



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

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
Totals		\$5054.25	\$2375.50	\$2678.75

COVERAGE INFORMATION

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



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
Totals		\$817.15	\$367.72	\$449.43

COVERAGE INFORMATION

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



Employee Out-of-Pocket Comparison

	Hospital A	Hospital B
MRI	\$75	\$210
Blood work for long-term medicine usage	\$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



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