend-based projections demonstrated a \$1.16M spend.
- ✓ 1/1/2020 - Switched to EHIM PBM
- ✓ 2020 actual pharmacy spend: \$380,691
- ✓ \$559,309 or 60% decrease in costs from the prior year.

# SAVINGS AND STRATEGIES TAKEN



- ✓ 2020 actual self-funded PMPM employer cost: \$353.98
- ✓ Lowest seen since going self-funded, despite inflation factors over a six-year period.



# QUESTIONS?

MY MOM SAYS THE ONLY STUPID QUESTION  
IS THE ONE NEVER ASKED



# CALL TO ACTION

Action is the key to all success.

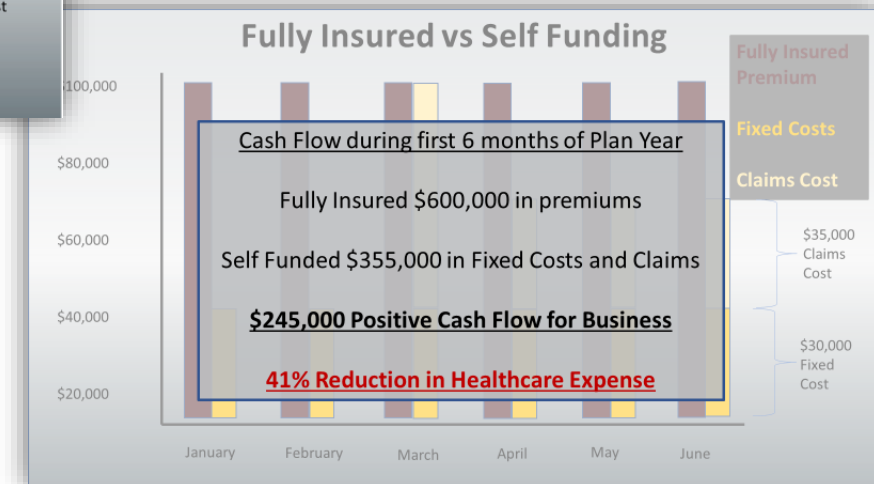
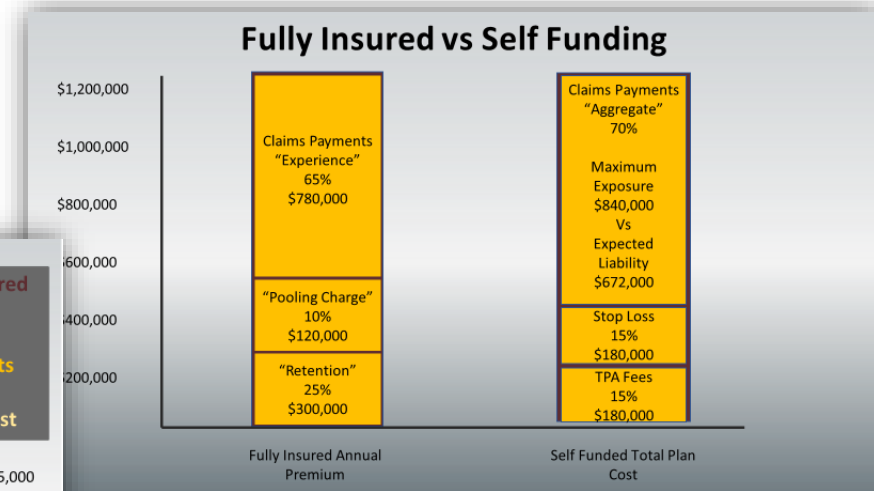
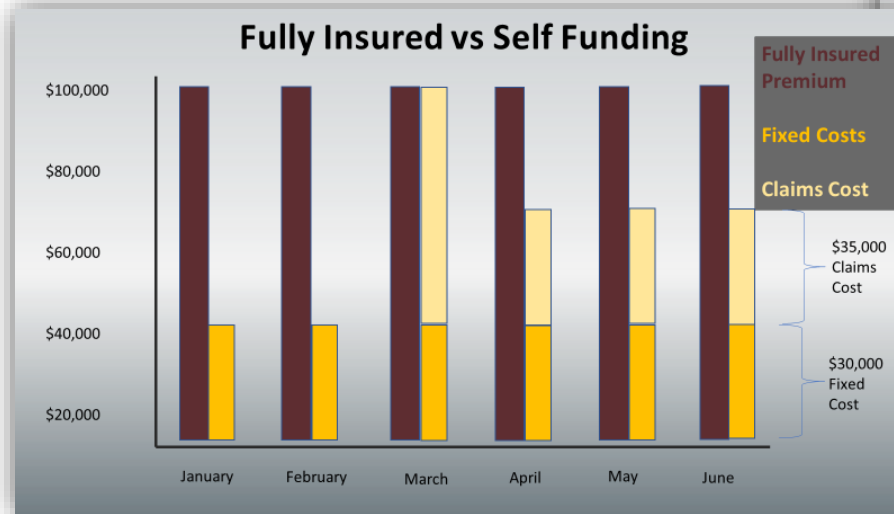


# TRANSPARENT HEALTH BENEFITS - CALL TO ACTION

**EXCLUSIVE  
FOR YOU**

**Create Value,  
Add Clients**

**FI → SI Analysis**



# TRANSPARENT HEALTH BENEFITS - CALL TO ACTION

**EXCLUSIVE  
FOR YOU**

**Create Value,  
Add Clients**

**ACTUAL RESULTS**

## PLAN PRICING SUMMARY

CATEGORY	CURRENT (Fully Insured)	RENEWAL (Fully Insured)	Cigna ASO (Self-Funded)	Independent TPA Cigna PPO Transparent PBM
THIRD-PARTY ADMINISTRATION	n/a	n/a	<b>\$239,857.92 total</b> \$141.76 pepm	<b>\$171,721.08 total</b> \$101.49 pepm
SPECIFIC STOP-LOSS	n/a	n/a	\$100,000 ded. \$190.11 pepm <b>\$322,596.72 ann.</b>	\$75,000 ded. \$242.72 pepm <b>\$410,689.32 ann.</b>
AGGREGATE STOP-LOSS	n/a	n/a	Att. Pnt. \$2,245,284 \$14.60 pepm <b>\$24,703.20ann.</b>	Att. Pnt. \$1,575,947 \$10.87 pepm <b>\$18,392.04</b>
EXPECTED COST	n/a	n/a	\$2,383,385	\$2,176,749
MAXIMUM COST	\$2,634,156	\$2,686,797	\$2,832,442	\$2,570,736
POTENTIAL CHANGE (exp/max) \$\$\$	Current	2% ↑ \$52,641	7% ↓ \$250,771 10% ↑ \$198,286	17% ↓ \$457,407 2% ↓ \$63,420

A person in a dark suit is holding a glowing lightbulb. The lightbulb is the central focus, emitting a warm, yellow light. The person's hands are visible, holding the base of the bulb. The background is dark and out of focus, showing the texture of the suit.

# PARTING SHOTS

If you only do 1 thing...

# IS SELF-FUNDING THE WAY TO GO?



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# MYTHS AND TRUTHS



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# THE PROOF



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dphelps@pttg.com





# TRANSPARENT HEALTH BENEFITS

**All About Self-Funding**

**LIVE** EMPLOYEE HEALTH BENEFITS WEBCAST

Dylan Phelps, Spencer Smith, Steve Watson

FEATURED PANELISTS

THURSDAY, FEBRUARY 25  
2:00 PM ET

**Next Impact** **thb**



**LESTER J MORALES**

**Founder & CEO, Next Impact**

**Creator of Transparent Health Benefits**

lester.morales@nextimpactllc.com

(813) 784-1519

# Thank You



Trendbreakers



*"100 years and still climbing"*

CHANGE STARTS WITH YOU

