

become what's next 



SELF-FUNDED INSURANCE PLANS

Today's Objectives

01 → Learn the components of self-funded insurance programs.

02 → Compare and contrast self-funded and fully insured plans.

03 → Consider the pros/cons of self-funded plans.

04 → Learn about Elmbrook's success with self-funded insurance.

Health Insurance One of Most Rapidly Rising Costs

\$1 Trillion



According to the Kaiser Family Foundation (KFF), healthcare spending rose nearly a trillion dollars between 2009 and 2019 when adjusted for inflation.

55% in 11 yrs



In 2019, healthcare spending hit almost \$3.8B - or \$11,582 per person.

By 2028, these costs are expected to reach \$6.2T - or almost \$18,000 per person.

Self-Funding Plan Components



Plan Sponsor



Network Access



**Third Party
Administrator (TPA)**



**Stop-Loss
Insurance**



**Pharmacy Benefit
Manager (PBM)**

Self-Funding Plan Components

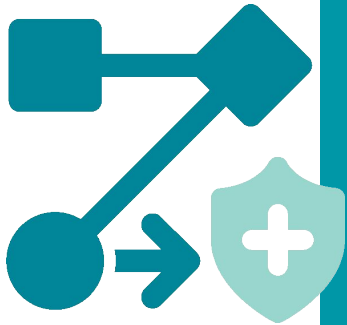


Plan Sponsor

The employer is commonly referred to as the plan sponsor. In this model, the company's self-funded plan pays claims with the plan sponsor's own assets.

The plan is usually funded by both the employer and employees through premium contributions.

Self-Funding Plan Components



Network Access

Most self-funded plans operate within a network framework that defines the providers covered under the plan.

Networks determine how much is paid to those providers based on their agreed upon reimbursement rate.

Self-Funding Plan Components



Third Party Administrator (TPA)

The Plan Administrator is a third party hired to execute and abide by the terms outlined in the plan document. They oversee claims processing, manage provider contracts, handle regulatory compliance and ensure accurate reporting.

Self-Funding Plan Components



Stop-Loss Insurance

To mitigate the financial risk from a self-funded plan, employers can implement stop-loss insurance to protect against catastrophic claims. Claims exceeding a certain threshold are reimbursed.

Self-Funding Plan Components



Stop-Loss Insurance - Specific and Aggregate Policies

Specific Policy - places a cap on the \$ amount of claims per individual after which the stop-loss insurer will pay all claims on that individual

Aggregate Policy - places a cap on the employer's liability for accumulated paid claims which fall below the Specific Policy deductible.

Self-Funding Plan Components



Pharmacy Benefit Manager (PBM)

A PBM is a company that manages prescription drug benefits for health insurance companies, self-funded plan sponsors and Medicare.

They act as intermediaries between pharmacies, drug manufacturers, and health insurance plans.

Comparing Fully Insured and Self-Funded Plans

FULLY INSURED

VS.

SELF FUNDED

The insurance company assumes the risk.

ASSUMPTION OF RISK

The employer assumes the risk.

Employers are more limited by insurer's plan design options.

PLAN DESIGN

Employers can tailor health benefits to specific workforce needs.

Fixed premiums include the insurer's overhead and profit margin.

COST IMPLICATIONS

The employer pays actual claims.

Predictable expenses for the employer.

FINANCIAL EXPOSURE

High cost claims lead to financial exposure - mitigated by stop-loss insurance.

Self-Funding Advantages

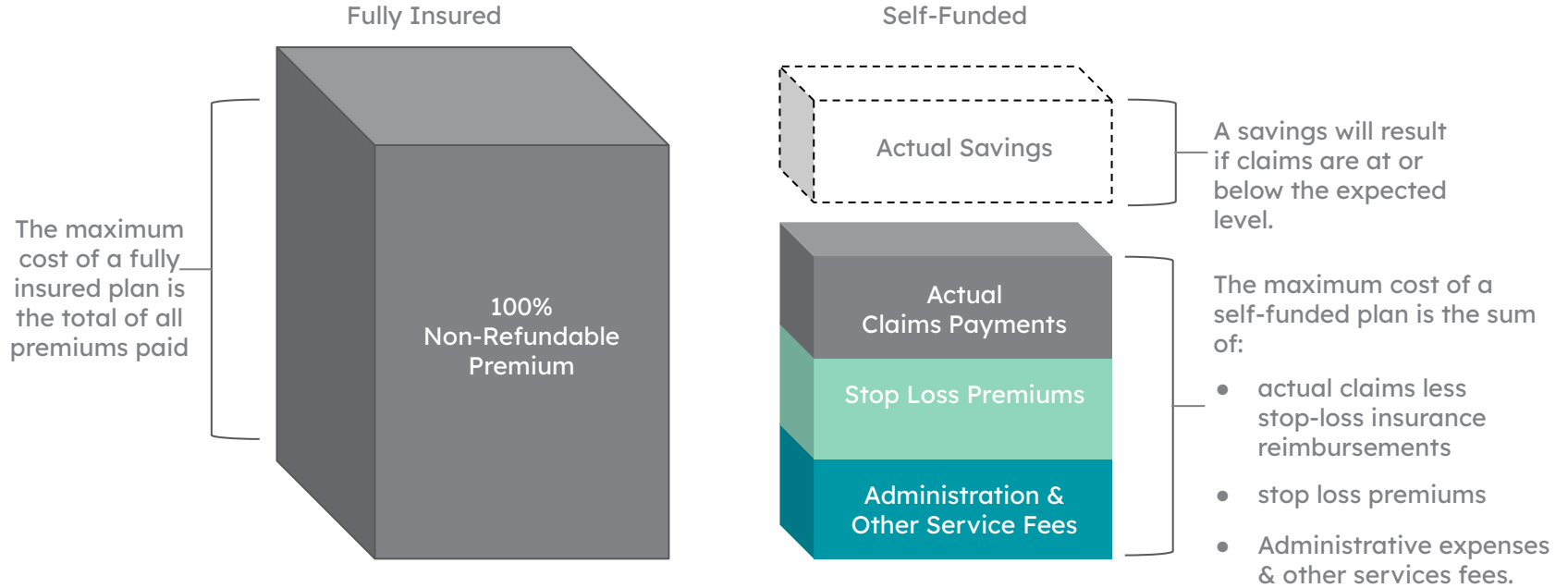
Cost Savings

Premiums do not include margins for a fully insured company's overhead and profit. The cost to pay the TPA is much less than these margins.

If medical costs are less than the insurance premiums that an employer would have paid with a fully insured plan, expenses will be lower.



Savings Potential



Self-Funding Advantages

Flexibility and Customization

Plan designs can be adjusted

- benefit offerings
- structuring copays, deductibles and other plan features

Freedom to tailor the benefits package to suit the unique needs of employees

Self-Funding Advantages

Improved Cash Flow

Employers retain more cash in the business until it is needed to play claims, improving overall cash flow management

Self-Funding Advantages

Transparency

Transparent access to claims data
Provides opportunity to analyze patterns and
plan utilization to enact cost containment
strategies

Self-Funding Advantages

Access to Plan Data

Employers have direct access to plan data, including claims information, demographics, and utilization patterns.

Self-Funding Disadvantages

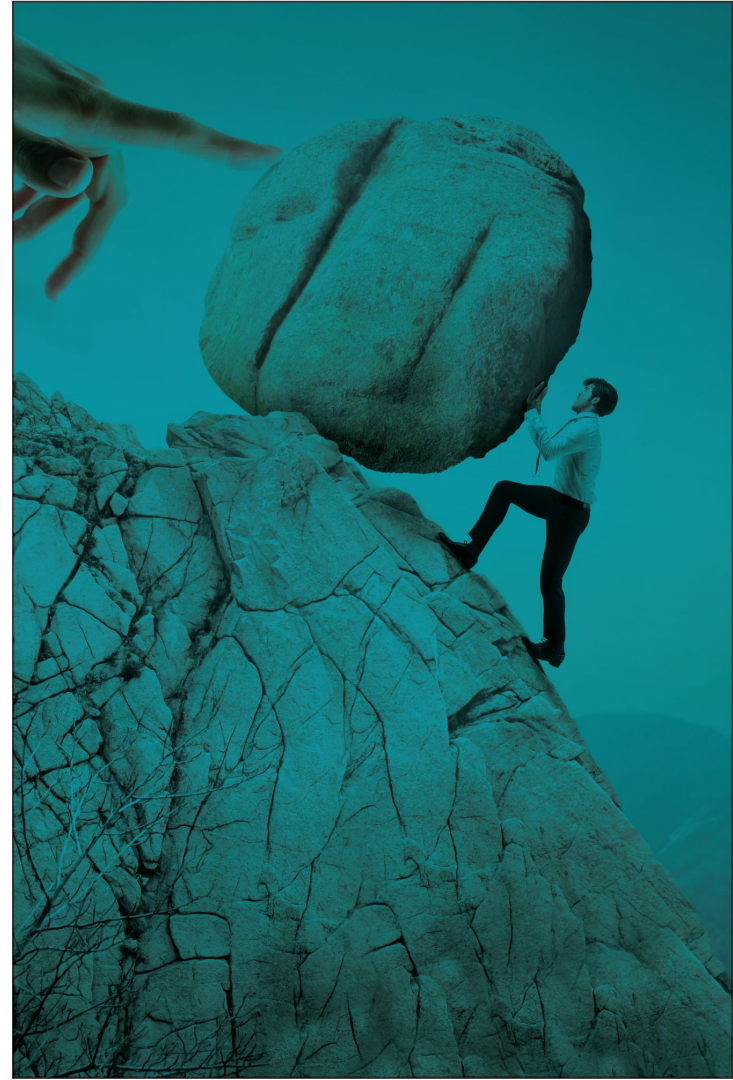
Administrative Burden

Self-funded health insurance requires more administrative involvement.

This may include:

- overseeing claims processing
- managing provider contracts
- handling regulatory compliance
- ensuring accuracy of reporting

TPAs can be hired to perform these administrative tasks.

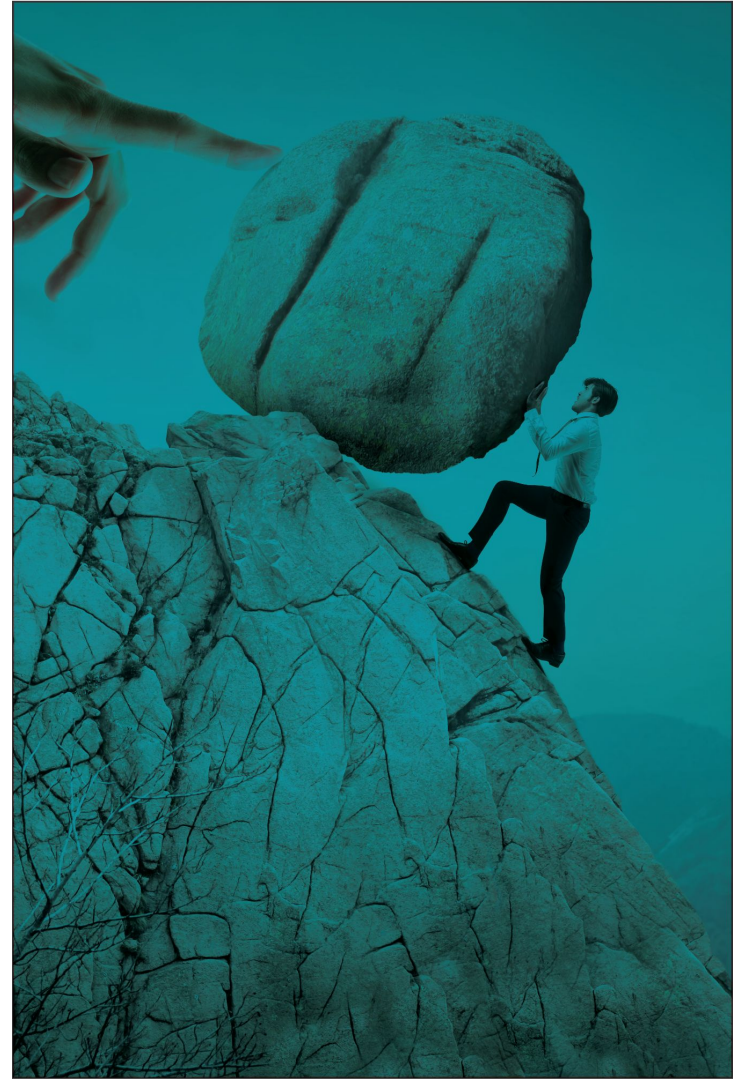


Self-Funding Disadvantages

Financial Risk

Unexpected high-cost claims can impact cash flow and strain resources.

It is important to have sufficient reserves and risk mitigation strategies such as stop-loss insurance to manage potential financial risks.

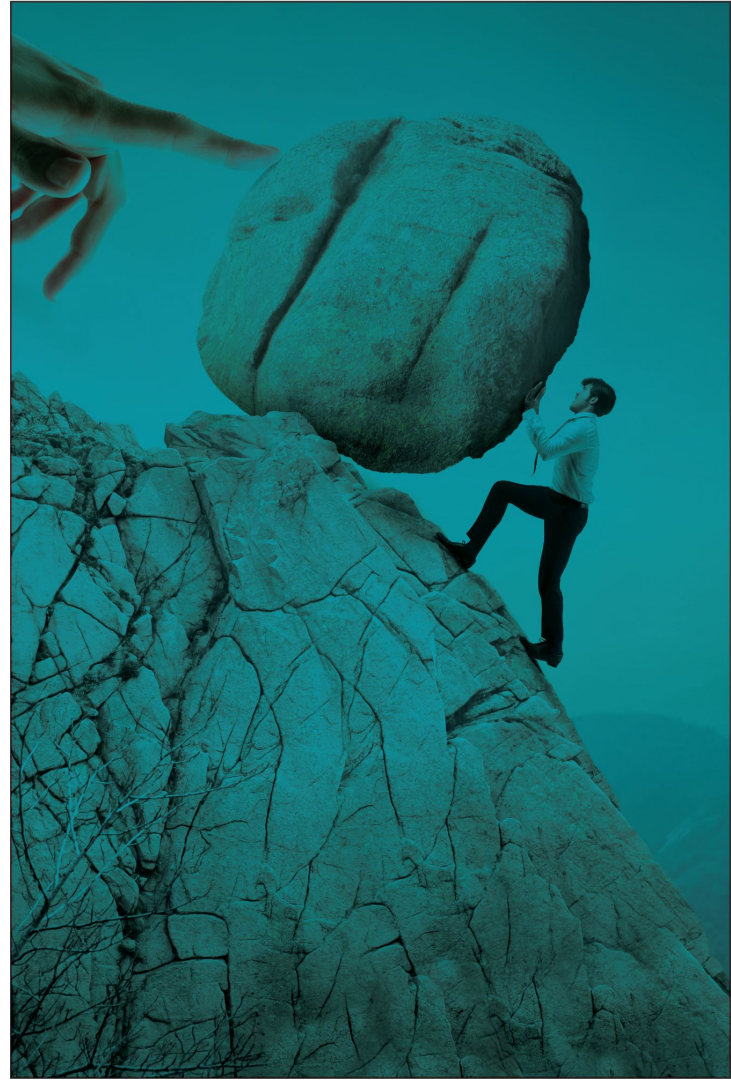


Self-Funding Disadvantages

Cost Uncertainty and Budgeting

Self-funded plans do not have pre-established costs.

Uncertainty can be stressful and makes planning and budgeting difficult.



How Does Elmbrook Leverage Self-funding for Savings?



- Define the vision - Happiest, Healthiest Workforce;
 - Health Management in the hands of our employees.
 - Staff Engagement Strategies
-
- Drive Consumerism - you shop for the least expensive gas, don't you?
 - Incentivized high value care
 - Cost Center Strategies - pharmacy, musculoskeletal, imaging
 - Broker Incentive
 - Near-site family wellness clinic



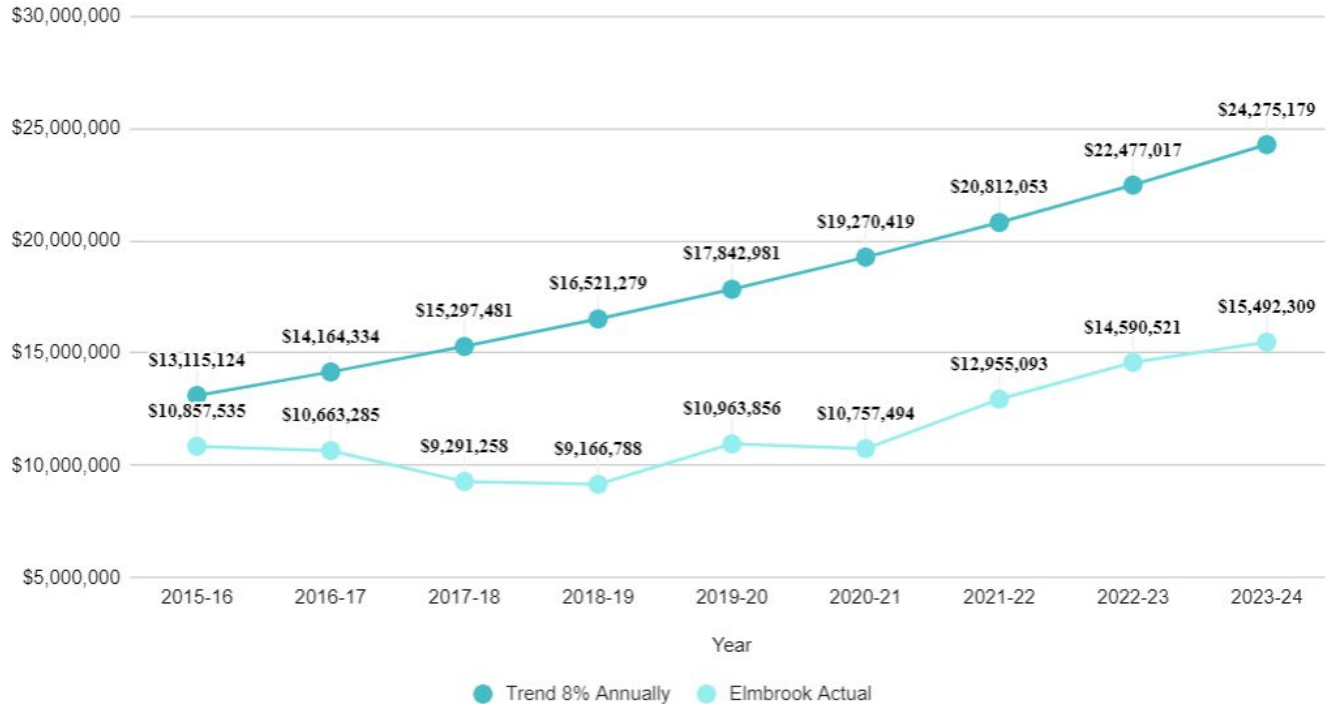
ELMBROOK SCHOOLS
FAMILY WELLNESS CENTER

Elmbrook Family Wellness Center

- The clinic provides comprehensive management of chronic conditions and general care for employees, spouses, dependents and retirees covered by the Elmbrook Health Plan.
- \$20 per treatment/visit
- \$0 preventive exam, labs, immunizations
- Flu shot clinic:
- The Clinic Will Provide:
 - **Acute care** - treating illnesses, minor injuries, and skin conditions
 - **Preventive care** - administering vaccines, health education and wellness services
 - **Disease management** - developing treatment plans and follow-up for chronic conditions
 - **Pediatric Care** - full pediatric care

Elmbrook's Self-Funding Journey

Trend 8% Annually and Elmbrook Actual

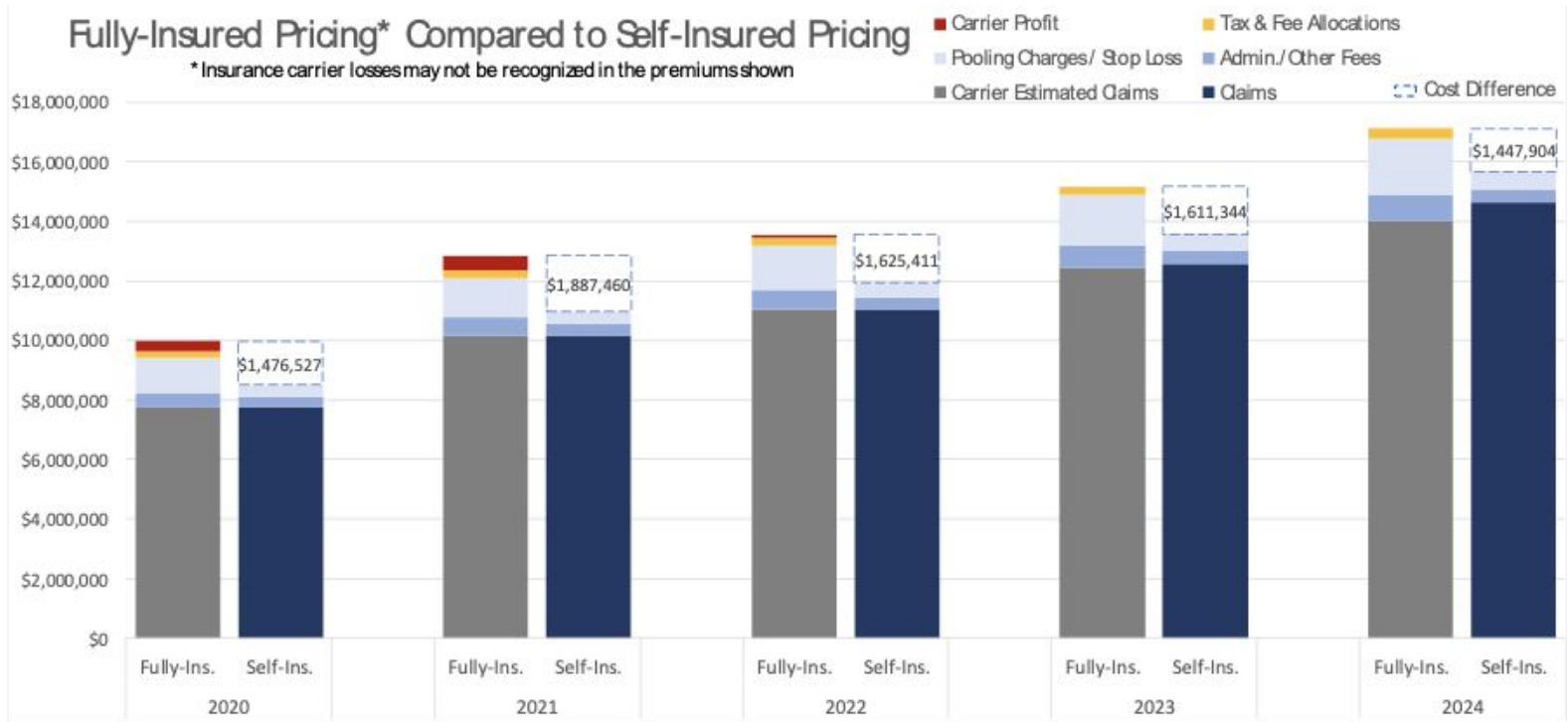


Results



- **No increase** in Premium Equivalents in 6 of the last 8 years
- **No increase** in Deductible in 8 years
- **No change** in Coinsurance in 8 years
- **No increase** in Out-of-Pocket Maximum in 8 years
- **No change** in District Health Savings Account contribution
- \$1,000 Single, \$2,000 Family
- **No change** in Wellness Premium Incentive Amount

Pricing Advantages of Self-insurance



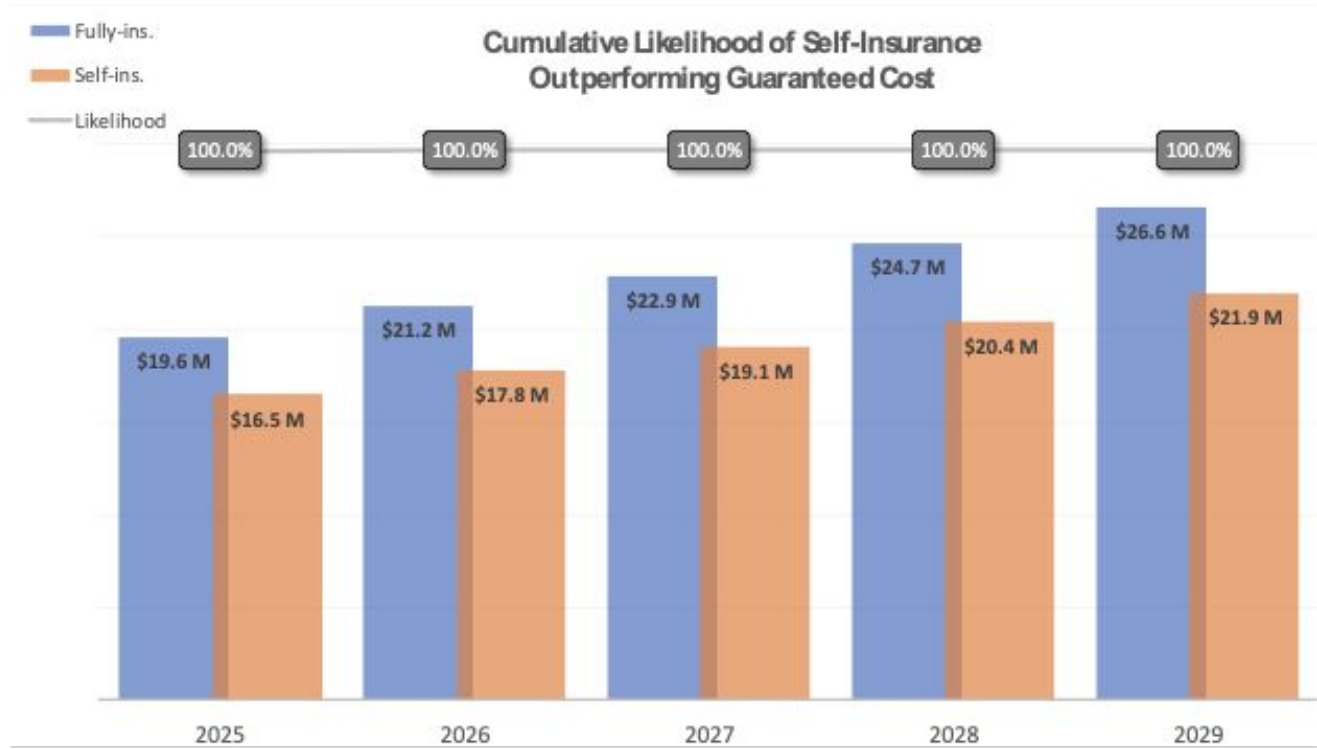
If Elmbrook were fully-insured today, we'd be paying \$1,447,904, or 9.2% more than we're currently paying as a self-insured group, on an annual basis. When adding up the last five years, total estimated savings amounted to \$8,048,645.

Future Savings Opportunity

Year	Claims Outcome	Renewal Outcome
2025	Expected	14.4%
2026	Expected	8.4%
2027	Expected	7.7%
2028	Expected	7.8%
2029	Expected	7.7%

- Based on Elmbrook's group size and claims experience, we have a 100.0% likelihood of self-insured costs outperforming fully-insured costs over a five-year period.

- Expected future five-year savings for self-insuring: \$19,233,000



Conclusion

01

Self-funding represents a strategic opportunity to tailor healthcare offerings to your unique needs and priorities

02

Employees may have improved member experiences

03

Careful planning, diligent execution, and ongoing optimization can pave the way for enhanced financial stability

04

Long-term success in managing your district's healthcare costs is within reach!

Non-Essential, Orphan, Designer Pills

NON-ESSENTIAL DRUG	PRICE	ALTERNATIVE	PRICE
Duexis®	\$2,611	ibuprofen & famotidine	\$12
Vimovo®	\$2,952	naproxen & esomeprazole	\$54



Pepcid and Advil



Federal Trade Commission sues largest drug middlemen for allegedly inflating insulin prices

FTC Sues Prescription Drug Middlemen for Artificially Inflating Insulin Drug Prices

MONEYWATCH

Drug middlemen illegally drive up the cost of insulin, FTC says

MONEY
WATCH

By **Alain Sherter**, Megan Cerullo

Edited By **Alain Sherter**

Updated on: September 20, 2024 / 5:04 PM EDT / CBS News



HEALTH CARE

Feds sue pharmacy gatekeepers over high insulin costs

Headlines



become what's next 

QUESTIONS?

