



NHA SPRING FORUM

NAVIGATING MEDICAL INSURANCE FUNDING COMPLEXITIES

May 24th, 2023

Kirk Swartzbaugh, Partner | Consultant with USI

Bill Rezac, Partner | SVP, Nebraska & Iowa Employee Benefits Practice Leader with USI

www.usi.com



USI Brings National Capabilities & Local Expertise

USI is a national insurance brokerage and consulting firm with approximately 200 local offices connected across the U.S. and a leading market position in all core businesses.

The USI Nebraska offices have been serving the local community since 1927.

Leading National & Local Broker
Over \$2.5B in Revenue



Commercial
P&C

Employee
Benefits

Personal
Risk

Programs

Retirement
Consulting

USI's Mountain Region

- Over 750 insurance professionals with an average tenure of 15 years and specialists across a broad range of industries
- Dedicated analytics, underwriting, wellness and compliance experts who make up the region's Technical Resources Team
- Regional offices located in Colorado, Utah, Wyoming, Wisconsin, Minnesota, Kansas, Nebraska and Iowa

USI's Nebraska Office

- Extensive local resources with more than 50 insurance professionals Significant market presence in Employee Benefits, Property & Casualty, Personal Risk and Retirement Consulting



What Makes USI Different? **USI ONE ADVANTAGE[®]**

Our Multi Year Benefits Strategy

USI **ONE[®]**, is a fundamentally **different approach** to risk management, integrating **proprietary business analytics** with a **networked team of local and national experts** in a **consultative planning process** that generates targeted recommendations for improving employee benefit plans.



USI ONE Advantage[®]
A set of client customized, actionable, measurable solutions with bottom line impact to your business through cost reduction and coverage enhancement resulting in an Employee Benefit trend advantage.



USI ONE®, Employee Benefit Solutions

USI's employee benefit practice is designed to contain cost, promote regulatory compliance and deliver superior account service. We focus on seven primary employee benefit service areas.

<p>Underwriting & Analytics</p> <p>Negotiation & management to contain plan costs</p>	<p>HR Services</p> <p>Administration platforms, call centers and service calendars to ease your administrative burdens</p>	<p>Population Health Management</p> <p>Wellness design, disease management analysis and aligned incentives to improve health</p>	<p>Compliance/Healthcare Reform</p> <p>Tools, expert guidance, and policies to promote compliance with federal and state regulations</p>	<p>Care Intervention</p> <p>Options for members to make more efficient care decisions without sacrificing quality</p>	<p>Pharmacy</p> <p>Solutions to increase transparency and minimize pharmacy costs</p>	<p>Ancillary Benefits</p> <p>Competitive marketing and scoring drives results for other plan services</p>

A Comprehensive, Holistic View of Your Employee Benefits Plan

Alternative Funding Options

Fully Insured

Fully Insured
with HRA

Level Funded

Captive

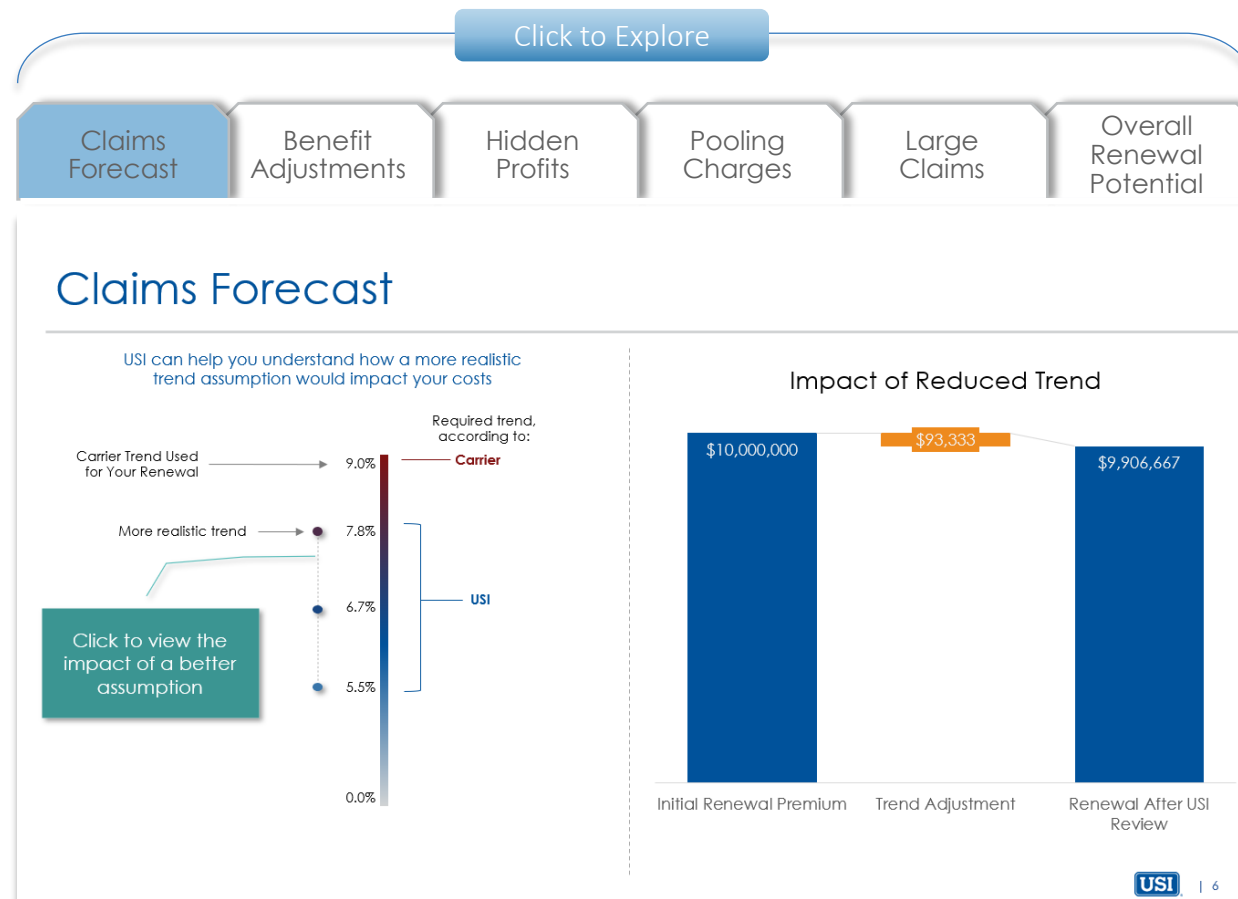
Self-Funded
Bundled

Self-Funded
Un-bundled



Fully Insured Underwriting Review

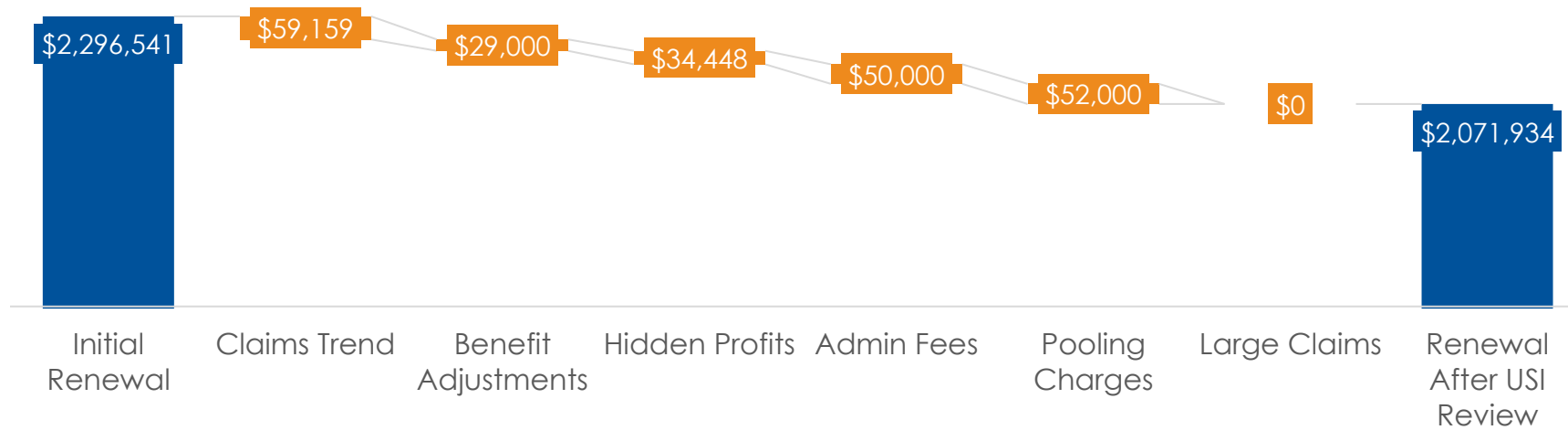
USI's Comprehensive Underwriting Tool shifts the paradigm from an opaque carrier directed process to a transparent/informed review.



- Over the past decade, carrier forecasted trend vs. actual reported trend has been inflated by an **average of 30%**.
- As trend impacts the starting point of the renewal calculation, this 30% is compounded many times over.
- USI underwriters identify the value of a reduced trend assumption and its impact to the overall renewal.

Comprehensive Underwriting Review Potential Results

This represents profits which may be hidden beyond what's contained in an initial renewal negotiation.



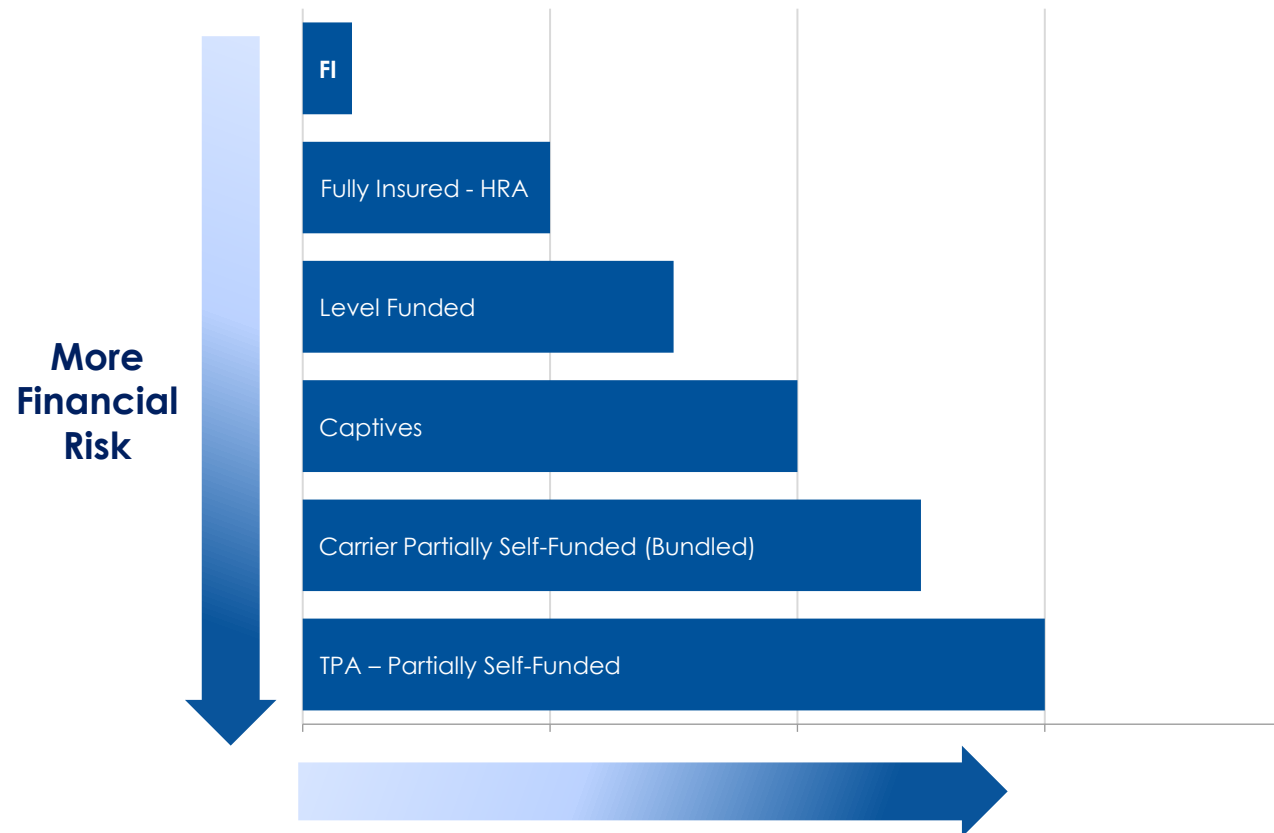
There are several areas in which we can potentially unlock additional premium savings

You may have already received several points off your renewal from negotiations. This tells you carriers have priced high purposefully.

Additionally, our ability to negotiate further may be more or less than what is shown above, depending on the extent of negotiation adjustments received.

The spectrum of funding alternatives

As employers move towards options at the bottom of the graph, they assume more risk but also gain the potential for significant plan savings

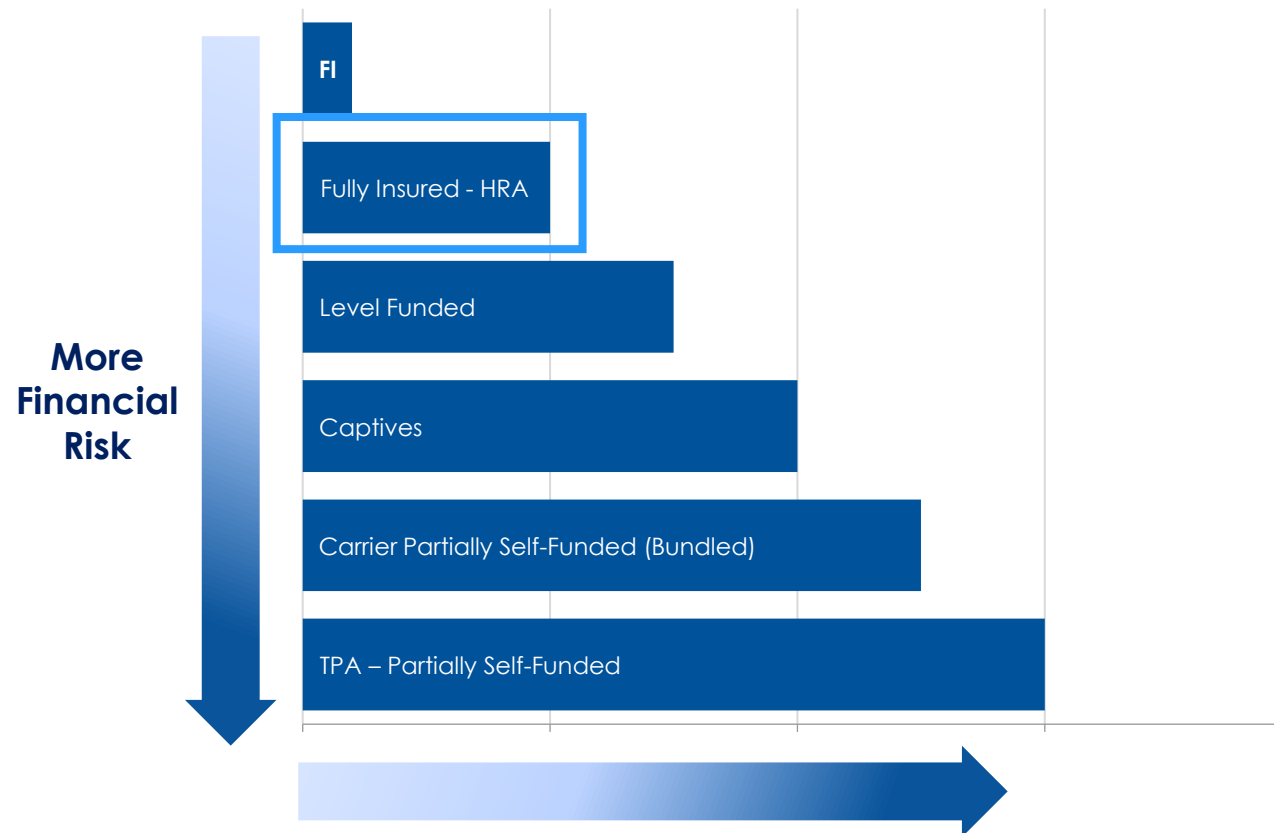


Savings Potential and Plan Flexibility

- Alternative arrangements allow for greater transparency and reductions in costs
- À la carte vendor relationships create best in class programs tailored for each employer
- Employers' needs vary; however, all employers will reduce exposure to taxes and ACA fees

The spectrum of funding alternatives

As employers move towards options at the bottom of the graph, they assume more risk but also gain the potential for significant plan savings



Savings Potential and Plan Flexibility



High Deductible Funding Strategies

USI evaluates and recommends employer-sponsored funding strategies to supplement high deductible health plans

- Employers may reduce fixed cost of insurance by increasing deductible to highest amounts possible
- Employers cover the increased exposure to the employee by funding a health reimbursement account (HRA)
- USI evaluates and demonstrates the likelihood that the combined premium and HRA funding exposure is equal to or less than a traditional copay plan
- HRAs allow for greater flexibility to improve plan design, offer incentives, and manage the overall employee experience

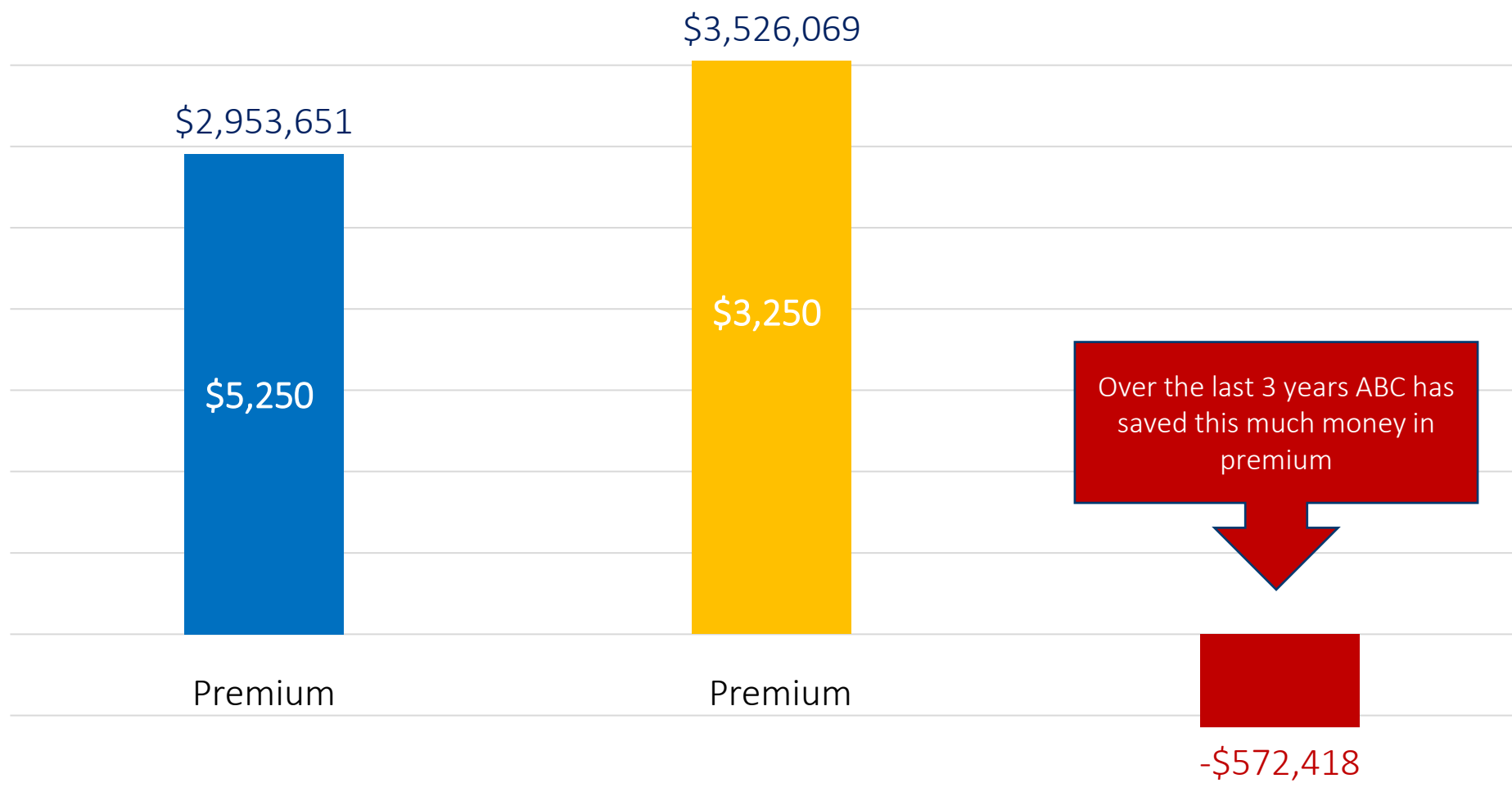
IN NETWORK	CURRENT PLAN	REPLACEMENT HDHP	MEMBER PAYS W/ HRA PLAN
Primary Care	\$25	\$5,000 Deductible	\$20
Specialist Care	\$40		\$40
Emergency Room	\$100		\$100
Urgent Care	\$50		\$50
Lab & X-Ray	\$100		\$100
MRI, Pet Scan	\$100		\$100
Inpatient Copay	\$250		\$250
Outpatient Copay	\$150		\$150

Impact and Benefits:

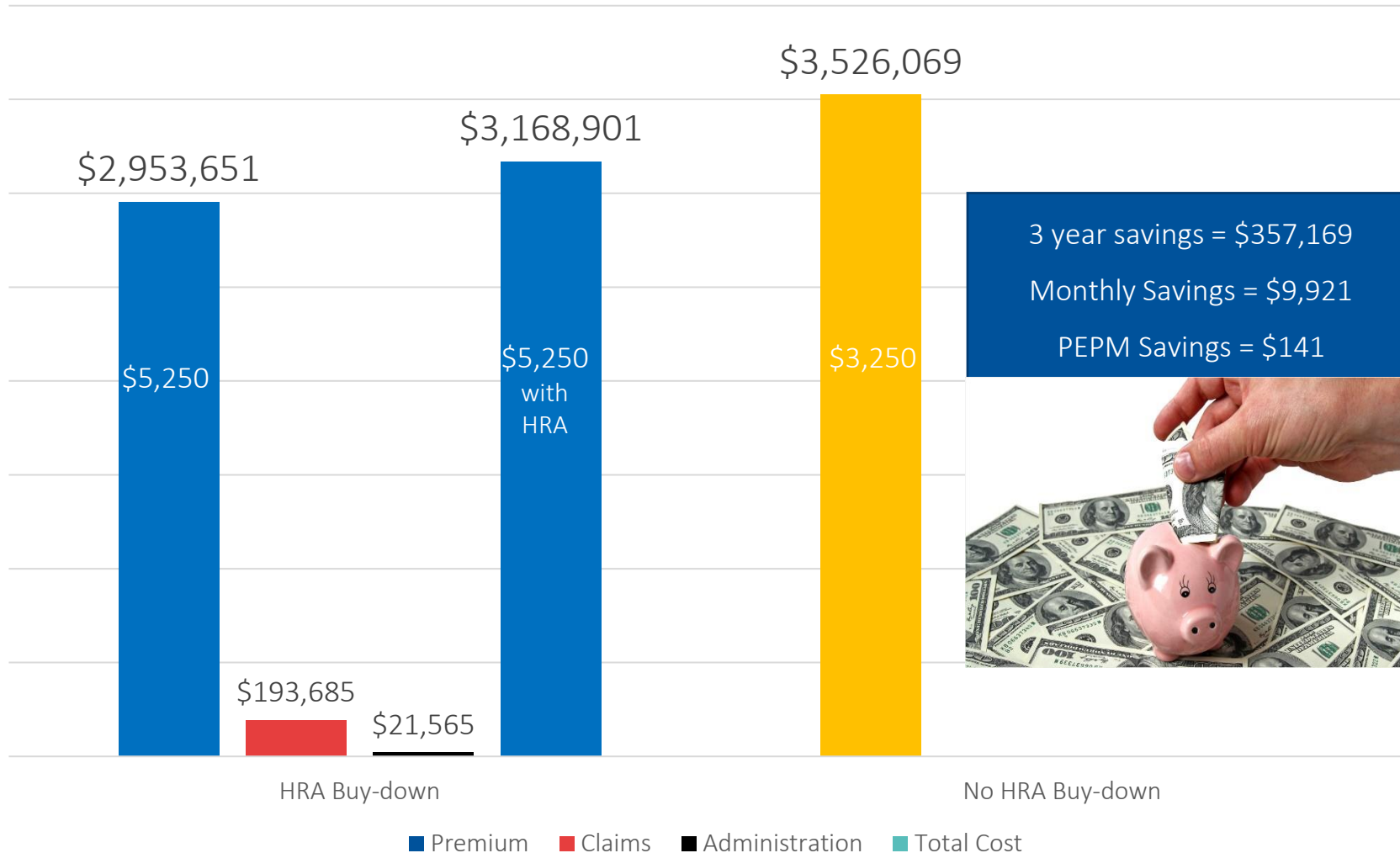
- Estimated fixed cost of insurance reduction of 25 -30%
- Increase exposure for HRA deductible funding of ~20 of premium
- **Net savings of 5-10% of premium**
- Reduced deductible and OOP exposure to member

Improve Control Over Plan Design and Health Plan Costs

HRA Comparison – 3 Year Premium Savings between a \$5,250 and \$3,250 Deductible

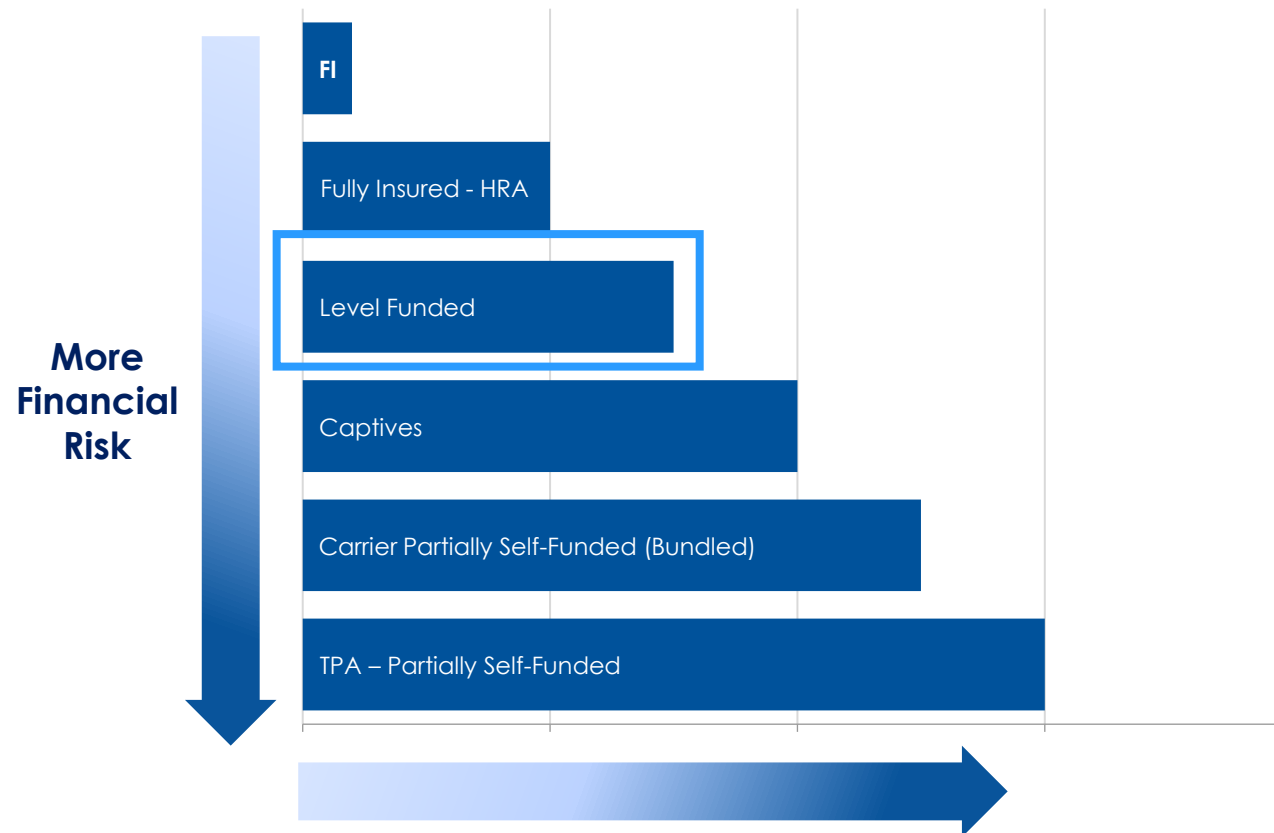


HRA Buy-down Cost Analysis



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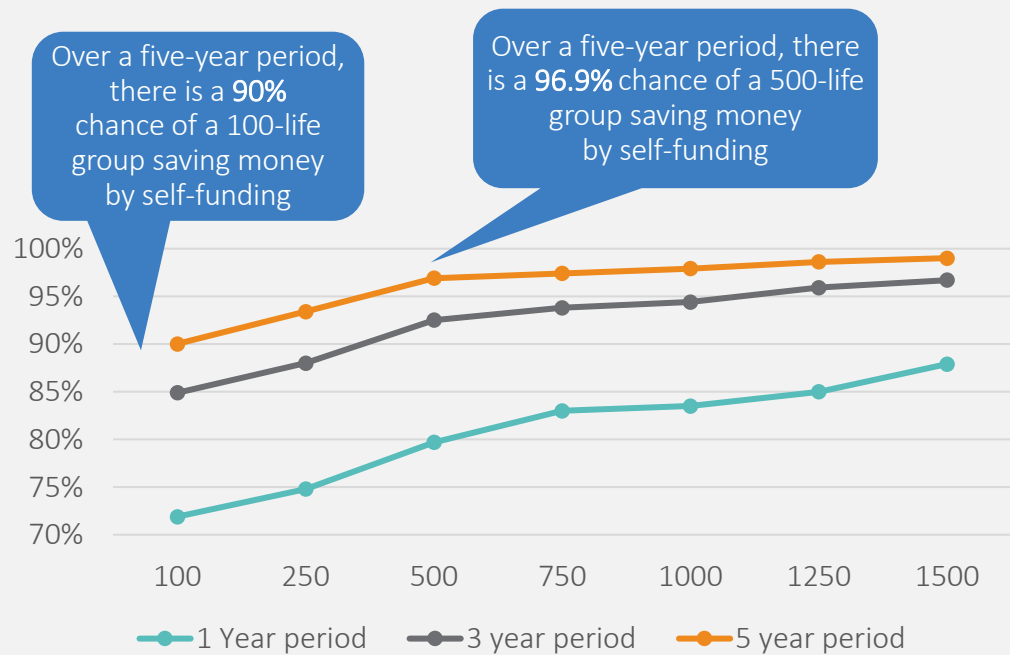
Savings Potential and Plan Flexibility



Understanding Probability and Risk

Given inherent tax and fee advantages of alternative funding arrangements, long-term savings are highly likely.

Likelihood of Self-funding program costing less than Fully Insured program*



* Data Source: Windsor Strategy Solutions, Risk Decision Support Tool

- Using case specific factors and robust actuarial tools, USI demonstrates the very high likelihood of partial self-funding costing less than fully insured over the course of 1, 3, and 5-year periods.
- The inherent cost advantage of 5% to 10% of premium for alternative funding arrangements drives these results.

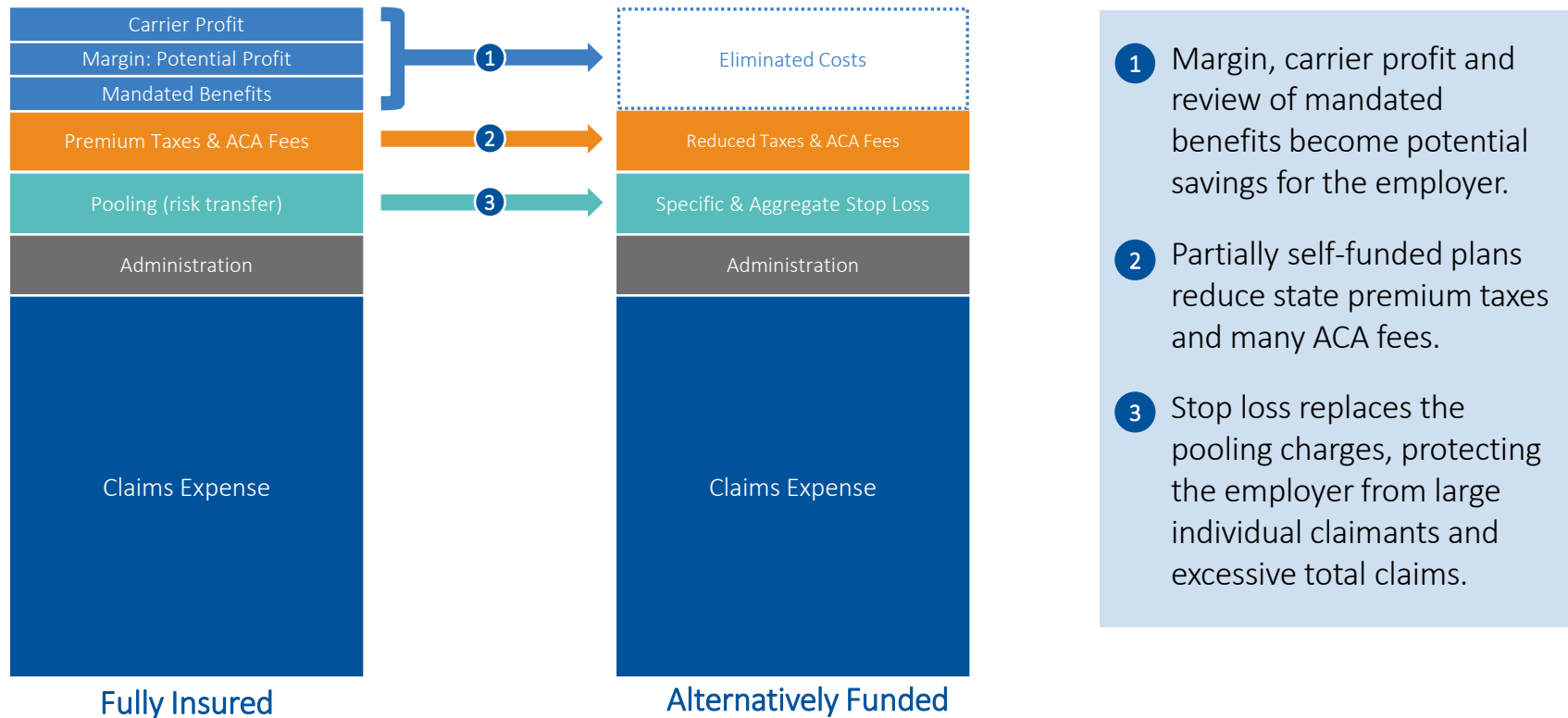
USI helps employers understand the appropriate balance of risk and premium.



UNDERWRITING & ANALYTICS

Understanding Components

For groups with over 100 employees, actual claims experience plays the most significant role in determining health insurance rates. Alternative funding strategies offer a different way to manage the rest of the cost. Either way, the employer is bearing the cost of actual claims.



USI helps employers understand cost differences by funding option.

Level Funded Plans Provide Added Transparency

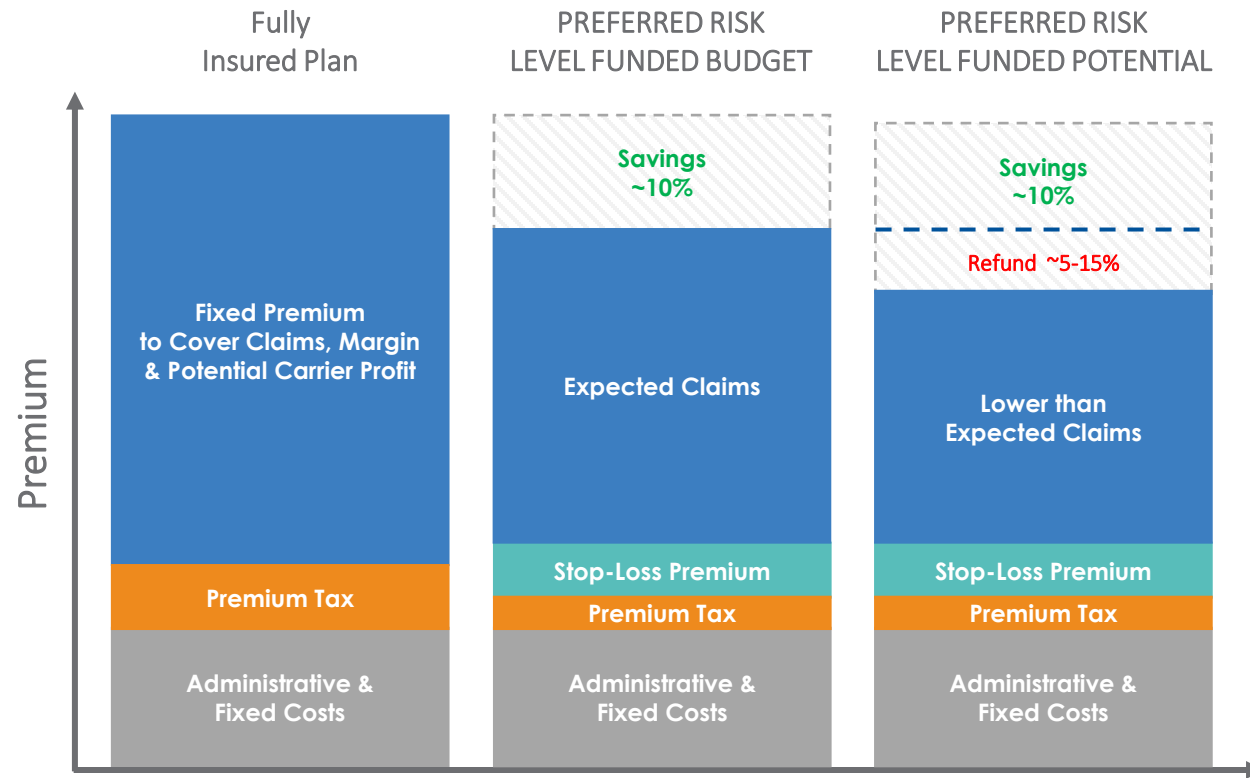
Level funded plans offer convenience and stability of a fixed rate with detailed claims experience and a formula-driven renewal process.

Attribute	Fully Insured	Level Funded
Consistent premiums over 12-months, including costs of claims reserves for IBNR	✓	✓
Reduction in state premium taxes and state mandates	✗	✓
Transparency for claims costs	✗	✓
Year-end dividend eligibility when renewing coverage	✗	✓

- Fixed monthly premiums provide maximum exposure similar to a fully insured plan.
- Lower costs due to reduced state premium tax and adjustments for preferred risk health status.
- End of year settlement may produce a premium credit based on favorable claims experience.
- Level-funded programs are the first step in improving transparency and gaining control of healthcare expenses.

Understanding Plan Components

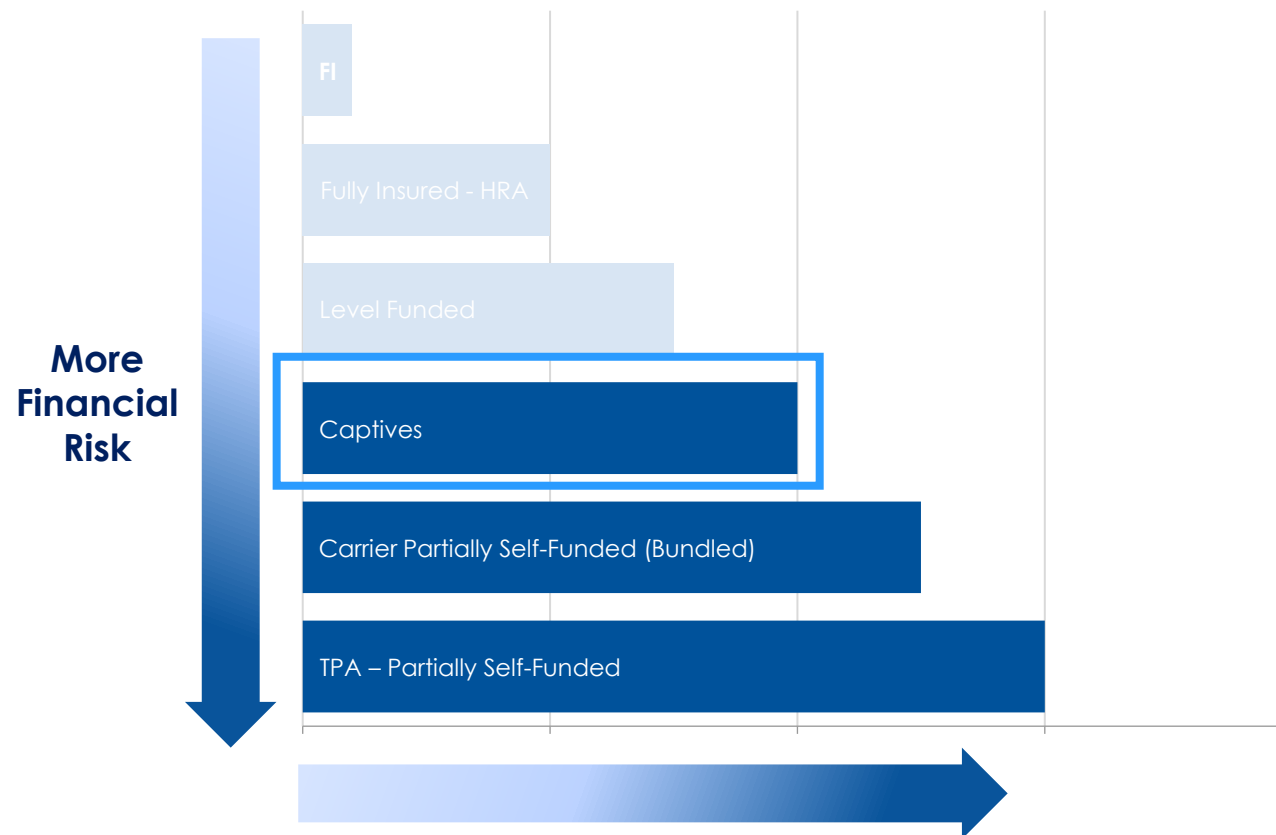
Level-funded programs provide claims transparency and opportunity for financial savings.



- Preferred risk employers see immediate savings due to reduction in state premium tax and preferred risk underwriting of ~10%.
- Embedded stop loss coverage protects the savings in the event of poor claims experience.
- Additional savings available due to favorable claims experience through a reconciliation refund of an additional 5%-10%.

The spectrum of funding alternatives

As employers move towards options at the bottom of the graph, they assume more risk but also gain the potential for significant plan savings



Savings Potential and Plan Flexibility





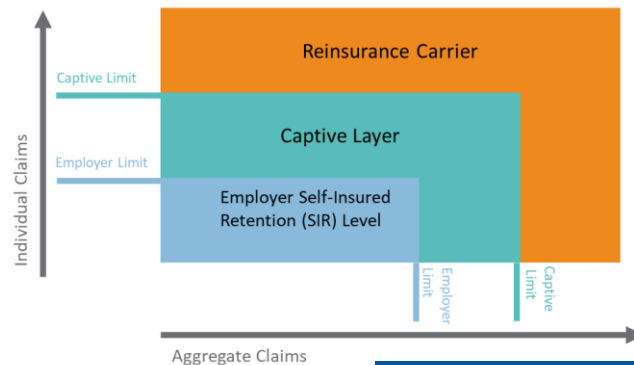
Evaluating Captive Management Programs

USI evaluates captive management solutions to assist employers seeking longer term stop loss and cost management strategies

- Captives offer stop loss insurance in a collective group with additional risk-sharing opportunities and turn-key cost management solutions
- USI evaluates captive terms and conditions including collateral requirements, termination provisions, eligibility requirements, historical performance and financial stability
- Fully insured employers facing limited options for traditional stop loss
- Self-funded employers seeking to reduce volatility of stop loss pricing

Impact and Benefits:

- Alternative funding offers savings of 5-10%. Additionally, captive programs may offer savings beyond a traditional partially self-funded contract of 1-2%.
- Turn-key cost management programs, typically not available to smaller employers, offer additional savings of 3-5%.

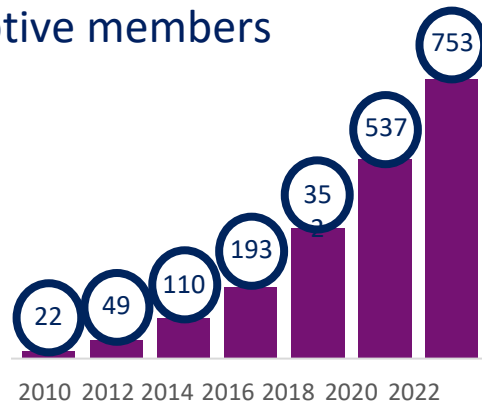


Evaluation of Complex Captive Programs

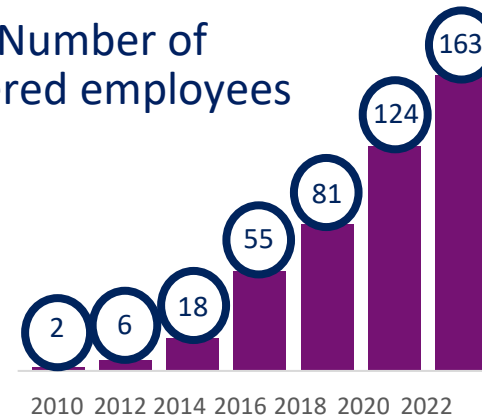
There is a reason why Berkley's Captive Business increasing so dramatically?

\$317 Million Stop Loss Group Captive Premium

Captive members



Number of covered employees



45

different
Stop Loss Group
Captive programs

10+

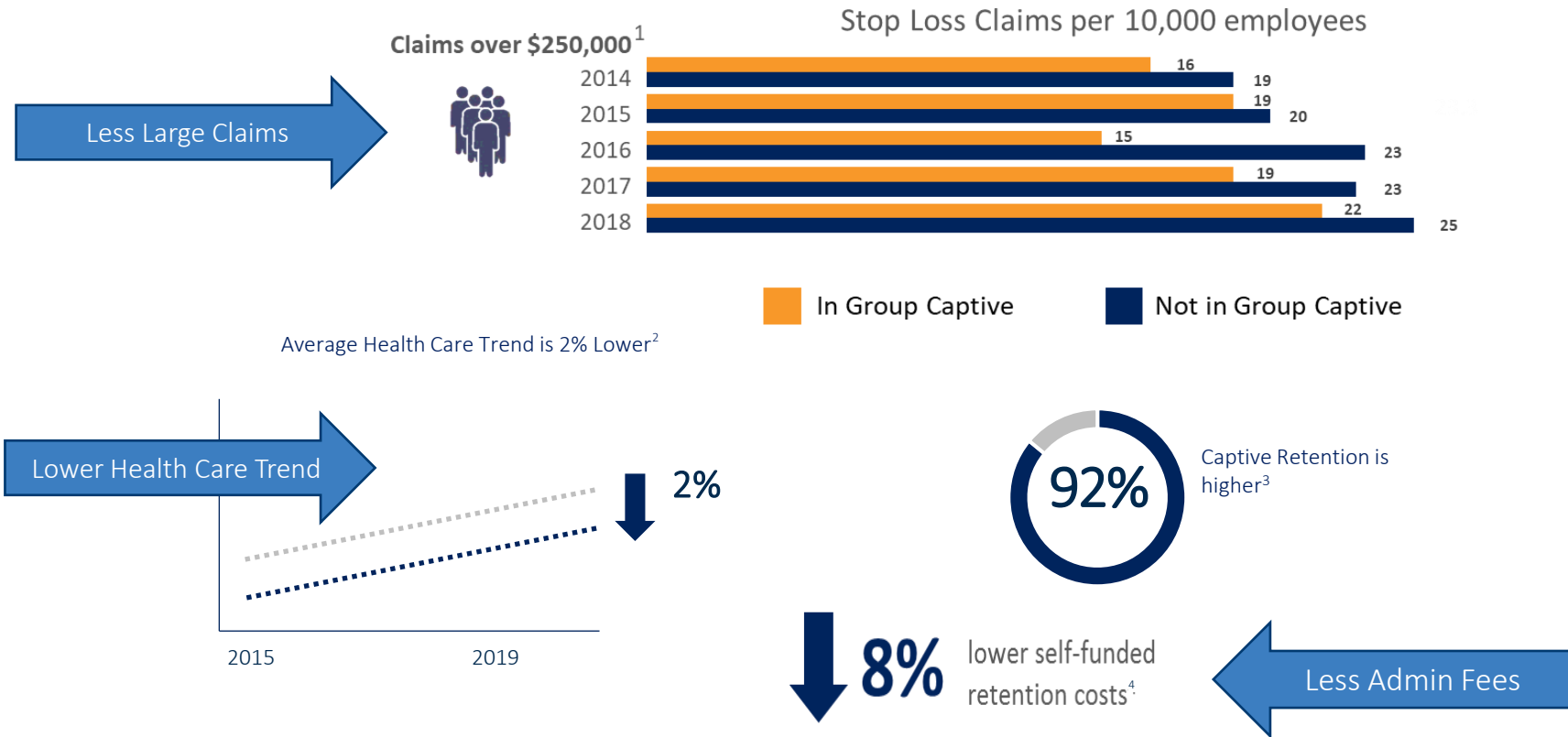
years offering Stop
Loss Group Captive
solutions

A+

(Superior)
rating by
A.M. Best¹

¹ Berkley Life and Health Insurance Company, 2022
Block size data as of 1/1/22 and 1/1 of each year

Berkley Results: Captives have been more competitive compared to Traditional Reinsurance



¹ 2014-2018 Berkley Accident and Health book of business data, comparison of entire Stop Loss block vs. all Group Captive programs

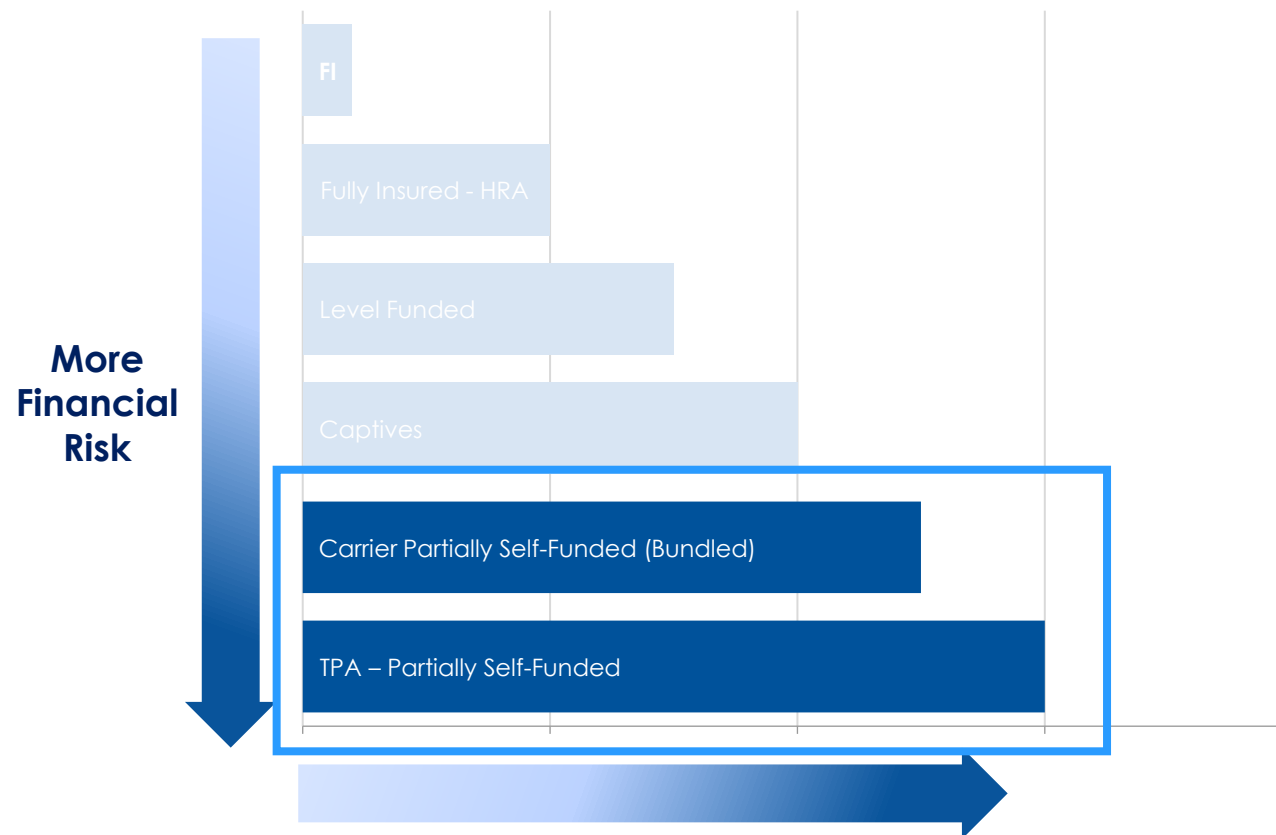
² 2012-2019 data

³ 2015-2019 data, based on active programs as of 12/31/19

⁴ 2012-2019 data, comparison of EmCap members' self-funded retention (SFR) claims vs. projected claims prior to start of plan year

The spectrum of funding alternatives

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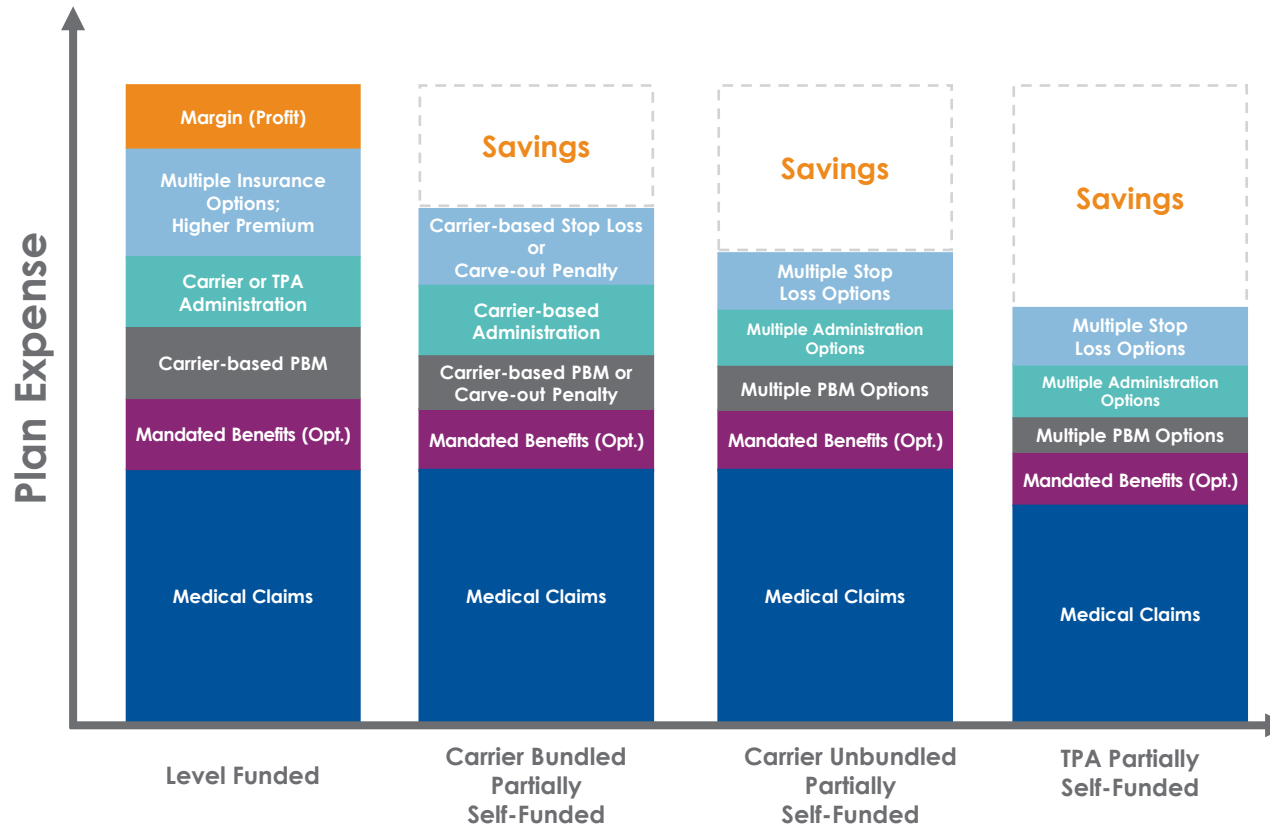


Savings Potential and Plan Flexibility



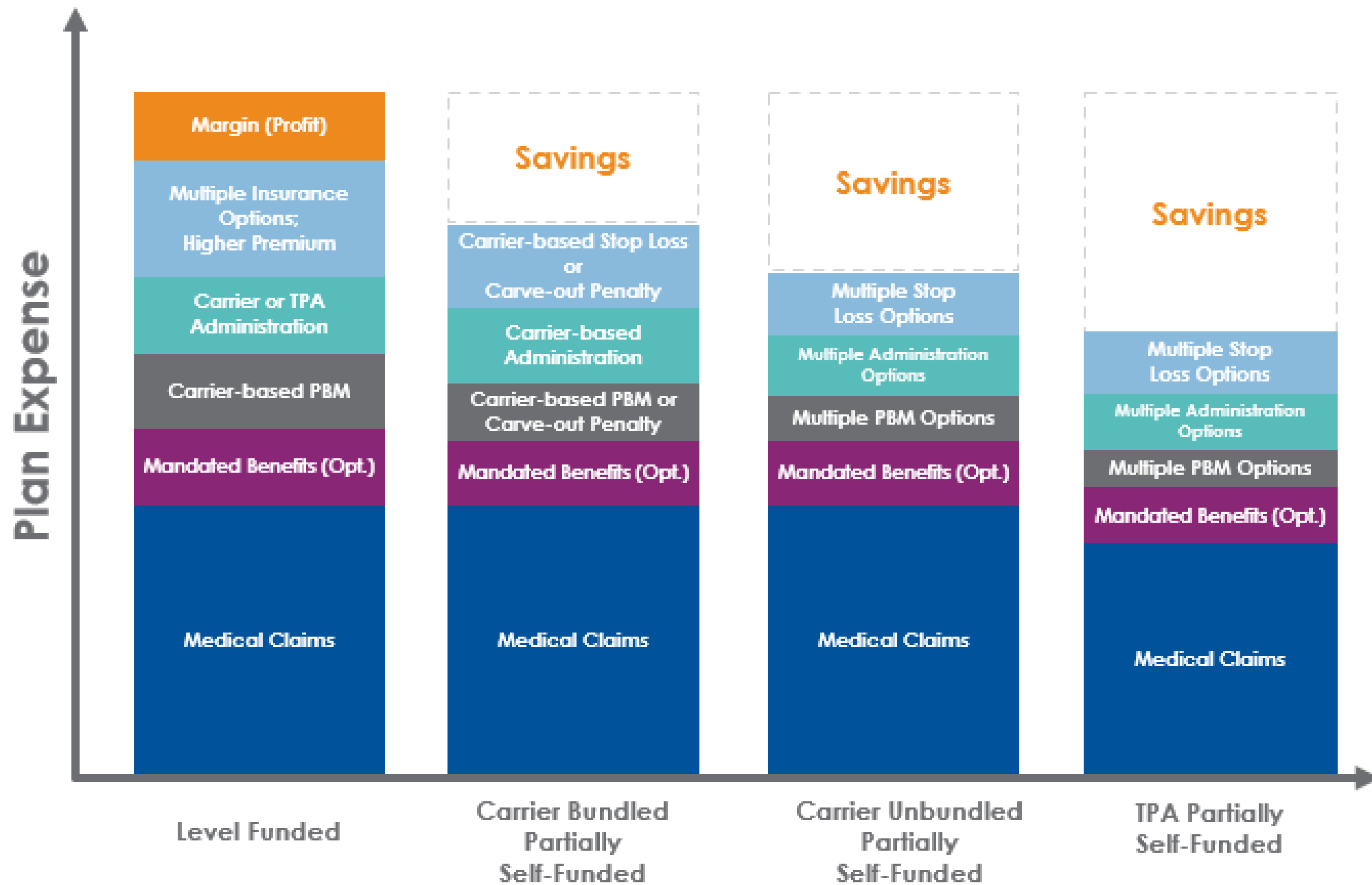
Evaluating Plan Components

Bundled self-funded plans lack transparency and drive significant profit for insurance carriers.
 Unbundling of services promotes savings by reducing individual component costs.



- Moving across the spectrum of funding alternatives increases flexibility to market each individual component of a self-funded program.
- Independent purchase of plan components allows employer to choose based on price and quality.
- **Save 10% - 15% on each individually marketed component**
 - This is in addition to tax and fee savings attributed to self-funded plans.

Progressing to the right increases opportunity to reduce each plan component cost.





Proprietary Stop Loss Benchmarking

How do you select your stop loss coverage to determine appropriate risk level?

- Identify the appropriate range of specific stop loss deductible options based on the client's specific demographics
- Estimate the Stop Loss Premiums PEPM
- Present range of options to client and allow them to select the specific stop loss deductible that best suits their business needs

Impact and Benefits:

- **5% to 15%** reduction in premium for appropriate change in specific stop loss deductible
- Protect the client from over insuring
- Industry benchmarked data ensures most competitive price

Projected Specific Stop Loss Exposure for USI Stop Loss Client				Sample SSL Benchmarking Analysis		
Specific Stop Loss Deductible	FREQUENCY Projected Claim Occurrences Per Year	SEVERITY Average Amount over Spec. Ded, Per Occurrence	GRAND TOTAL Specific Stop Loss Claims Exposure	Estimated Stop Loss Premium (Annual)	Estimated Stop Loss Premium (PEPM)	
Current SSL Deductible	\$100,000	5.789	\$98,065	\$567,737	\$475,449	\$113.20
	\$110,000	5.883	\$100,258	\$589,810	\$493,933	\$117.60
	\$120,000	3.772	\$99,249	\$374,333	\$313,483	\$74.64
	\$125,000	4.145	\$111,880	\$463,783	\$388,393	\$92.47
	\$130,000	3.913	\$112,353	\$439,617	\$368,155	\$87.66
	\$140,000	3.228	\$111,020	\$358,425	\$300,161	\$71.47
USI Recommended SSL Deductible Range	\$150,000	2.900	\$123,995	\$359,648	\$301,185	\$71.71
	\$175,000	2.043	\$137,939	\$281,811	\$236,001	\$56.19
	\$200,000	1.572	\$147,394	\$231,679	\$194,019	\$46.19
	\$225,000	1.257	\$155,969	\$196,115	\$164,236	\$39.10
	\$250,000	0.986	\$166,839	\$164,517		
	\$300,000	0.692	\$184,616	\$127,760		

Monthly Premium Savings Range: \$41.49 PEPM - \$74.10 PEPM

Benchmarking Analysis to Manage Risk Tolerance

Sample SSL Benchmarking Analysis

Projected Specific Stop Loss Exposure for USI Stop Loss Client

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Current SSL Deductible

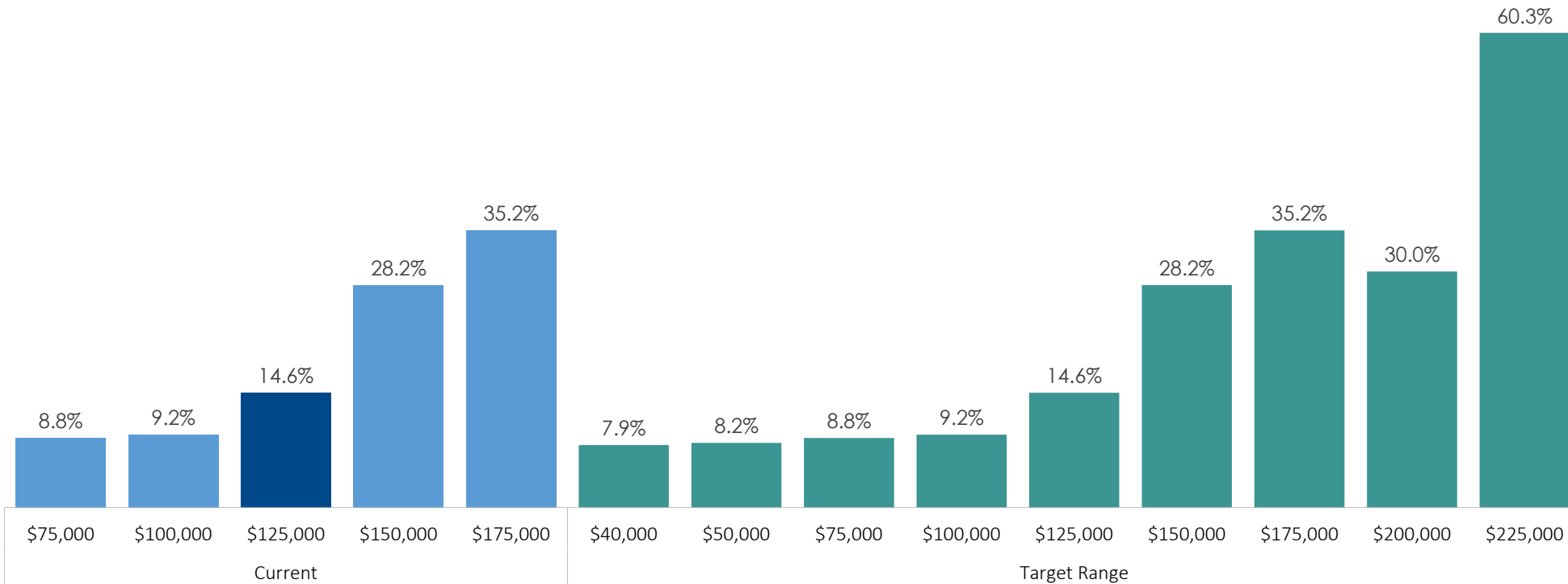
USI Recommended SSL Deductible Range

Monthly Premium Savings Range:
\$41.49 PEPM - \$74.10 PEPM



UNDERWRITING & ANALYTICS

Setting Stop Loss Deductibles



Shown here is the likelihood of actual costs being equal to or lower than total expected current/renewal costs*

Ideally, we'd want to rule out choosing deductible levels that give you less than a 50% chance of outperforming your current/renewal contract, so we have left many of those deductible choices in this graph

*Total Costs = Annual Claims + ISL Premium - Reimbursements

Large claims deductible based on **(280)** enrollees.



Plan Design & Contribution Modeling

USI models several contribution strategies to align with client's goals and the needs of employees.

- Establish actuarial values of plans to validate contribution amounts
- Customize differentiated plans to meet varying needs of employees
- Evaluate carrier rates or develop premium equivalent rates for a self funded program
- Benchmark costs and contributions to the market and ensure compliance with ACA requirements

Impact and Benefits:

- Drives an estimated 2-5% premium savings by facilitating enrollment into the most efficient plans
- Simplifies processes of budgeting, multi-year planning and wage banding

CIGNA	High Plan			Medium Plan			Low Plan					
RATE EXHIBIT												
COSTS	#	Premium	EE Contrib	ER Cost	#	Premium	EE Contrib	ER Cost	#	Premium	EE Contrib	ER Cost
Employee	32	\$741.91	\$254.41	\$487.50	44	\$693.36	\$205.86	\$487.51	78	\$656.66	\$169.15	\$487.51
EE + Spouse	10	\$1,527.07	\$763.53	\$763.54	4	\$1,427.55	\$713.79	\$713.76	6	\$1,352.30	\$676.15	\$676.15
EE + Child(ren)	5	\$1,295.27	\$647.64	\$647.63	5	\$1,210.78	\$605.39	\$605.39	7	\$1,146.91	\$573.45	\$573.46
EE + Family	14	\$2,259.90	\$1,129.96	\$1,129.94	5	\$2,112.80	\$1,056.40	\$1,056.40	15	\$2,001.57	\$1,000.78	\$1,000.79
Total Monthly Cost	61	\$77,126.77		\$42,292.69	58	\$52,835.94		\$32,614.22	106	\$97,385.20		\$61,108.55
Total Current Prem.	\$3,216,053.16											
Annual ER Cost	\$2,022,136.54											
Annual ER %	63%											
Annual EE Cost	\$1,193,916.62											
Annual EE %	37%											

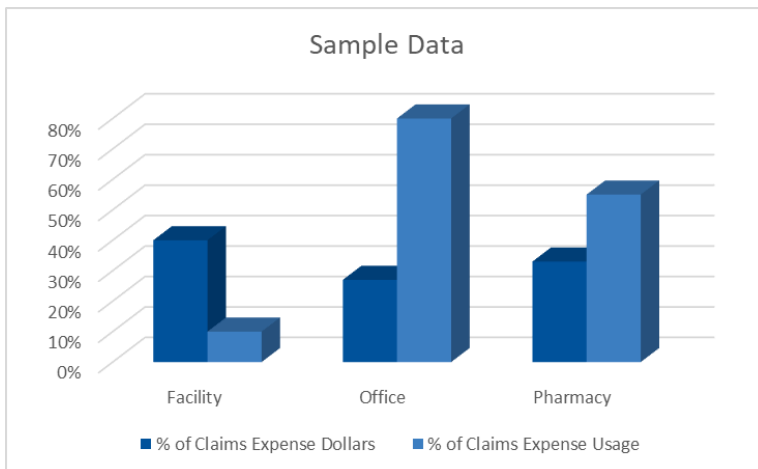
Clear Understanding of Employee and Employer Cost



UNDERWRITING & ANALYTICS

Plan Considerations

	Option 1	Option 2	Option 3
Network	OAM POS	OAM POS	OAM POS
Deductible	\$1,500/\$3,000	\$3,000/\$6,000	\$5,000/\$10,000
OOP	\$3,000/\$6,000	\$6,000/\$12,000	\$5,500/\$11,000
PCP Copay	\$25	\$30	Deductible
Spec Copay	\$50	\$60	Deductible
G/B Rx Copay	\$15/\$50	\$15/\$50	After Ded \$15/\$50
Spec Rx	20%/40%	20%/40%	After Ded 20%/40% Rx Applies to OPM

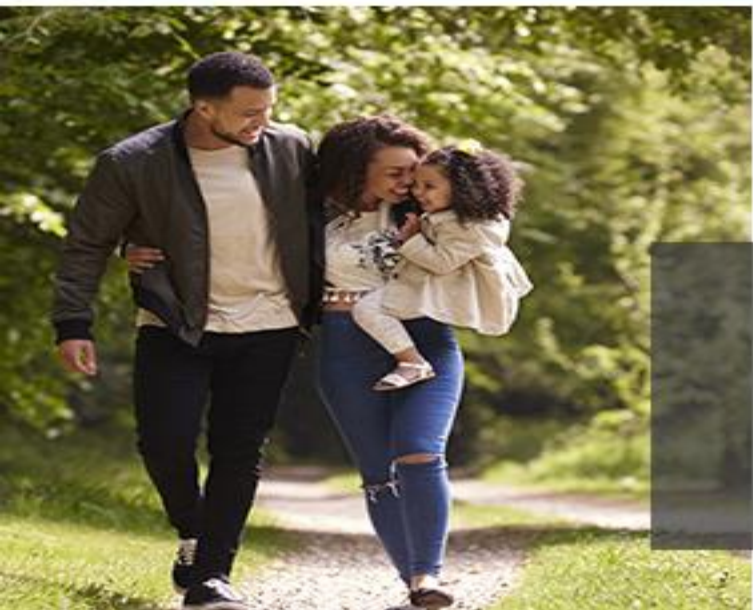


	Option 1	Option 2	Option 3
Hit OPM			
Enrollment	97	85	85
Relationship	100%	90.40%	83.40%
Premiums	100%	86.77%	75.47%
Contributions			

Considerations:

- Plan design choices should have clear differences which align with the contribution strategy, so members can easily make decisions.
- Plan design changes should be evaluated by considering historical utilization to determine if projected savings can be reached.
- Plan design choices and contribution incentives can impact plan performance differently between funding arrangements.
- Adding complexity to create illusion of choice achieve less than thoughtful strategic planning.

Understanding of how Design and Contributions Impact Plan Cost



HRIC CAPTIVE UPDATE

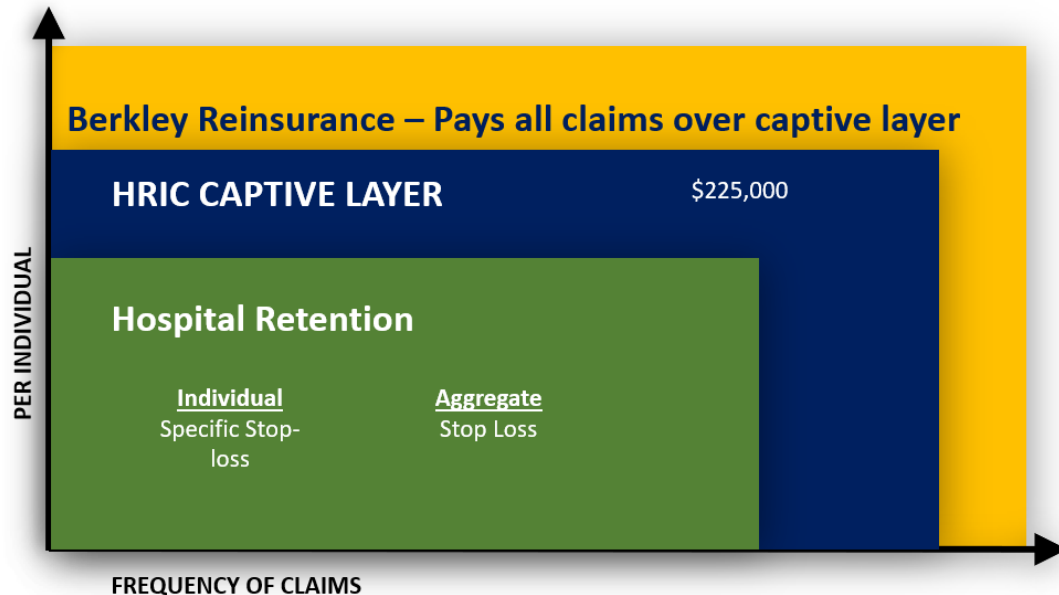




Proprietary HRIC Captive

Employer Health Plan Risk Transfer

Retain. Share. Transfer.



January 2022

Includes robust PHM Requirements and Springbuk Analytics



Heartland Rural Insurance Captive...story



Bryan Health



FRANCISCAN SISTERS
of Christian Charity



BROWN'S MEDICAL IMAGING
AN ISO 13485 CERTIFIED COMPANY



YORK GENERAL



Providence Medical Center



PHILLIPS COUNTY
HEALTH SYSTEMS

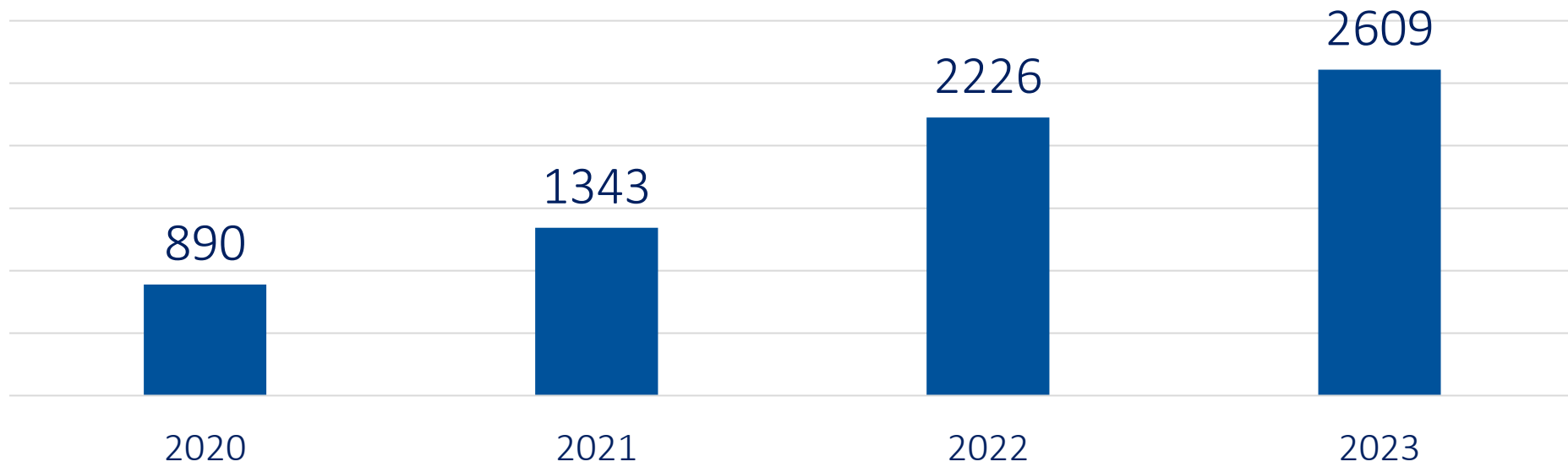
ST. ANTHONY
Regional Hospital



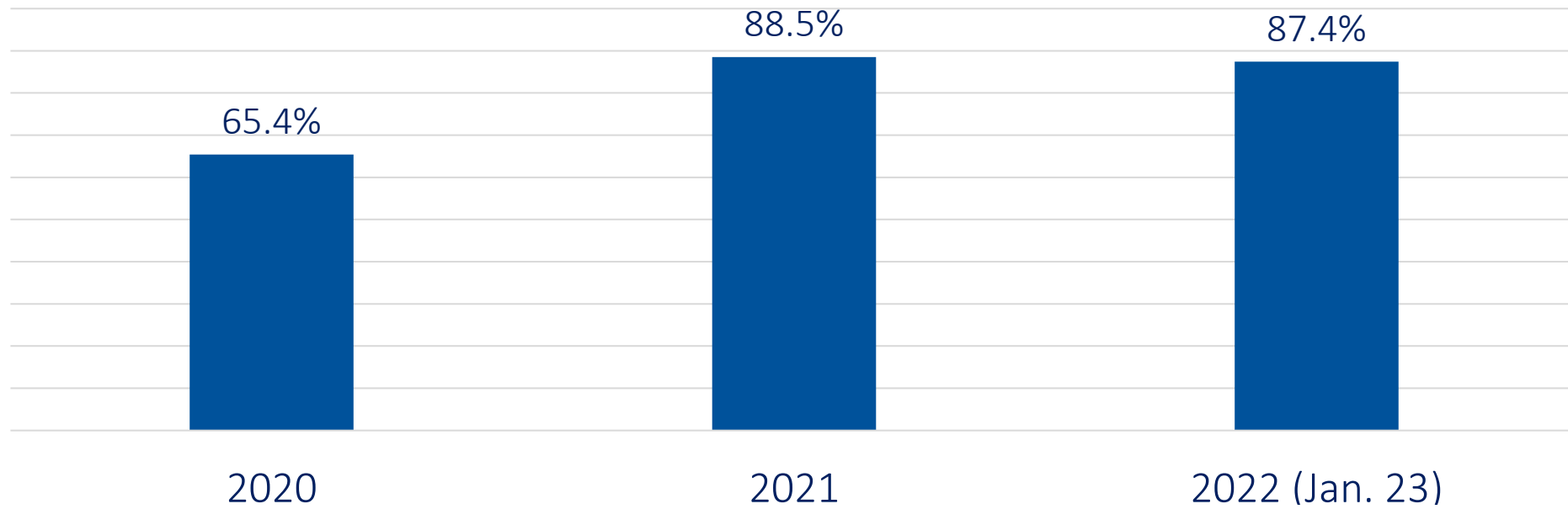
the Physicians of Oncology Hematology West



Number of Covered Employees

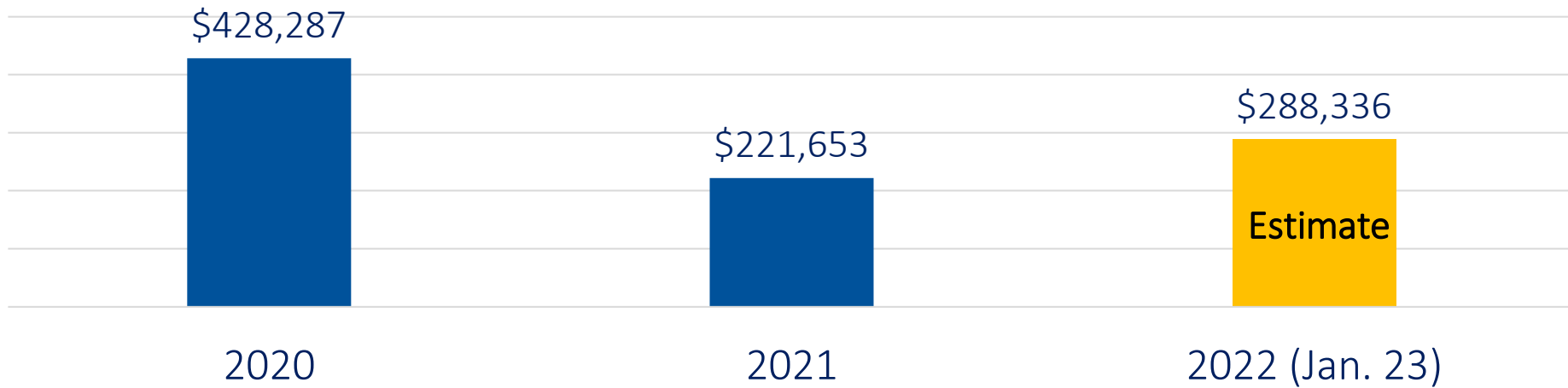


Captive Loss Ratio



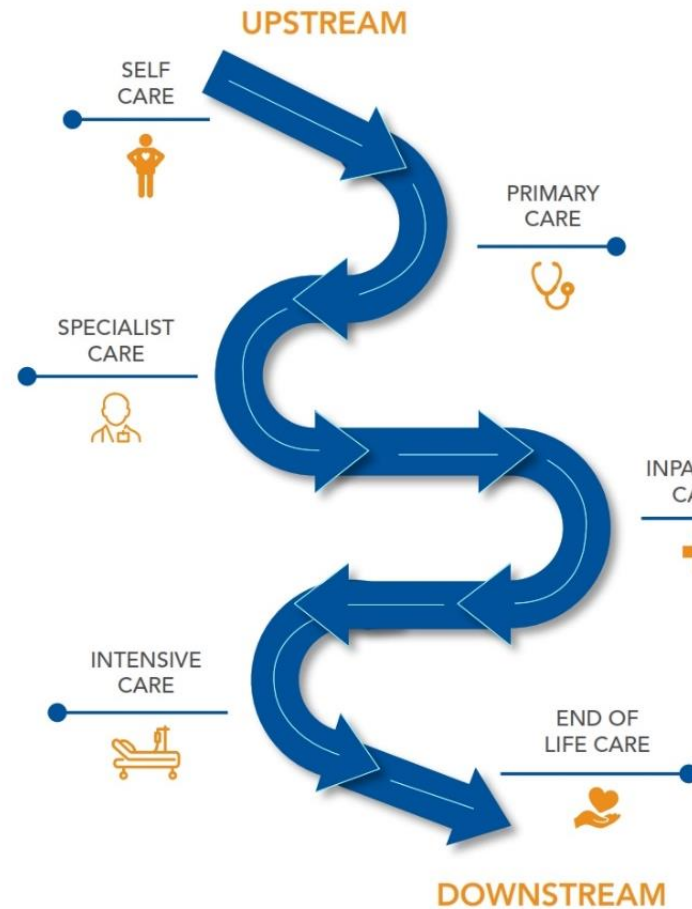


Captive Distributions



Upstream – More Prevention & Primary Care

USI believes preventive care leads to earlier detection and intervention...



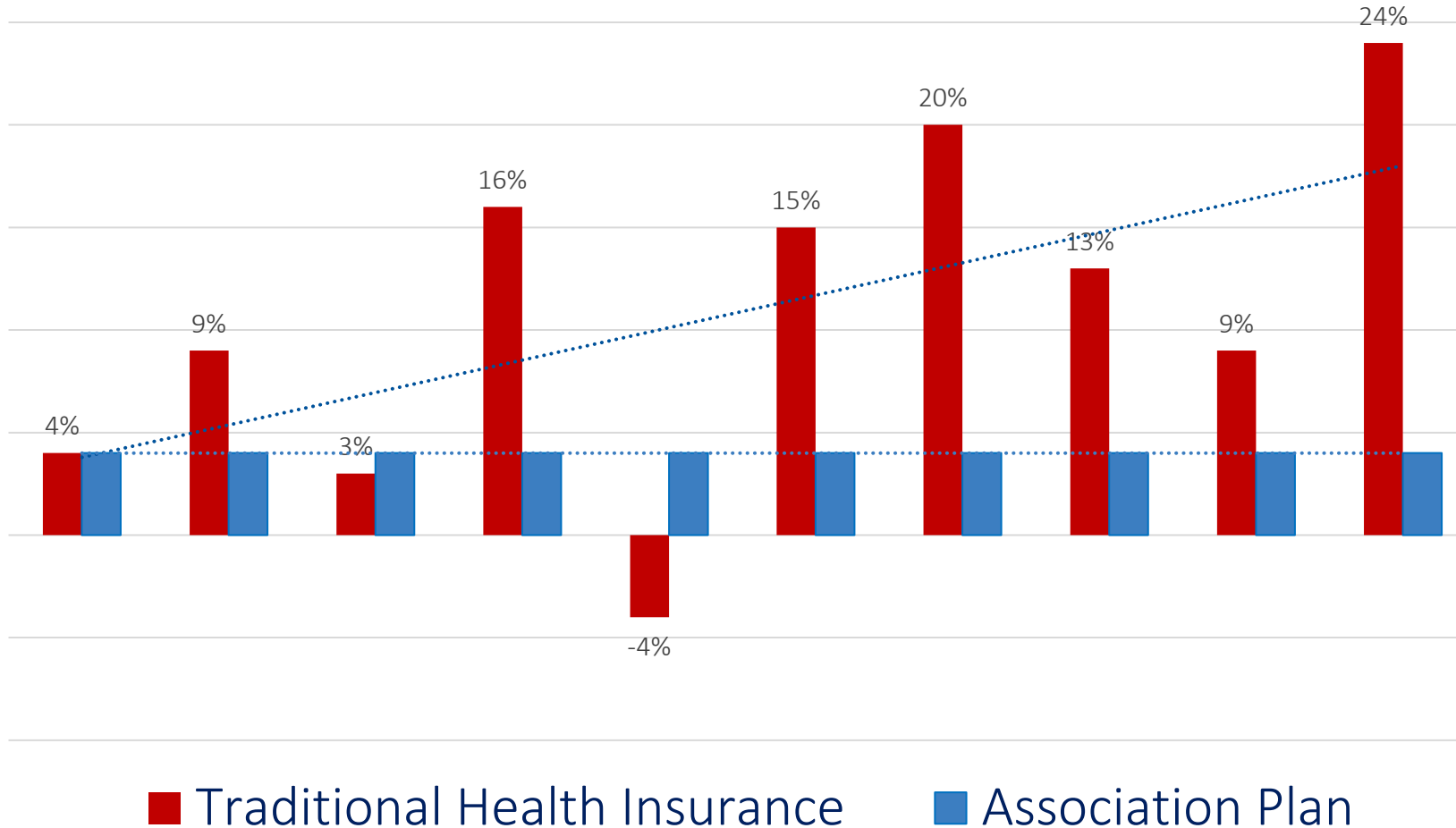
...which is unlike our healthcare system that focuses more attention on treating conditions.



POTENTIAL ASSOCIATION PLAN FOR NHA MEMBERS



Why would we consider offering an Association Plan to our members?





Medical Proposed Rates

		Prepared On: October 19, 2021
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Plan Info

	Option 1		Option 2			
Option Number	BF42RX1		BF66			
Plan Name	Renewal		Renewal			
Offered as Renewal or Alternate	No		Yes			
HSA	No		No			
3 - Tier Plan	No		No			
Benefits						
Best Network	NetworkBlue		NetworkBlue			
Copays (PCP/SPC)	\$30/\$50		Ded+Coins			
Deductible (Single/Family)	\$3000/\$6000		\$7000/\$14000			
Coinsurance (Member Pays)	30%		0%			
Out-Of-Pocket (Single/Family)	\$6000/\$12000		\$7000/\$14000			
Pharmacy	\$10; \$30; \$50; \$100		Ded+Coins			
Out Of Network						
Deductible (Single/Family)	\$6000/\$12000		\$14000/\$28000			
Coinsurance (Member Pays)	50%		50%			
Out-Of-Pocket (Single/Family)	\$12000/\$24000		\$28000/\$56000			
Enrollment						
Employee	3		55			
Employee & Spouse	0		19			
Employee & Child(ren)	0		14			
Family	0		24			
Total	3		112			
Monthly Premium Rates						
	Premiums		Premiums			
	Current	Proposed	Current	Proposed		
Employee	\$685.52	\$1,127.35	\$544.86	\$901.83		
Employee & Spouse	\$1,405.32	\$2,311.07	\$1,116.96	\$1,848.76		
Employee & Child(ren)	\$1,199.67	\$1,972.87	\$953.50	\$1,578.21		
Family	\$1,988.02	\$3,269.32	\$1,580.09	\$2,615.31		
Aggregate Premiums						
Monthly Premiums	\$2,057	\$3,382	\$102,461	\$169,589		
Annual Premiums	\$24,679	\$40,585	\$1,229,528	\$2,034,574		
Change From Current	64.45%		65.52%			





ESTABLISHING THE ASSOCIATION PLAN



Michelle L. Sitorius

CLINE WILLIAMS
WRIGHT JOHNSON & OLDFATHER



**ESTABLISHED OVER A DOZEN ASSOCIATION
PLANS & HIGHLY RECOMMENDED BY BCBS OF
NEBRASKA.**

EDUCATION

University of Nebraska, J.D., with distinction

McGill University, Montreal, Quebec, M.A.

**University of Nebraska, B.A., with high
distinction**

Time to take action – gathering census data to establish rates



Underwriting Process – generate actual plans and rates



Underwriting Process – generate actual plans and rates

Time to commit – need multiple groups and a minimum of 250 covered employees



More Details to Come!

Questions?



Kirk.Swartzbaugh@usi.com (402-968-5475)
Bill.Barclay@usi.com (402-677-3629)
Bill.Rezac@usi.com (605-906-0205)



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