

COVID-19 Employer Advisory Session

PRESENTED BY:

A Funding Alternative That Won't Hold You Captive



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ONEDIGITAL'S CORONAVIRUS ADVISORY HUB

Visit onedigital.com/coronavirus/ for resources on how to monitor, prepare for and respond to any healthcare, safety or workplace issues that stem from the coronavirus (COVID-19).



Agenda

With so much uncertainty, it's time to *Take Charge* of your Health Plan

- Current challenges facing businesses
- The impact these challenges may have on health plans
- A long-term solution to control and stabilize health plan costs

A man with a beard and glasses, wearing a dark suit, white shirt, and dark tie, is looking down at a smartphone in his hands. He is sitting at a desk in an office. In the background, there is a stone fireplace mantel with a wooden log on top. Above the mantel, a calendar for the year 2011 is visible, showing the months Jan, Feb, Mar, Apr, May, Jun, and Jul. A laptop is open on the desk to the right, and a white mug is visible in the bottom right corner.

Now more than ever, being a small to mid-sized employer comes with significant health plan challenges.

Current Business Challenges

The COVID-19 Impact:

- Employee safety
- Remote work arrangements
- Layoffs, furloughs, unemployment
- Federal and State stimulus applicability
- Other political implications like mandatory business shutdowns
- Ongoing business operations impact
- Employee health insurance applicability
- Unexpected cost impact to health plans

The Health Plan Impact

Health plan costs have been unsustainable for most businesses for years. Did you know...

- 30% of healthcare spend in U.S. is directly caused by misdiagnosis
- Hospital pricing lacks transparency and varies widely, sometimes within same hospital
- Pharmaceutical industry pricing lacks transparency
- 71% of total healthcare spend in U.S. is associated with individuals with more than one chronic condition
- When fully-insured, 10%-15% or more of employer spend goes toward insurance carrier profit, premium taxes, and state mandates

The Health Plan Impact

The COVID-19 crisis will exacerbate the problem

- Insurance carriers have been flexible on eligibility, coverage, and billing provisions
- Unexpected claim costs associated with testing and treatment will impact fully-insured and self-insured plans alike
- Carrier renewals are projected to be high during coming cycles so they can recoup lost revenue

WHAT IF ...

there were a way to gain *full transparency and control* of your health care spend without shouldering the entire risk of self-funding?



A Group Captive



An alternative risk strategy

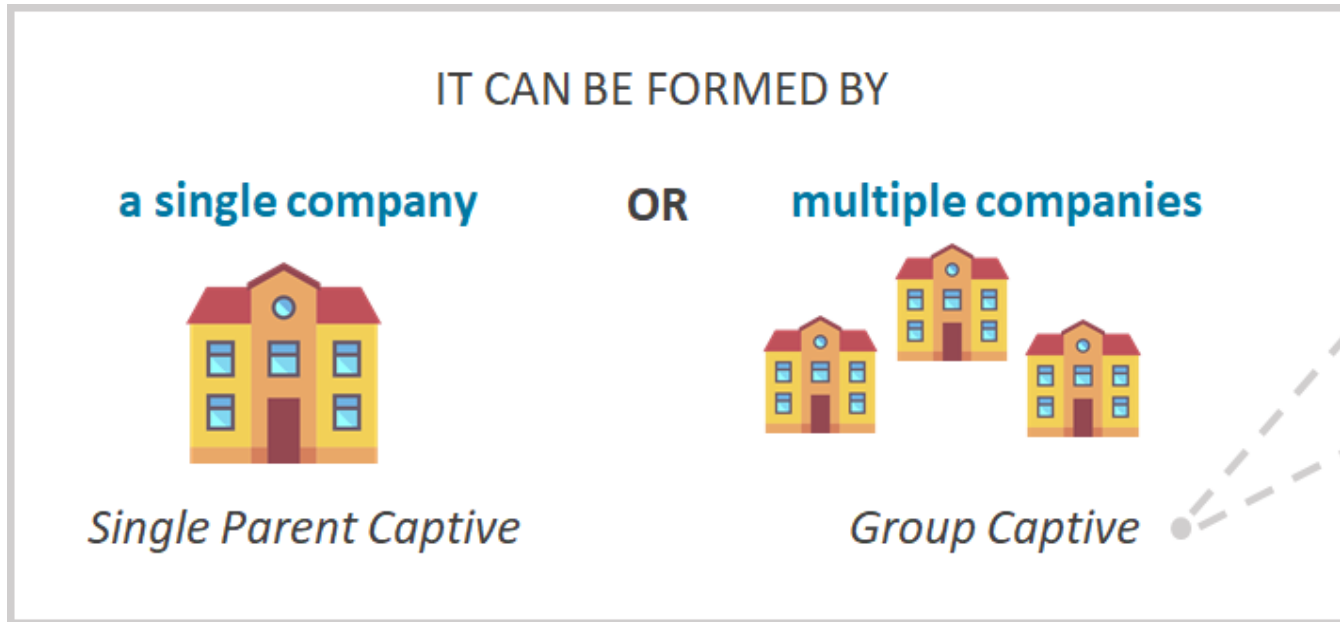


A financial strategy, *not* a benefits strategy



A way for employers to gain the *transparency, flexibility* and *control* inherent in a self-funded plan, combined with the stability and scale of a group pool, creating a true opportunity to *manage health plan risk*

A Medium for Taking Risk



Same industry
(homogeneous)



Different industries, sizes
(heterogeneous)



Combines Three Strategies

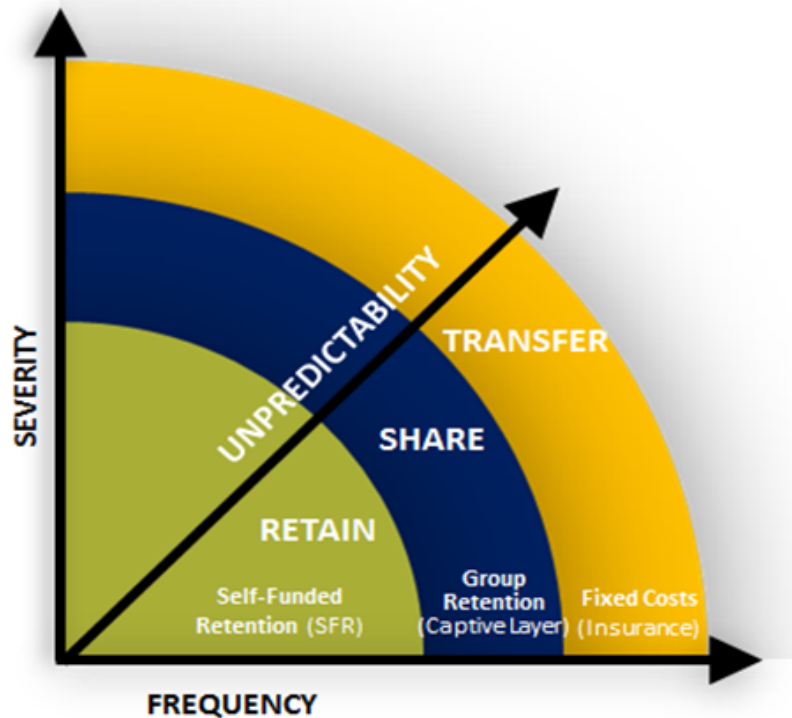


Resulting in:

- Management of high-cost claimant risk
- Controlled health care costs
- Engaged employees and family members

How Does It Work?

Each employer joins a group captive structure



Retain:

- Each company retains control over own benefit plan design and individual claimant risk level

Share:

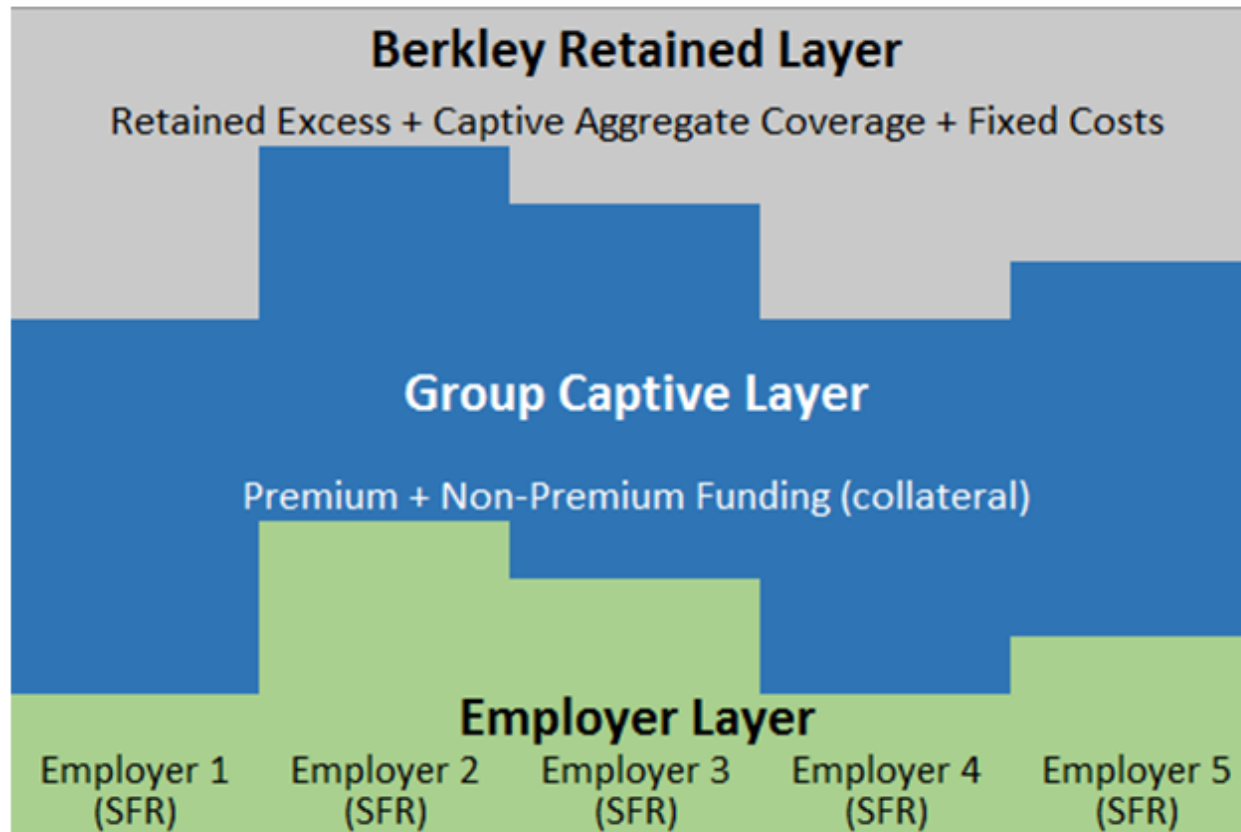
- All companies pay premiums to stop-loss insurer
- Captive pools together claims for less volatility
- Each company shares in financial results of captive
- Unused funds from captive are returned to each company at close of program year

Transfer:

- Captive contracts with stop-loss insurer for catastrophic claim reinsurance

Risk Sharing Within The Captive

Each employer joins a group captive structure



Risk Assumed by stop-loss carrier
($>$ retained amount + \$225K)
($>$ captive aggregate maximum)

Risk Shared among member employers
(\$225K per individual)

No Risk Sharing
Each employer pays for claims up to applicable individual and aggregate stop-loss levels (retained amount)

Saving Money in a Captive

- Fixed cost savings by moving from fully-insured to self-insured
- Stop-loss insurance savings by pooling premium with other businesses
- Claim cost reduction by proactively implementing risk management programs
- Claim cost reduction by proactively engaging employees at a higher level
- Surplus dollars will be returned to member businesses if captive layer runs well (\$\$\$ can be reinvested in plan!)
- Annual budget reductions due to improved claim cost trends over time

Ideal Business for a Captive

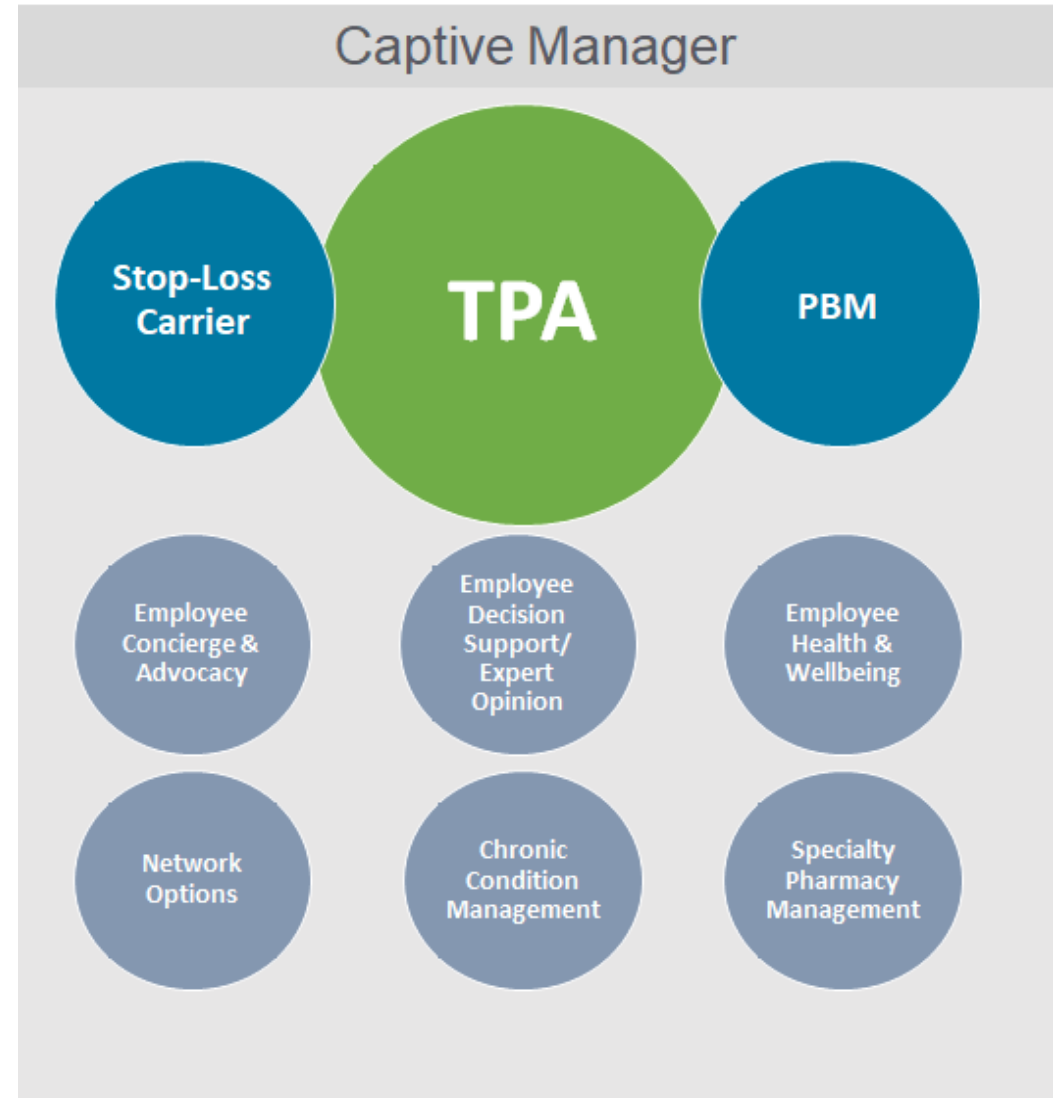
- Frustrated with status quo
- Forward-thinking leadership team
- Wanting higher level of control, transparency, and flexibility
- 50-500 employees enrolled in health plan
- Already or willing to be self-insured with a third-party administrator (TPA)
- Willing to collaborate with other organizations and to proactively implement risk management and employee engagement programs

**OneDigital deconstructed the traditional health plan model
and rebuilt it in a way that meets the goals of
small and mid-sized businesses**



The OneDigital Captive

- OneDigital is Captive Sponsor
- Berkley Accident & Health is Captive Manager
- Berkley Accident & Health is Stop-Loss Carrier
- Allied Benefit is TPA
- Pharmacy Benefit Manager is carved out to third-party
- Risk Management and Employee Engagement Programs are carved out to third-parties and driven by data analytics
- Springbuck is data analytics platform



The OneDigital Captive

A high-
performance
risk-financing
strategy that
optimizes →

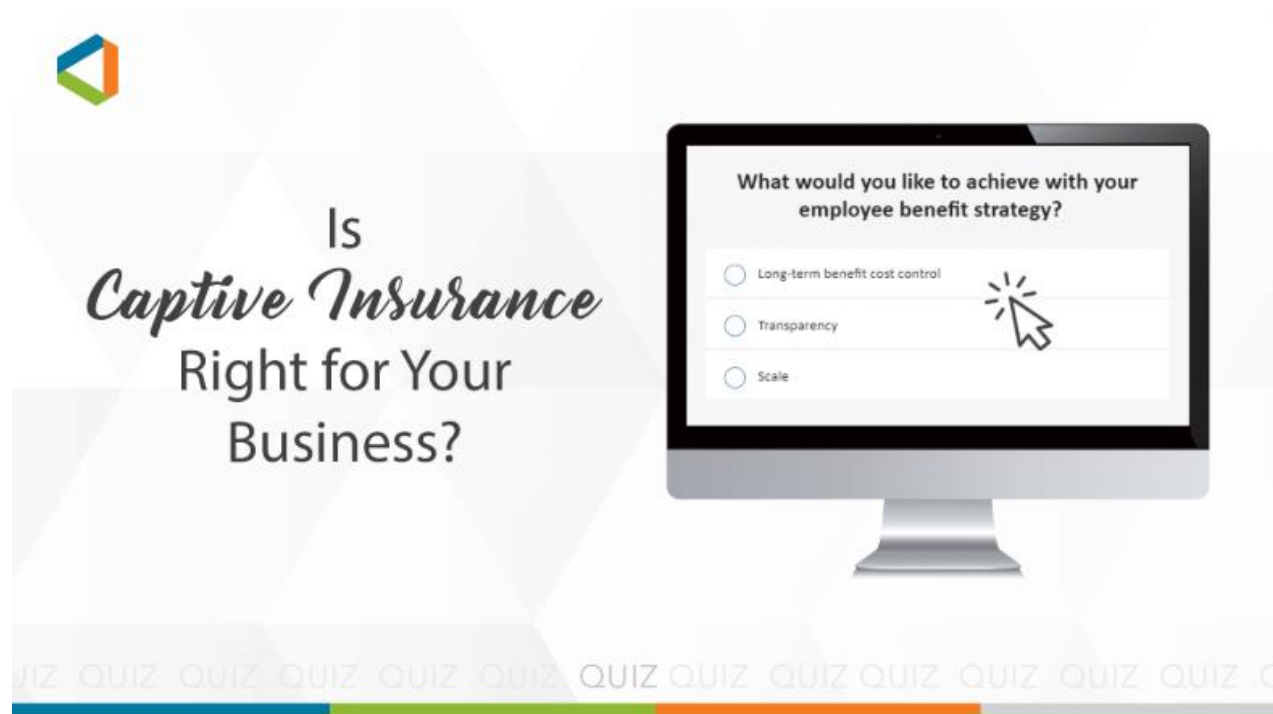
- ✓ Plan design control and flexibility
- ✓ Low overhead and highly efficient
- ✓ Comprehensive data and claims access
- ✓ Full transparency of claims and expenses
- ✓ Long-term risk management strategy
- ✓ **Stability**

The OneDigital Captive - Results

- Members drafted mission statement and by-laws
- Annual meeting hosted by Berkley in Grand Cayman
- +1.6% ~ Average health plan renewal from 2018-2020
- \$180K ~ Average surplus returned to each Member for 2018
- \$133K ~ Average surplus returned to each Member for 2019 (est.)

Is a Captive Right for Your Business?

Discover if an alternative funding model like a Group Captive would make sense for your business by taking a brief quiz.



Thank You!