Self-funding health Benefits (Part 1)

WASBO Accounting Conference

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2. Self-Funding Health Benefits
   Not a simple topic
   Requires much consideration
   Different circumstances for each group
   Consider the options – in light of your District

3. Presentation
   Review of Options by Topic
   Hear how Manitowoc School District’s self-funded health plan is maintained

4. Agenda
   Part 1: Overview & identification of basic elements – What’s in the Numbers?
   Part 2: Goals/Objectives: Plan Design and Services
   Part 3: Provider Network, specialty provider services & Prescription Drugs

5. Fully-Insured vs. Self-Insured Premium Elements

<table>
<thead>
<tr>
<th>Fully-Insured Premium =</th>
<th>Self-Insured Premium =</th>
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<tbody>
<tr>
<td>Administration Costs</td>
<td>Administration Costs</td>
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<tr>
<td>ACA Fees/Expenses</td>
<td>ACA Taxes &amp; Fees</td>
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<td>Pooling Charges</td>
<td>Stop-Loss Premium</td>
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<td>Claims</td>
<td>Claims</td>
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<td>Risk*</td>
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</tbody>
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*Charge for accepting risks associated with cash flow and underestimating costs
6. Fully Insured Administration
   - Administration Costs Include
   - Claims Processing
   - Utilization Review and Disease/Care Management
   - Data Maintenance & Reporting
   - Large Case Management
   - Underwriting Services
   - Pooling Level Fees
   - Provider Network Access
   - Wellness?

7. Self-Insured Administration
   - Administration Costs Include Claims Processing
   - Utilization Review and Disease/Care Management
   - Data Maintenance & Reporting
   - Large Case Management
   - Underwriting Services
   - Underwriting Services
   - Provider Network Access
   - Wellness?
   - Stop-Loss Premium

   Administration Costs
   - Percentage of claims paid
   - Flat per member per month
   - Combination of above

8. Manitowoc Schools
   Services are included in the District’s Administration

9. Health Reform
   Fully Insured ACA Taxes/Expenses
   - Annual Fee on Health Insurance Providers
   - Patient-Centered Outcomes Research Institute Fee (PCORI)
   - Transitional Reinsurance Fees
   
   Self-Insured ACA Taxes/Fees
   - Patient-Centered Outcomes Research Institute Fee (PCORI)
   - Transitional Reinsurance Fees
10. Manitowoc Schools
   Administration of the health plan financials – and ACA fees/taxes

11. Determine Risk Tolerance
    Large Claims
    Typical large claims include:
    • Cardiac Conditions
    • Cancer Conditions
    • Premature Births – and Premature Multiple births
    • Severe injuries
    • Health Conditions complicated by underlying conditions, such as obesity, diabetes, asthma, etc.

12. Determine Risk Tolerance
    At what point, would one claim, or a series of claims exceeding a given level, become a burden to the District?

13. Manitowoc Schools
    Monitor the large claims
    District determines its risk tolerance per covered person

14. Pooling vs. Specific Stop-Loss
    Insured Claims Costs
    Pooling level –
    • Cost for coverage
    • Claims exceeding level removed from claims experience when projected renewal
    Self-Insured Claims Costs
    Specific Stop-Loss Level
    • Cost for specific S.L.
15. Insurance Plan Credibility
   Typically:
   - An insured health plan is pooled if it has less than 50 employees
   - An insured health plan may be partially experience-rated when it averages between 51 and 300-350 employees
   - Portion that is pooled is determined plan experience credibility

16. Partially-Experience Rated Renewal

17. Self-Insured – Totally Experience Rated
   - Choose an appropriate specific stop-loss level
   - All claims below individual stop-loss level are experience-rated
   - Evaluate/negotiate an appropriate aggregate stop-loss level

18. Manitowoc Schools
   - District’s current specific stop-loss level
   - History of specific stop-loss levels
   - District determine when/how to increase the level over the years

19. Pooling vs. Stop-Loss
   Maximum Charges
   Maximum Exposure = Total Premium Paid
   Stop-Loss Premium
   - Aggregate Stop-Loss
     Total claims (minus those reimbursed above SSL) are payable by carrier
   - Include Rx in both S & A

20. Aggregate Stop-Loss
   - Determination of expected total health claims for year
   - 25% corridor
   - Aggregate stop-loss – 125% of expected plan year costs
21. Calculating Aggregate Cost/Factors
   $2,000,000 - Expected Claims
   $500,000 - 25% corridor
   $2,500,000 - Aggregate level

22. Pooling vs. Stop-Loss
Pooling Charges
   • Pooling level
   • Based upon size of group
   • Individual claims exceeding pooling are removed from experience
Stop-Loss Premium
   • Specific Stop-Loss
     Individual claims exceeding SSL are reimbursed by carrier
   • Aggregate Stop-Loss
     Total claims (minus those reimbursed above SSL) are payable by carrier
   • Include Rx in both S & A

23. Stop-Loss: Incurred in 12 months, Paid in 15 months

24. Stop-Loss: Incurred in 12 months, Paid in 18 months

25. Stop-Loss: Paid in 12 months

26. Changing Stop-Loss Carriers and/or Administrators
   • Run-out claims
   • Stop-loss coverage
27. Reserves
   - Incurred-but-not-reported claims
   - Premium Stabilization

28. Terminating self-insurance
   If your District should end the self-insured plan, the District is responsible for paying the claims incurred within the Plan year, that would be paid afterward

   Review the Plan’s lag reports and determine the rate at which claims incurred are paid. Adjust the IGNR reserve each year to assure that the reserve is sufficient to covered determined expenses.

29. Manitowoc Schools
   - District’s IBNR Reserve
   - District review
   - District determination of appropriate adjustments
   - Action if reserve is insufficient
   - District action if there is a surplus

30. What’s in the Numbers?
   - Understand the costs
   - Know your options
   - Determine what is appropriate for your District
   - Review, monitor and adjust as appropriate

31. Questions/Discussion
   Thank You

32. Next Session
   Goals/Objectives: Plan Design and Services
   Thank you