



FOCUS

CONTROL

FLEXIBILITY

RESULTS

# When To Sell Self-Funded ERISA Programs To Fully Insured Clients

Houston Association of Health Underwriters

Wednesday, May 17, 2006

Francis J. Fey

CEO/President

800.580.5477

[www.jicompanies.com](http://www.jicompanies.com)

BENEFITS ADMINISTRATION AND RISK MANAGEMENT SOLUTIONS



## Signals that your client needs to consider self-funding

- Frustration at insurance carrier's service levels
  - Customer service responses, on-hold times, reasons for "No", lack of solutions
  - Claims payment turnaround
- Frustration with escalating premiums despite good experience
- Frustration that provider discounts are not as advertised



## Signals that your client needs to consider self-funding

- Frustration that claims are partially or fully denied and dispute resolution is fruitless
- Frustration with carrier's lack of specialty programs (disease management, health screenings...)
- Frustration with lack of plan design flexibility



# Non-Profit Hospital

## SUMMARY

**Total Billed:** \$5054.25  
**Total Benefits Approved:** \$1960.88  
**Amount You May Owe Provider:** \$717.87

## SERVICE INFORMATION

	Service Date	Amount Billed	Not Covered	Covered
Drugs	12-29-04	36.25	17.02 (1)	19.23
X-Ray Services	12-29-04	60.50	28.44 (1)	32.06
X-Ray Services	12-29-04	992.75	466.60 (1)	526.15
Operating Room	12-29-04	3964.75	1863.44 (1)	2101.31
<b>Totals</b>		<b>\$5054.25</b>	<b>\$2375.50</b>	<b>\$2678.75</b>

## COVERAGE INFORMATION

<b>Totals</b>		<b>\$5054.25</b>	<b>\$2375.50</b>	<b>\$2678.75</b>
<b>Deductions</b>				
Applied to 2004 Health Care Plan Deductible			500.00	
Your 10% Coinsurance Amount			217.87	
<b>Total Deductions</b>				<b>-\$717.87</b>
<b>Total Benefits Approved</b>				<b>\$1960.88</b>
<b>Amount You May Owe Provider</b>				<b>\$717.87</b>



# For Profit Hospital

## SUMMARY

**Total Billed:** **\$817.15**  
**Total Benefits Approved:** **\$47.62**  
**Amount You May Owe Provider:** **\$401.81**

## SERVICE INFORMATION

	Service Date	Amount Billed	Not Covered	Covered
Drugs	01-11-05	86.04	38.69 (1)	47.35
Med/Surg Supplies	01-11-05	97.28	43.78 (1)	53.50
X-Ray Services	01-11-05	230.00	103.51 (1)	126.49
Operating Room	01-11-05	262.43	118.10 (1)	144.33
Recovery Room	01-11-05	141.40	63.64 (1)	77.76
<b>Totals</b>		<b>\$817.15</b>	<b>\$367.72</b>	<b>\$449.43</b>

## COVERAGE INFORMATION

<b>Totals</b>	<b>\$817.15</b>	<b>\$367.72</b>	<b>\$449.43</b>
<b>Deductions</b>			
Applied to 2005 Health Care Plan Deductible		396.52	
Your 10% Coinsurance Amount		5.29	
<b>Total Deductions</b>			<b>-\$401.81</b>
<b>Total Benefits Approved</b>			<b>\$47.62</b>
<b>Amount You May Owe Provider</b>			<b>\$401.81</b>



## Employee Out-of-Pocket Comparison

	Hospital A	Hospital B
<b>MRI</b>	\$75	\$210
<b>Blood work for long-term medicine usage</b>	\$60	\$145



## Why clients self-fund

- To gain control over benefits program
  - Define plan design and modify benefits to meet member needs
  - To discriminate legally (i.e. student exclusion)
  - Adjust preexisting, accident investigation requirements
- To select service providers based on quality of services rather than plan options
- Access plan performance reports with detailed trend analysis



## Why clients self-fund

- Ability to select a la carte
  - PPO Network (hospitals and providers)
  - Transplant Networks
  - Dental Plan/Network
  - Behavioral Health Network
  - Pharmacy benefit manager (PBM)
  - Vision Services



## Why clients self-fund

- Ability to drive member wellness initiatives
  - Health Screenings
  - Weight Loss Incentives
  - Fitness Incentives
  - Doctor on Site
- Ability to achieve savings over the long term



## Six Secrets and Strategies for Reducing Claims Costs

- Shop and compare
- It pays to audit hospital bills
- Pharmacy intervention works
- Healthy employees are less costly and more productive
- Obtain value for money in Prescription Drug Benefits
- Benchmark plan performance



## Issues & Strengths

- Self Funding is not for everyone
  - Low financial reserves
  - Small number of employees
- Large Carriers
  - Edge on provider discounts (eroding\*)
  - Edge on medical & disease management (eroding quickly\*)
  - Edge on some multi-state employers + product portfolios



## Issues & Strengths

- **Self Funding**

- Edge on custom solutions, plan design + flexibility and responsiveness
- Edge on service efficiencies and quality + accuracy
- Edge on Wellness and Health initiatives and resources
- Edge on information, analysis and reporting
- Edge on plan changes based on benchmarking plan performance
- Selective aggressive provider fee schedules



# Medically high-risk employees are medically high-cost employees

- Smokers: 31% higher claims costs
- Overweight: 143% higher hospital utilization

Source: Chrysler Corp. and UAW Study



# Mandatory Prenatal Classes

**Results:**

**Maternal and Newborn Care Costs Down 86%**

Source: Sunbeam-Oster Co. Study



# Flu Shots Work

Results:

Lost Workdays Down 43%

Source: U.S. Department of Labor



## How self-funding can lower overall plan expense

- Client keeps profits rather than insurance carrier
- Stop Loss Coverage limits upper end exposure
- Rx, health & wellness programs reap benefits
- Custom plan design can drive employee usage of in-network providers
- TPA programs
  - Student Coverage monitoring
  - Coordination of Benefits
  - Auditing hospital bills
  - Monitoring injured worker double dipping
  - Subrogation



# Outlook

- Focus efforts on solutions to root causes
  - Healthy Lifestyle Incentives
  - Wellness Programs
  - Disease Management
    - Asthma
    - Diabetes
    - COPD (Chronic Obstructive Pulmonary Disease)
    - Cardiac / CHF (Congestive Heart Failure)
    - Coronary Artery Disease
- New Look at Agency Compensation for Self-Funded Plans
- Transparency of provider costs
- Patient focus on costs and efficacy
- Focus on children's health issues



FOCUS

CONTROL

FLEXIBILITY

RESULTS

# When To Sell Self-Funded ERISA Programs To Fully Insured Clients

Houston Association of Health Underwriters

Wednesday, May 17, 2006

Francis J. Fey

CEO/President

800.580.5477

[www.jicompanies.com](http://www.jicompanies.com)

BENEFITS ADMINISTRATION AND RISK MANAGEMENT SOLUTIONS