

# Self-funded Health Insurance Isn't Something To Be Afraid Of....

Proper Planning Can Result In Sustainable, Quality Benefits

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## Learning Objectives

- Share Philosophy on Self-funding
- Terminology of Self-funding
- Being Fully Insured vs Self-funded
- Why Self-Fund
- Levers for Savings

**we know.**

## Administrative Standards

- Collaborate in the development, implementation, and evaluation of practices to foster positive working relationships and staff wellness
- Manage fringe benefit programs.

## Key Terms For Reference



- **TPA (Third Party Administrator)**-Insurance company that manages the plan on your behalf. Contracts with providers, adjudicates claims, creates plan documents....
- **Stop loss**-insurance protection for any claims over the specific deductible. Also called reinsurance.
- **Specific deductible**- dollar amount the District is responsible for, for every person on the plan
- **Aggregate deductible** or cap on claims. Maximum liability. Also called the attachment point
- **Aggregating Specific**- additional combined, specific deductible responsibility
- **PBM (Pharmacy Benefit Manager)**-Manages the pharmacy portion of the health plan
- These are your **Fixed costs**-known, set costs i.e. administrator fee, stop loss premium

## Key Terms



- **Laser-** A higher specific deductible for individual(s) set by the stop loss vendor due to concerns with medical/Rx liability
- **Contract types-**time period in which the claims are incurred and paid i.e. 12/12, 15/12, 12/15, 24/12
- **Claims-** medical and Rx costs the District will be responsible to pay via the TPA
- **Variable costs-**claims

## The Process

1. Work with an experienced consultant
2. Evaluate risk tolerance and cash flow
3. Collect data
4. Get proposals and select claims administrator
5. Get proposals and select stop-loss insurance
6. Select pharmacy benefit manager (PBM) *if applicable*

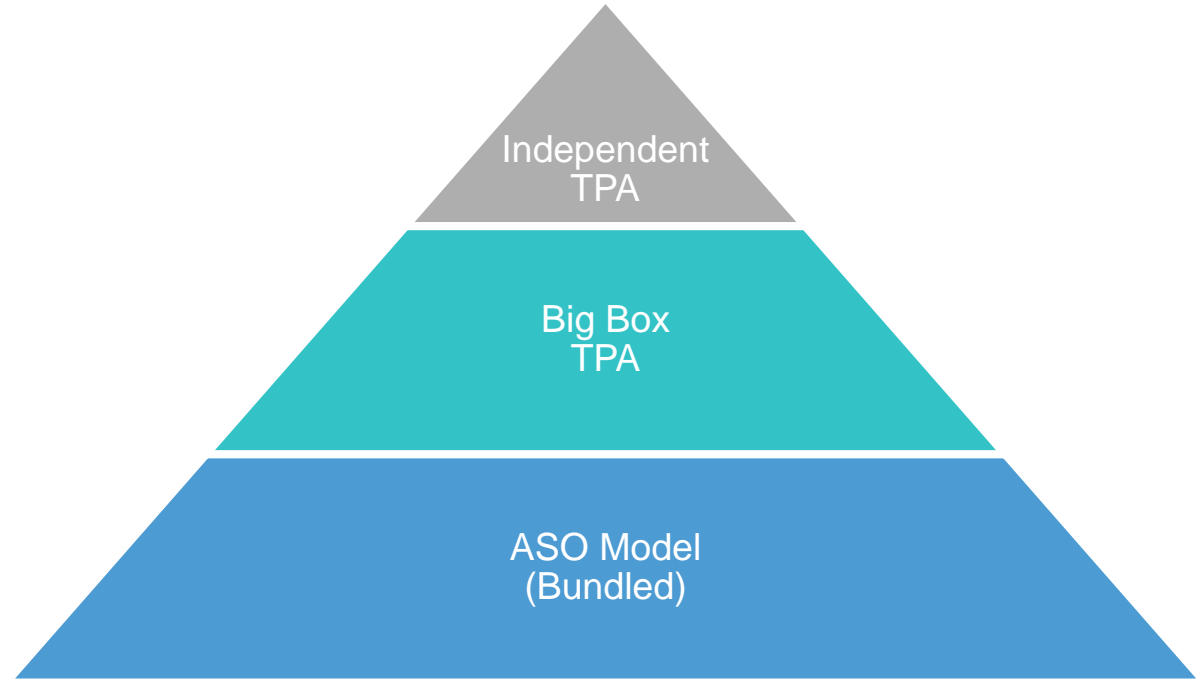


**we know.**

# Self-Funding Philosophy



- It's Necessary for Sustainability
- Allows for Innovation
- Education/Consumerism Can Move the Needle for Savings



Model Depends on District;

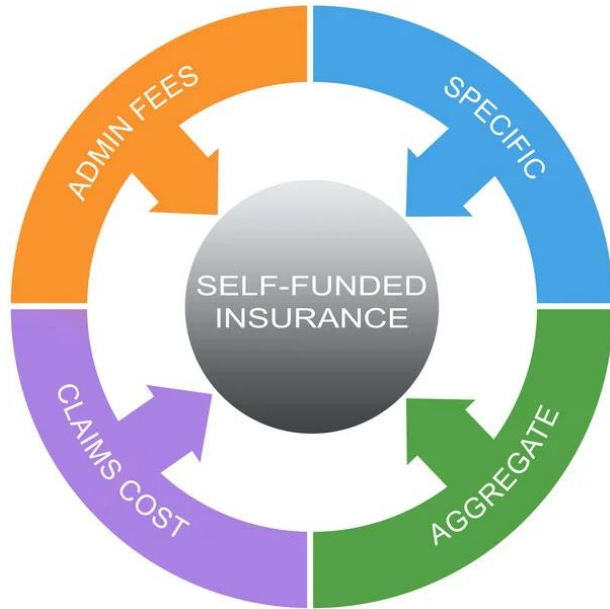
- Goals
- Staffing
- Interest in solutions
- Appetite for risk

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Pay Premium to  
Health Insurance  
Carrier

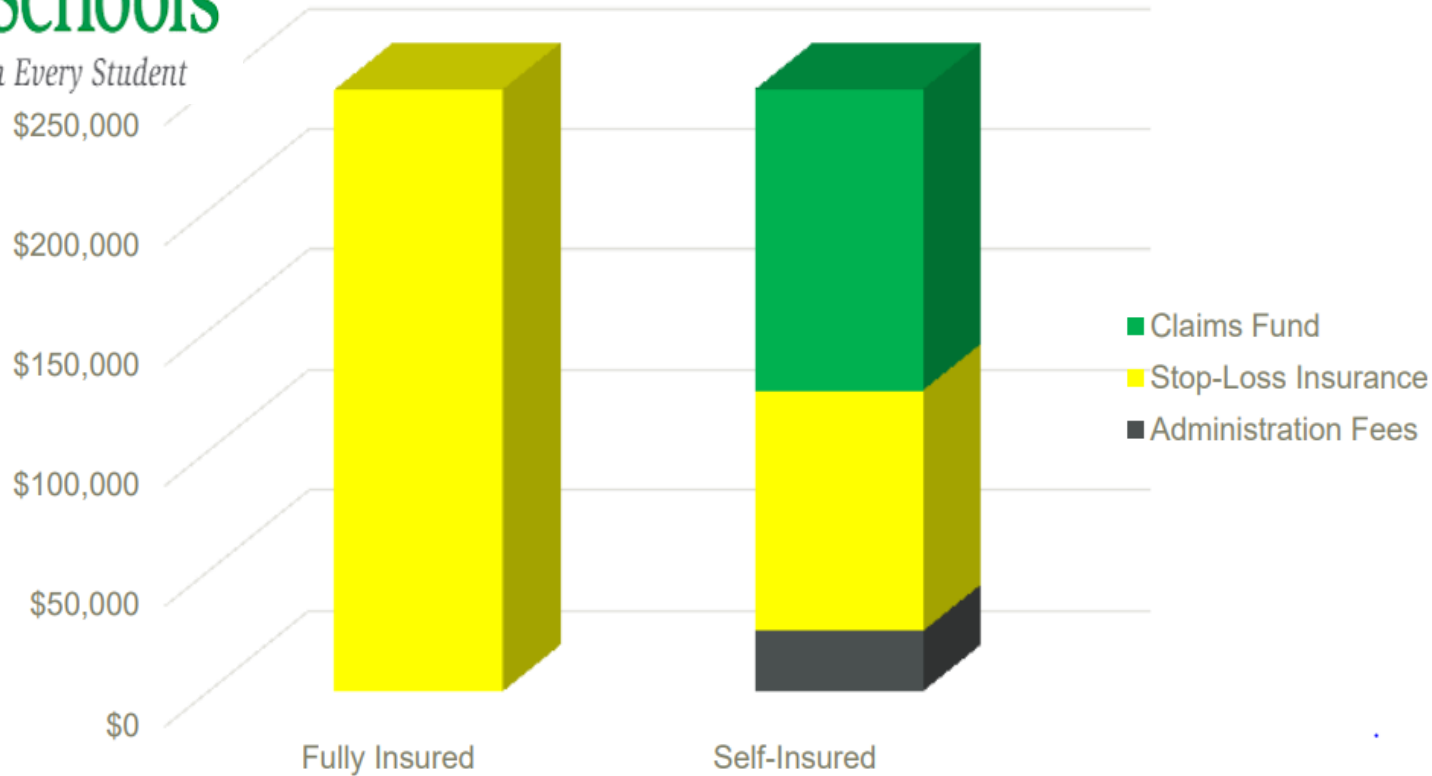
- Employer pays premium to **insurance company**. Insurance Company:
  - *Manages medical and Rx claim adjudication*
  - *Accepts risk*
  - *Sets up provider contracts*
  - *Administers taxes and some reporting*
  - *Keeps reserve (if applicable)*





Pay Administration fee to  
TPA and Premium to  
Stop Loss Carrier

- Employer pays premium to **TPA**. TPA:
  - *Sets up provider contracts*
  - *Adjudicates claim payments*
  
- Employer pays premium to **Stop Loss Vendor**. Stop loss:
  - *Evaluates expectation for claims*
  - *Accepts part of the risk*
  
- Employer pays claims up to spec



### Fully Insured-

Insurance Company:

- Accepts risk
- Pays claims
- Determines plan design

### Self-funded

Employer:

- Accepts some risk (with stop loss)
- Pays claims (with help of TPA)
- Determines plan design

**Claims Fund:** This fund is the equity in your plan that is used to pay for expected claims not covered by your Stop-Loss insurance

**75% of dollars**

**Stop-Loss Insurance:** This is the insurance part of the plan that reimburses the plan for claims after deductible

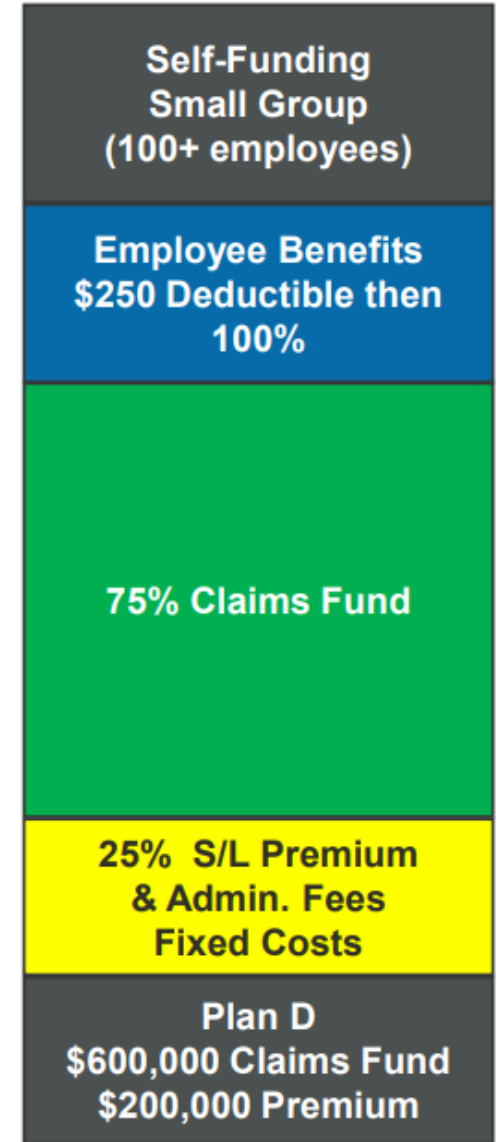
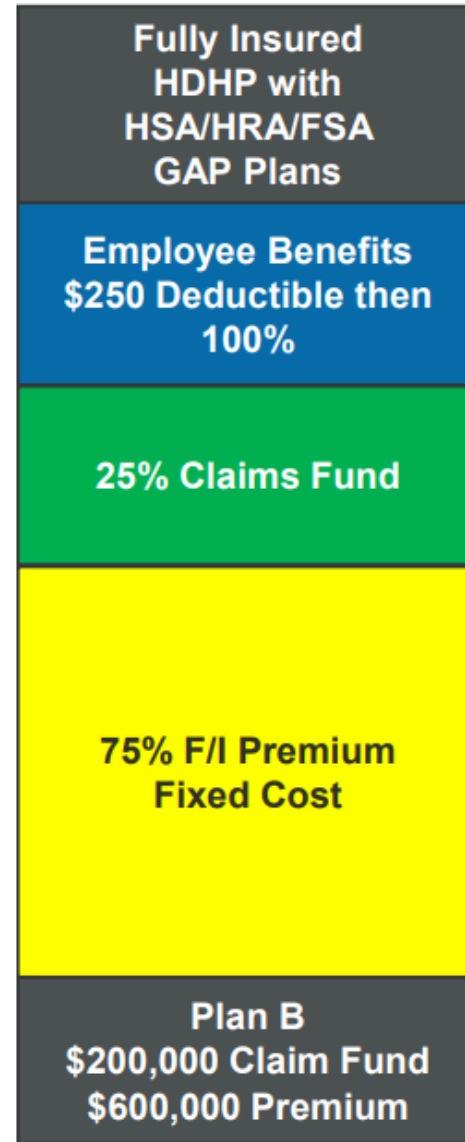
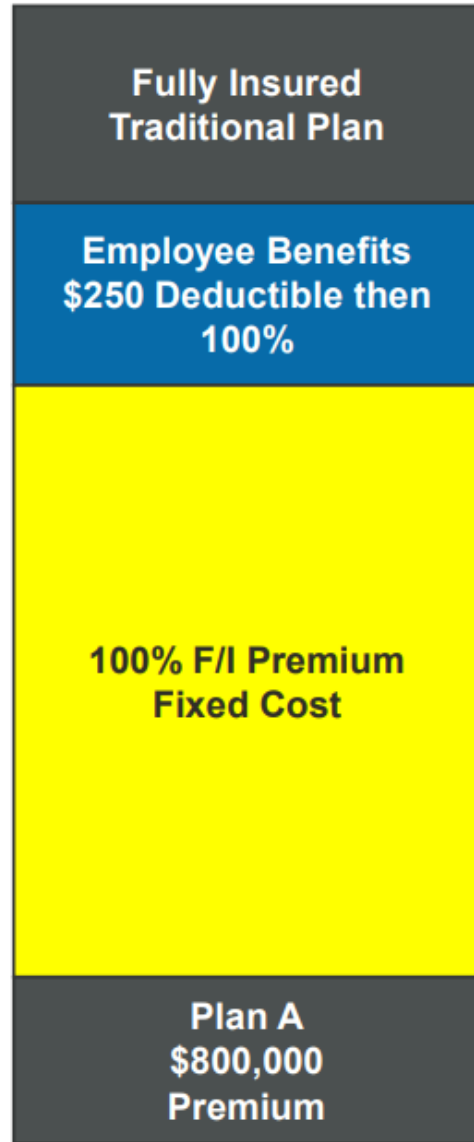
**15% of dollars**

**Administration Fees:**

Cost of managing the plan

**10% of dollars**

**we know.**



**we know.**

## Why are Employers Interested in Self Funding?

- Dissatisfaction with fully-insured carriers lack of transparency
- Increased claims data
- Costs continue to rise – Districts Reporting 20-35%+ for 23-24
- Frustration with lack of control

**we know.**

## Why are Employers Interested in Self Funding?

- Benefits continue to dwindle
- Flexibility and customized plan designs
- Growing need to investigate cost-savings options

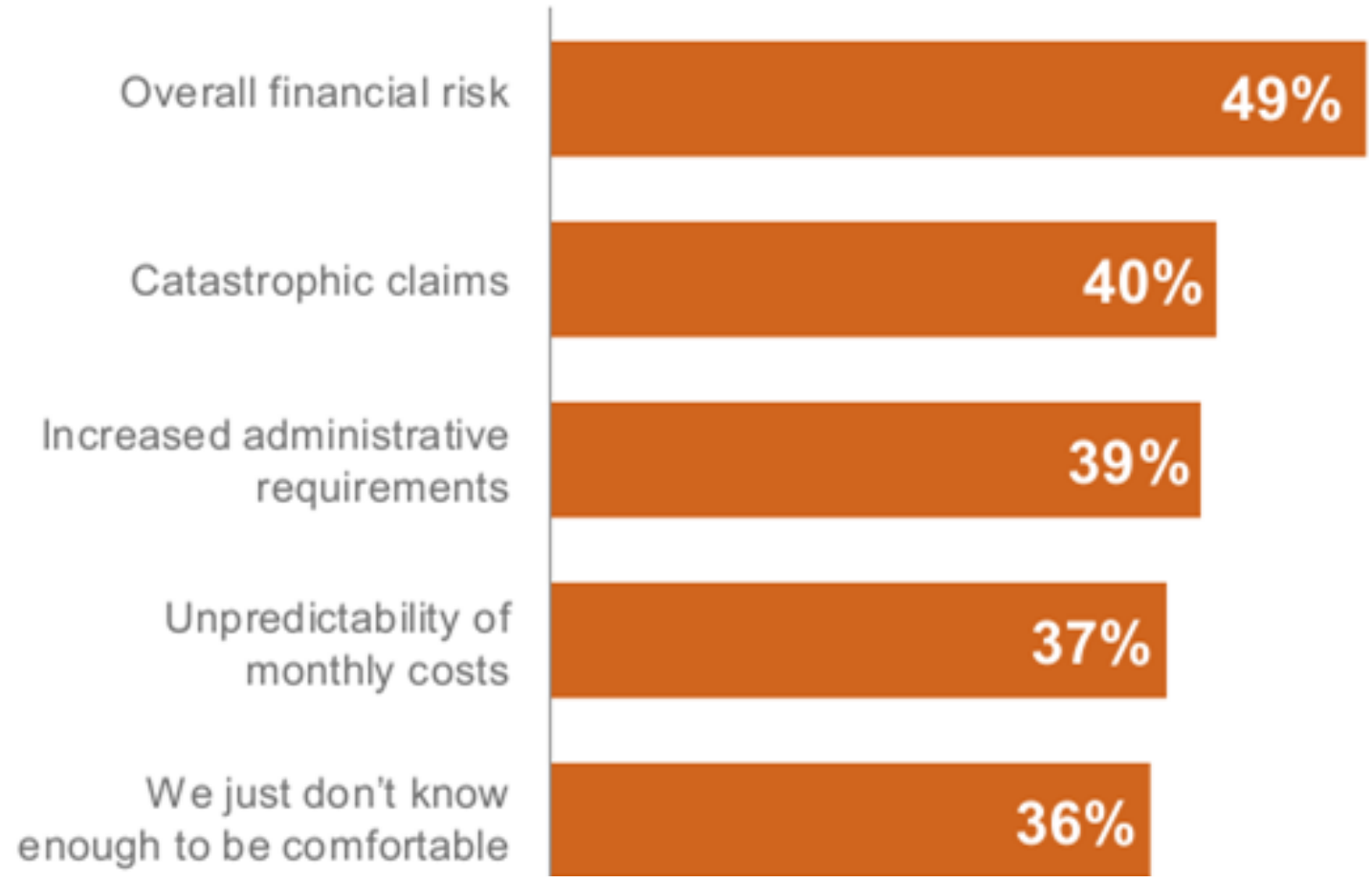
the shift to



**Self-Funding**

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## Top 5 Concerns About Self Funding



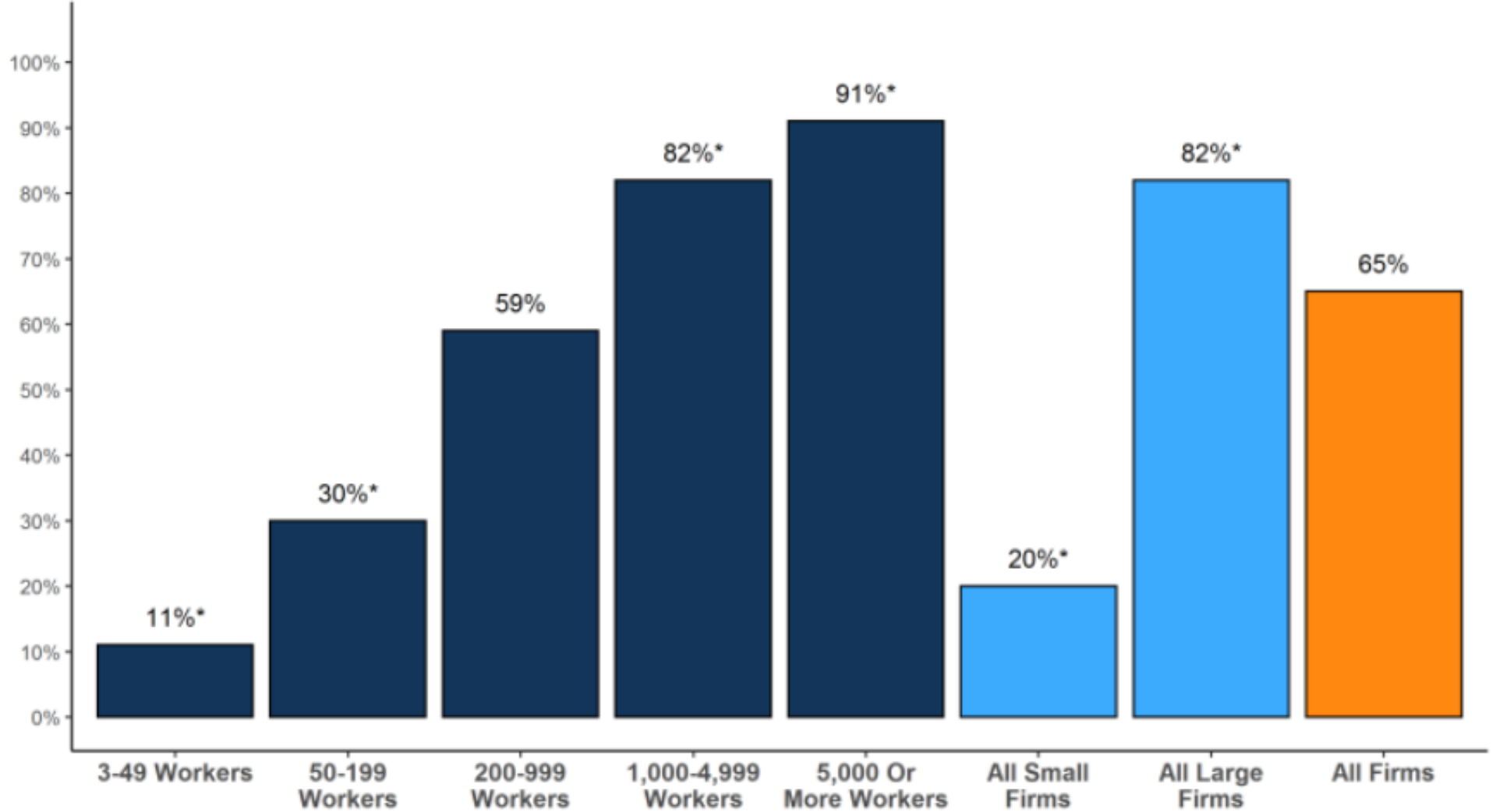
Kff.org <https://www.kff.org/report-section/ehbs-2022-section-10-plan-funding/attachment/figure-10-1-8/>

## Who Considers Self-Funding?

- Employers with a belief in a long-term, strategic plan
- Employers with risk tolerance
- Employers looking for solutions, savings
- Employers with understanding of cash flow change
- Employers with trusted partners, experts in self-funding



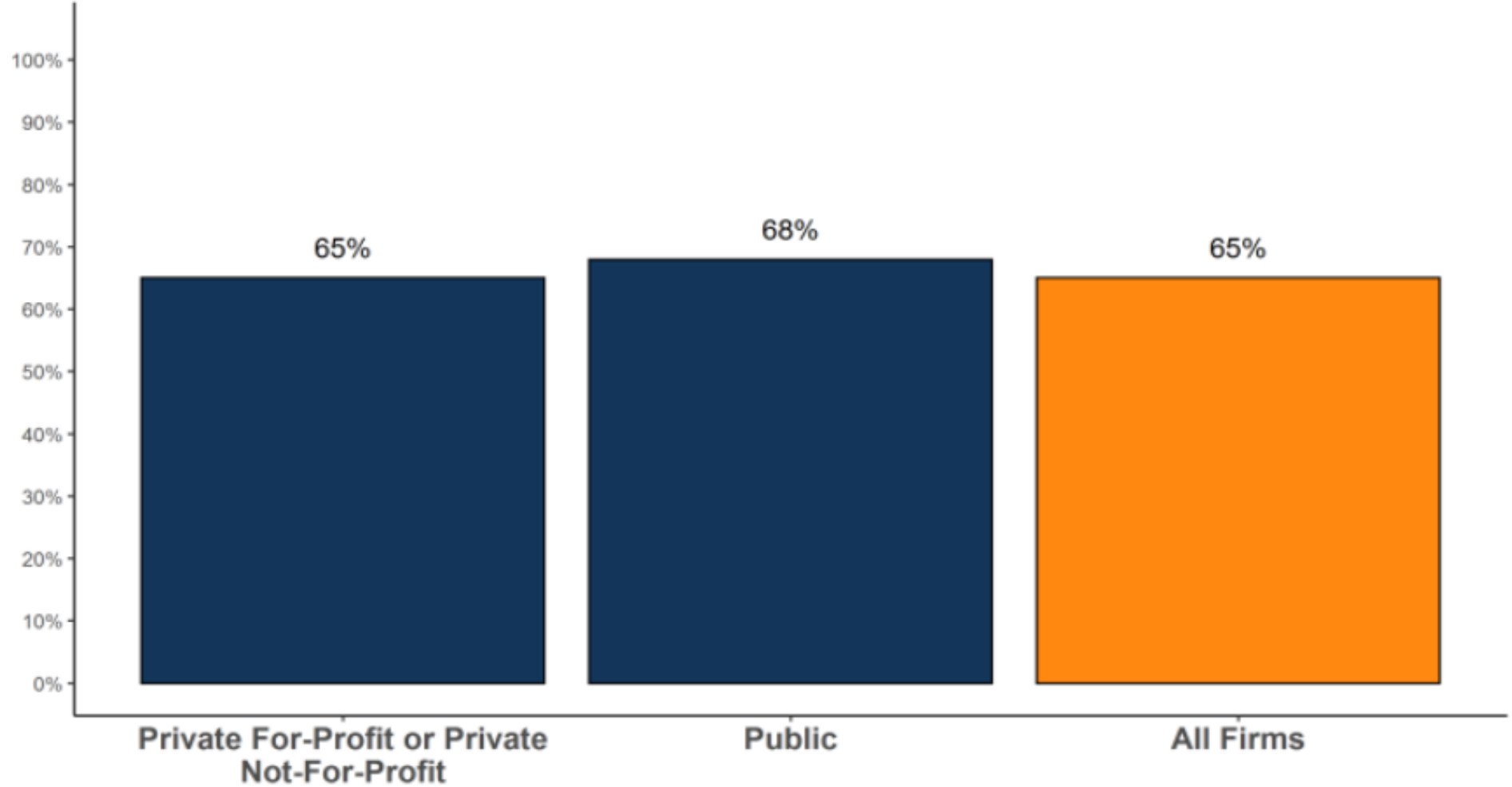
**Percentage of Covered Workers Enrolled in a Self-Funded Plan, by Firm Size, 2022**



Kff.org <https://www.kff.org/report-section/ehbs-2022-section-10-plan-funding/attachment/figure-10-1-8/>



**Percentage of Covered Workers Enrolled in a Self-Funded Plan by Firm Ownership Type, 2022**



Kff.org <https://www.kff.org/report-section/ehbs-2022-section-10-plan-funding/attachment/figure-10-1-8/>

## Determining If You're Ready for Self-Funding

- Risk tolerance
- Cash flow
- Claims experience
- Consultant expertise



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## Select an Administrator:

**1. Administrative Services Only (ASO)** through a health insurance provider (i.e UHC, Anthem)

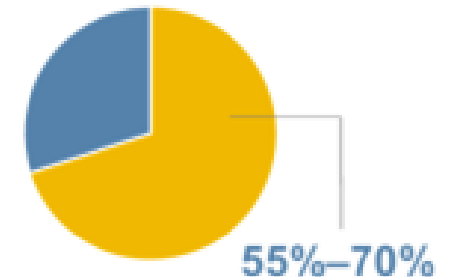
### Scale and standardization

- National reach and network discounts
- Standard service model
- Set cost-containment programs

**2. Third Party Administrator (TPA)** (UMR, Prairie States, Auxiant, Flume Flume...)

### Customization

- Local and regional presence, including various networks with discounts
- Personalized service model
- Options for cost-containment programs and vendors
- Advanced funding of claims



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## Two Types of Stop Loss

### Specific

Protection for the self-insured employer from large claims that occur for any one plan member

**\*Protection Per Member**



### Aggregate

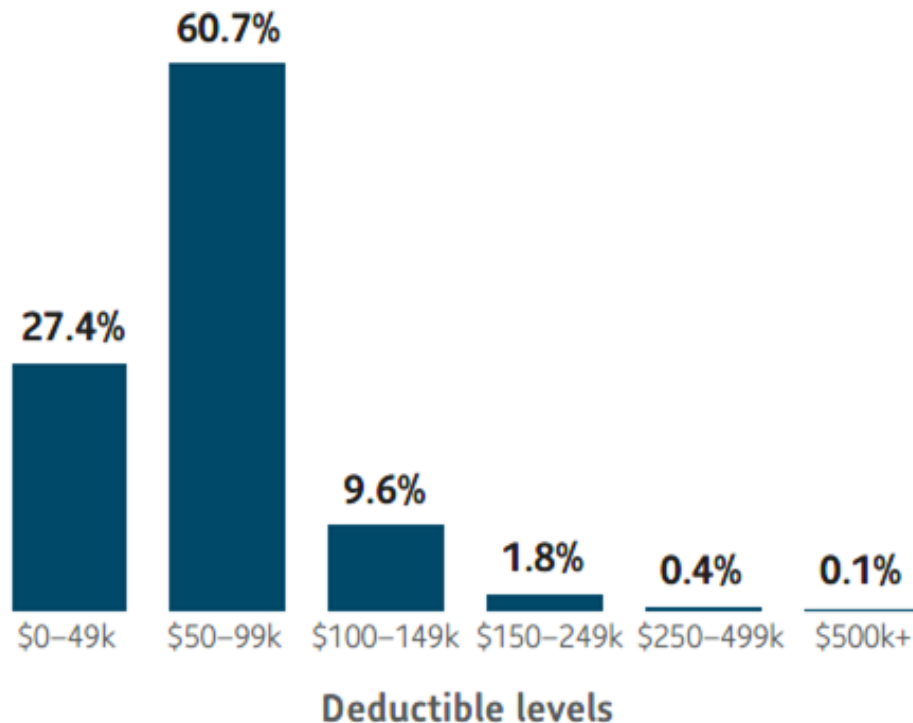
Protection for the self-insured employer from higher-than-expected first-dollar claims from plan members

**\*Protection for the Whole**

**we know.**

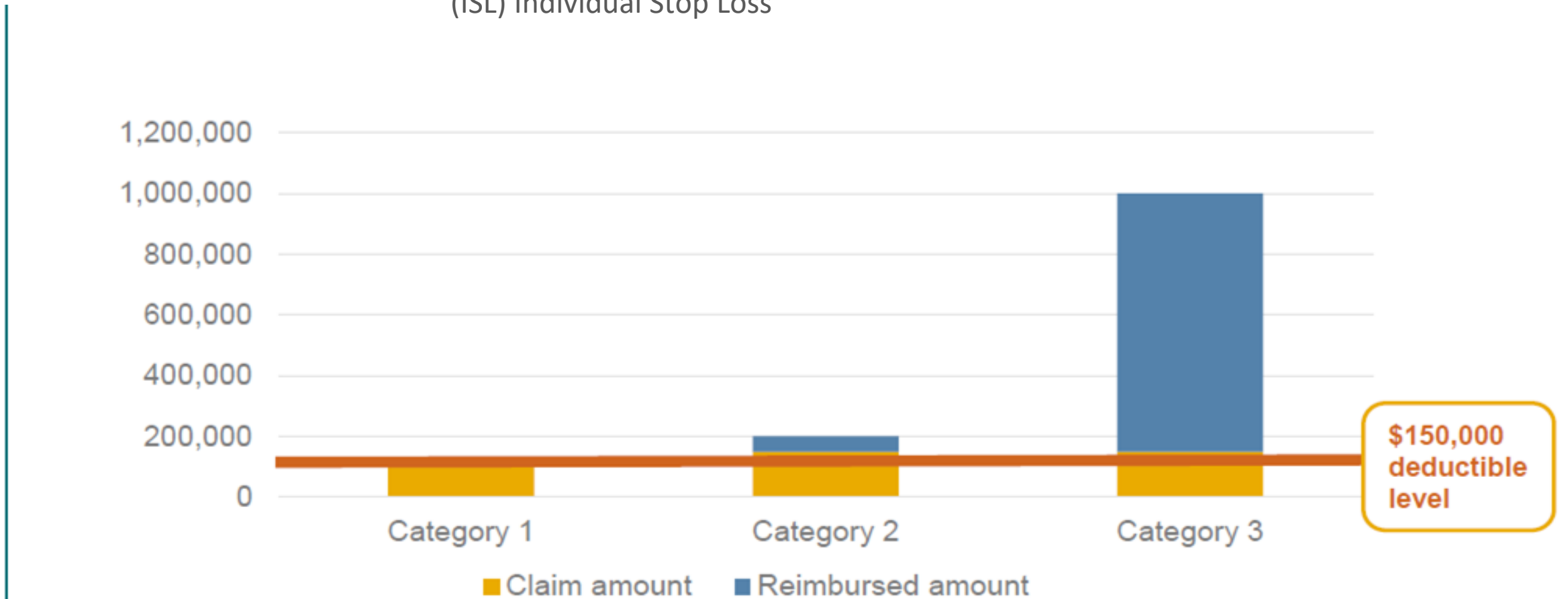
## Determining Specific Deductible Level

- Risk profile: age, gender, conditions, Rx
- Range : \$45,000-\$250,000



No. of Enrolled Employees	Individual Stop Loss Deductible Starting Point
<100	\$50,000
100-199	\$75,000
200-299	\$100,000
300-399	\$125,000
400-499	\$150,000
500-749	\$200,000
750-999	\$250,000
1000-1999	\$350,000
2000+	\$500,000

## How Specific Deductible Stop Loss Works (ISL) Individual Stop Loss



**we know.**

## Another View; Specific Deductible Stop Loss Works

(ISL) Individual Stop Loss

ISL deductible: \$150,000

ISL  
Liability

Employer

Stop Loss Carrier

Member A's total  
claims paid:  
\$500,000

\$150,000

\$350,000

## Value of Marketing Stop Loss

Carrier	Response
Anthem	<i>Will not provide a Stop Loss quote if they are not medical admin.</i>
Bardon	<i>Declined to Quote. Over \$200,000 higher in specific premium.</i>
Berkley	<i>UMR as TPA. Declined to quote due to claims lag.</i>
Berkshire Hathaway	<i>UMR as TPA. All options have savings over FI carrier. \$80K spec matched cost for \$75K spec from Sun and lacked "no new laser and rate cap" component</i>
HCC/ Tokyo Marine	<i>UMR as TPA. All options have savings over FI carrier, but greater than Sunlife.</i>
IAT	<i>Not competitive.</i>
MRM	<i>No quote. Reason is due to lack of claims info.</i>
QBE	<i>UMR as TPA. All options have savings from current WEA Trust plan, but greater than Sunlife</i>
Reliance Standard	<i>Declined to Quote. Unable to quote fully insured groups with less than 300 covered employees.</i>
Rockport Benefits	<i>Auxiant as TPA. All options have savings over FI carrier but greater than Sunlife .</i>
Sun Life	<i>UMR as TPA. All but one option provided savings over FI carrier. No new laser and rate cap for 2022</i>
Swiss Re	<i>UMR as TPA. Option have savings over FI carrier. but greater than Sunlife</i>
Symetra	<i>UMR as TPA. All options have savings over FI carrier, but greater than Sunlife</i>
Unum	<i>Declined to Quote. Carrier is not currently quoting on fully insured cases.</i>
Voya	<i>Declined to Quote. Carrier does not quote on fully insured cases.</i>

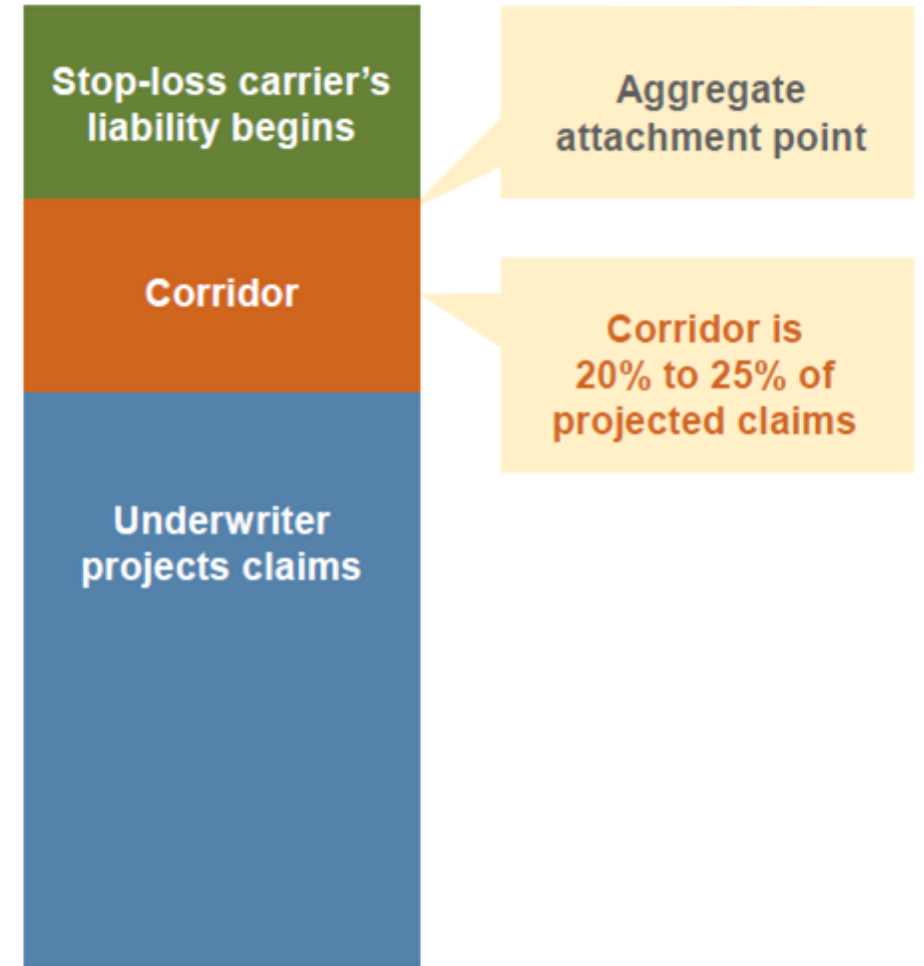


## How Aggregate Stop Loss Works

(ASL) Aggregate/Group Stop Loss

### Example

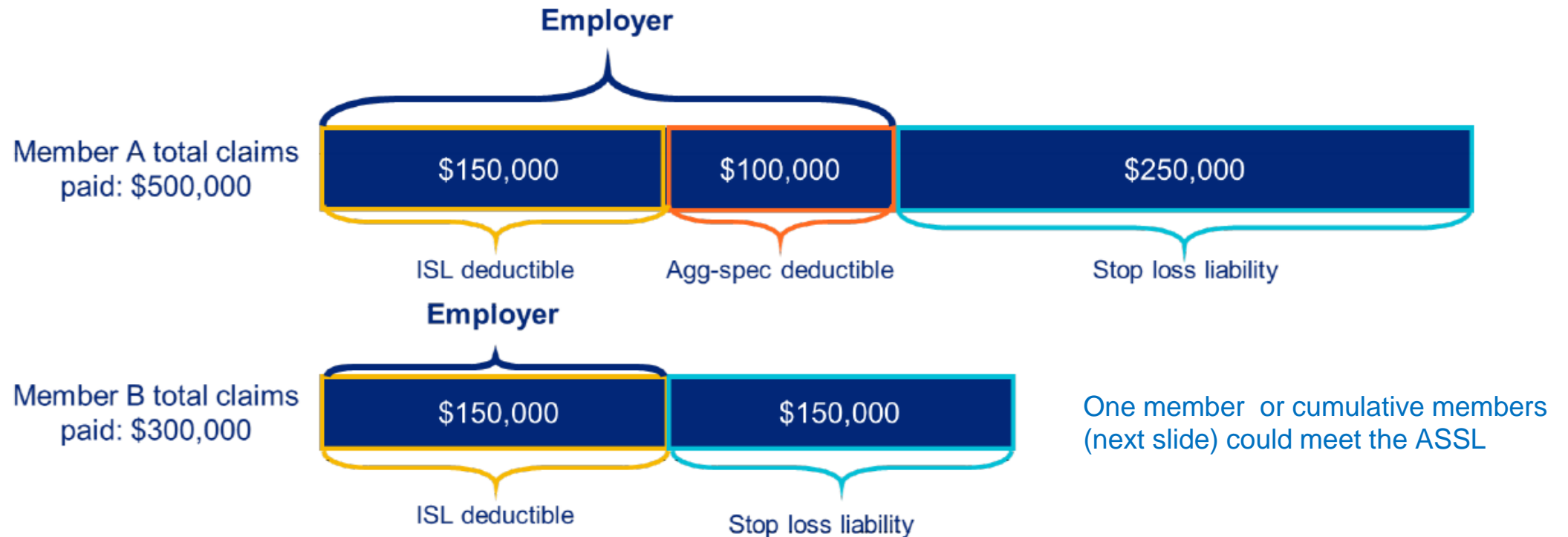
<b>Expected claims</b>	\$800,000
<b>+ 25% corridor</b>	\$200,000
<b>Aggregate attachment point</b>	\$1,000,000
<b>Actual claims</b>	\$1,200,000
<b>Employer liability</b>	\$1,000,000
<b>Stop-loss carrier liability</b>	\$200,000



**we know.**

## How An Aggregating Specific Deductible Works

(ISL) Individual Stop Loss at \$150,000  
(ASSL) Aggregating Specific at \$100,000



## Aggregating Specific Deductible In Action



- In this example, Aggregating Specific adds \$100,000 to employer responsibility
- Aggregating Specific does not cap or max how many members may hit the specific deductible; **Aggregate Attachment Point** does

## Aggregating Specific Deductible Cautions



Aggregating Specific deductible: \$100,000



In this example, \$150K specific deductible per belly button  
Plus \$100K aggregating specific deductible  
**IF the number of members reaching the spec deductible is high and the aggregating spec if met, there could be added exposure without an aggregate attachment point**

**we know.**

## The Process

1. Work with an experienced consultant
2. Evaluate risk tolerance and cash flow
3. Collect data
4. Get proposals and select claims administrator
5. Get proposals and select stop-loss insurance
6. Select pharmacy benefit manager (PBM) *if applicable*



**we know.**

# Levers to Contain Costs



Professional Development Day  
August 2022

**Ways to \$ave**  
*We're all in this together*



**we know.**





# Greenendale Schools

**Spent over \$5.5 million toward employee/family health care in 2021  
(Premium + Medical Claims + Rx Claims)**

***Did you know:***

- ✓ You pay 10-15% of the monthly premium; and the District pays the rest
- ✓ You pay \$250/500 for medical and Rx (deductible); and the District pays the rest

**we know.**


# Keep in Mind...

- Revenue Limits are NOT going up
- The District has limited dollars to use for ALL expenses
- Inflation in health care exists, just as it does in other areas



**we know.**



 Greendale Schools  
want to continue to offer  
**HIGH QUALITY** benefits at  
an affordable rate

It's worth noting that the Greendale School District is in the **Top 3%** of Wisconsin school districts in terms of health insurance deductible and premium contribution

Please help us keep this excellent benefit for YOU!

**we know.**



We're all in this



**TOGETHER**

**we know.**

# Clinic Savings Options

- Onsite
- Near Site
- Direct Primary Care

## DISTRICT COST :

<u>Clinic</u>	<u>Primary Care Doctor</u>	<u>Urgent Care</u>
Approximately	Approximately	Approximately
<b>\$45</b>	<b>\$245</b>	<b>\$525</b>

Acne	Ear Ache & Infections	Ear Wax Removal	Strep
Pregnancy Test	Urinalysis	TB Test	Mono
Pink Eye	Tonsil Check	Ligament Pain	Personal Injury
Sore Throat	Neck Ache	Counseling	Sinus Troubles
Inflamed Breast Tissue	Trouble Urinating	Sore Joints	Post COVID Sickness
Allergy	Rash	Nausea / Vomiting	UTIs
Lower Back Pain	Weight Loss	Smoking Cessation	Wart Removal
Asthma	High Blood Pressure	Sprains	Diabetes
Medication Adjustment	Eye Irritation	Thyroid	Anxiety

**we know.**

# Onsite Clinic Savings In Action

\$152,590 in claims saved from the self-funded plan

Code	Total Count	Avoided Costs	Total Avoided Costs	Invoiced
99213	580	\$119,462.60	\$ 213,865.02	\$61,275.00
99214	210	\$62,916.00		
99203	46	\$14,390.18		
99204	14	\$6,795.60		
		\$ 203,564.38	Total for Visits	
81002	100	\$533.00		
69210	36	\$6,802.20		
87880	102	\$1,781.94		
86308	38	\$170.24		
87804	58	\$1,013.26		
		\$ 10,300.64	Total for Common Tests	

Month	Number of Visits 2021	Number of Visits 2022
August	42	52
September	35	73
October	26	88
November	57	77
December	72	82

**Increased Utilization due to  
EDUCATION**

**we know.**

# Direct Contract Alternatives

Lower Cost, High Quality Care Options

- Froedtert Fast Care
- Direct Primary Care; Everside
- Imaging; MDI
- Physical Therapy
- Orthopedics

- Contracted prices
- Multiple locations
- Convenient hours
- Employee communication materials



**we know.**

## Goal; Drive Utilization to Lower Cost Options

- No copay or cost share for members
- Provide a perk, reward, gift card to members
- Tiered plan design





# Pharmacy Benefit Manager (PBM) Evaluations

	Current			Renewal			Renegotiated Renewal			2022- Option B		
# of Scripts	Mail	Retail	Retail 90	Mail	Retail	Retail 90	Mail	Retail	Retail 90	\	Retail	Retail 90
Brand	26	506	82	26	506	82	26	506	82	26	506	82
Generic	96	3,830	1,446	96	3,830	1,446	96	3,830	1,446	96	3,830	1,446
Specialty		134			134			134		0	134	0
<b>Total # of Scripts</b>	<b>122</b>	<b>4,470</b>		<b>122</b>	<b>4,470</b>		<b>122</b>	<b>4,470</b>		<b>122</b>	<b>4,470</b>	
<b>Average Wholesale Price</b>												
Brand	\$49,963	\$270,249	\$94,043	\$49,963	\$270,249	\$94,043	\$49,963	\$270,249	\$94,043	\$49,963	\$270,249	\$94,043
Generic	\$36,459	\$484,222	\$457,378	\$36,459	\$484,222	\$457,378	\$36,459	\$484,222	\$457,378	\$36,459	\$484,222	\$457,378
Specialty		\$1,065,470		\$0	\$1,065,470	\$0	\$0	\$1,065,470	\$0	\$0	\$1,065,470	\$0
<b>Total AWP</b>		<b>\$2,457,783</b>			<b>\$2,457,783</b>			<b>\$2,457,783</b>			<b>\$2,457,783</b>	
<b>Discounts</b>												
Brand	24.50%	18.75%	21.00%	25.00%	19.25%	21.50%	25.50%	19.25%	22.50%	25.50%	19.50%	22.00%
Generic	84.75%	81.50%	81.50%	86.50%	83.50%	84.50%	87.00%	84.50%	85.50%	88.75%	85.00%	85.00%
Specialty		17.00%			18.00%			19.50%			17.00%	
<b>Discounted Ingredient Cost</b>												
Brand	\$37,722	\$219,577	\$74,294	\$37,472	\$218,226	\$73,824	\$37,222	\$218,226	\$72,883	\$37,222	\$217,550	\$73,354
Generic	\$5,560	\$89,581	\$84,615	\$4,922	\$79,897	\$70,894	\$4,740	\$75,054	\$66,320	\$4,102	\$72,633	\$68,607
Specialty		\$884,340			\$873,685			\$857,703			\$884,340	
<b>Total Ingredient Cost</b>	<b>\$43,282</b>	<b>\$1,193,498</b>	<b>\$158,909</b>	<b>\$42,394</b>	<b>\$1,171,808</b>	<b>\$144,717</b>	<b>\$41,962</b>	<b>\$1,150,983</b>	<b>\$139,203</b>	<b>\$41,324</b>	<b>\$1,174,523</b>	<b>\$141,960</b>
<b>Total Ingredient Cost</b>		<b>\$1,395,689</b>			<b>\$1,358,919</b>			<b>\$1,332,149</b>			<b>\$1,357,808</b>	
<b>Total Dispensing Fees</b>		<b>\$2,754</b>			<b>\$2,754</b>			<b>\$2,754</b>			<b>\$2,346</b>	
<b>Rebates</b>												
Brand	\$120.00	\$40.00	\$115.00	\$530.00	\$170.00	\$480.00	\$730.00	\$230.00	\$660.00	\$63.24	\$21.18	\$52.94
Generic	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$63.24	\$21.18	\$52.94
Specialty	\$330.00	\$330.00	\$330.00	\$1,550.00	\$1,550.00	\$1,550.00	\$1,850.00	\$1,850.00	\$1,850.00	\$2,377.02	\$2,377.02	\$2,377.02
<b>Total Rebates</b>		<b>-\$77,010</b>			<b>-\$346,860</b>			<b>-\$437,380</b>			<b>-\$498,965</b>	
<b>Total Rx Plan Costs</b>		<b>\$1,229,741</b>			<b>\$1,014,814</b>			<b>\$897,523</b>			<b>\$886,277</b>	
<b>Plan Savings \$</b>					<b>-\$214,928</b>			<b>-\$332,218</b>			<b>-\$343,465</b>	
<b>Plan Savings %</b>					<b>-17.48%</b>			<b>-27.02%</b>			<b>-27.93%</b>	

**we know.**

# Pharmacy Program Alternatives

- Dupixent
- Enbrel
- Humira (2 kinds)
- Otezla
- Rinvoq
- Skyrizi
- Stelara
- Taltz
- Xeljanz

<b>GREENDALE SCHOOL DISTRICT</b>	<b>Domestic Savings</b>
# of claimants identified	12
# of drugs identified	10
Total Cost with 2022 Inflation Assumption & Current 2022 Cost	\$511,940.18
Domestic Price on identified drugs & claims within	\$426,534.51
Domestic Annual Savings Assumption on identified drugs (with a full year's use)	\$200,842.47

***\*International and Patient Assistance Programs (PAP) also available***

**we know.**

## Implementation Analysis

- When you're ready to start the process of investing self-funding  
OR
  - When you're ready to move the needle and implement additional cost saving strategies
- ✓ **Evaluate with a trusted team**
  - ✓ **Review data**
  - ✓ **Consider disruptions**
  - ✓ **Communicate and educate your staff**



# QUESTIONS

**we know.**