OVERVIEW

• Self-Insurance vs. Insured – Group Health Insurance
  – Health Plan Costs
  – Plan Design
  – Financials
  – Cash Flow

• Managing Risk – Your Own Insurance Company
  – Risk Pool Management
  – Medical/Rx Data Analytics
  – Transparency Tools/Approaches
  – Mobile Technology/Member Engagement

• Questions & Answers
SELF-INSURANCE VERSUS FULLY INSURED IN GROUP HEALTH INSURANCE

COMPARISON OF SELF-INSURANCE AND FULLY INSURED – PLAN COSTS

INSURED

• +12-15% more expensive annually
• Insurance company has complete control of employer’s health care financials
• Premium “loads” and margins
• Health plan options, premium rates and rate tier ratios are determined by insurance company
• Goals and objectives for premium rate setting by insurance company is exact opposite of employer

SELF FUNDED

• Spend is considerably less year-over-year
• Broker/consultant can complete all of the necessary financial calculations
• Freedom to utilize more conservative or aggressive estimates
• No premium taxes and risk charge “loads”
• Premium equivalent/accrual rates can be calculated by the broker/consultant
• Employer creates “level playing field” for their health care program through rates/accruals and contributions
COMPARISON OF SELF-INSURANCE AND FULLY INSURED – PLAN DESIGN

INSURED

- Carriers can only file certain plan designs through the Indiana DOI
- Plan designs are "off the shelf" and will provide very limited variations on plan design
- Carriers put restrictions on the # of plans that can be offered, minimum % of participation per plan as well as a minimum on the amount of premium being subsidized by the employer
- Employers interested in implementing unique wellness initiatives are "handcuffed" by the lack of flexibility

SELF FUNDED

- No "state mandates"; plan designs become more flexible
- Creativity can occur because employers are able to control or steer utilization in a particular direction
- No restrictions on the number of health plan options, actuarial richness between health plans or the amount of contributions an employer has to subsidize towards their medical/pharmacy costs

COMPARISON OF SELF-INSURANCE AND FULLY INSURED – FINANCIALS

INSURED

- Employer had no control on the renewal outside of broker negotiations
- Premiums calculated by the carriers are done to create "adverse selection"
- Initial reserve amounts and changes are calculated by the carrier underwriter
- Pooling premiums calculated by the underwriter are more expensive than purchasing reinsurance/stop loss coverage
- Pooling amounts are determined by the underwriter with very little variance

SELF FUNDED

- Employer has complete control of the renewal calculation
- Premium equivalent rates calculated will be accurate between the different plan designs and/or rate tiers
- Reserve amounts calculated on a quarterly basis; dollars remain with the employer
- Reinsurance/stop loss levels can be chosen by the employer based on risk tolerance
- Multiple options are made available under self-insured with managing risk
<table>
<thead>
<tr>
<th>INSURED</th>
<th>SELF FUNDED</th>
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<tbody>
<tr>
<td>• Consistent costs for the employer since premiums charged will only slightly fluctuate</td>
<td>• First couple of months of a first year contract, claim amounts for the medical plan will be substantially lower than normal</td>
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<tr>
<td>• Since carriers are “at risk” for the solvency of the contract, no catastrophic or large claimants will affect the employer’s costs</td>
<td>• Volatility in monthly claim costs for both the medical and Rx coverages</td>
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<td>• Insurer has the right to adjust employer’s pooling levels from year-to-year</td>
<td>• Appropriate accruals will be put into place through sound underwriting methodologies</td>
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<tr>
<td>• Initial renewal calculations for employers are usually received 90-120 days before renewal date</td>
<td>• Pre-renewal calculations (i.e., 6 and 9 months) for the upcoming renewal date will be performed throughout the plan year</td>
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**SUMMARY OF SELF-INSURANCE ADVANTAGES**

- Financial
- Flexibility
- Control
- Reporting/Information
- Fiduciary Responsibility
MANAGING RISK – YOUR OWN INSURANCE COMPANY

RISK POOL MANAGEMENT

COST

10% OF COST

ADMIN FEES
STOP LOSS PREMIUMS
POOLING CHARGES
NETWORK ACCESS FEES
SETTLEMENT COSTS
Rx REBATES
CAPITATION
RESERVES
TAXES

PAID CLAIMS

PLAN DESIGN

COORDINATION / SUBROGATION

NETWORK DISCOUNTS

NETWORK PENETRATION

INELIGIBLE CHARGES

GROSS DOLLARS

RISK POOL

HEALTH REIMBURSEMENT ACCOUNTS (HRA)
HEALTH SAVINGS ACCOUNTS (HSA)
CASE MANAGEMENT
DISEASE MANAGEMENT
POPULATION HEALTH MANAGEMENT
NURSE LINES
EMPLOYEE ASSISTANCE PROGRAMS

90% OF COST
TRANSPARENCY TOOLS/APPROACHES

- Castlight Health
- myHealthcare Cost Estimator (UHC)
- Health Care Cost Estimator (Anthem)
- GoodRx
- Truveris (Pharmacy Contracts/PBM)
- Cost Plus/Medicare Plus

MOBILE TECHNOLOGY/MEMBER ENGAGEMENT

Analytics
- High Risk
- Moderate Risk
- Low Risk
- Healthy

Risk Identification

Mobile Health Application
- Rules Engine: Incentive & Messaging
- Targeted Health Communications
- Targeted Health Incentives
- Consumer Engagement

Targeted Outreach

Carrier Disease & Case Management
- Low Intensity
- Moderate Intensity
- High Intensity
- Case Mgmt. Intervention

Intervention & Management
MOBILE TECHNOLOGY/MEMBER ENGAGEMENT (CONT’D)

• If you are interested in receiving an electronic copy of this presentation, please feel free to send your inquiries to the following:
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  (317) 806-5146

• Thank you for your time this afternoon!

QUESTIONS AND ANSWERS