



SELF-FUNDED MEDICAL PLANS
CURE FOR RISING HEALTH INSURANCE COSTS

BUYER'S GUIDE



RISING HEALTH INSURANCE PREMIUMS ARE A BURDEN TO BUSINESS OWNERS

WHY LEARN ABOUT SELF-FUNDED MEDICAL PLANS?

Next to payroll, health insurance is one of the largest expenses an employer will incur. And, as health insurance premiums rise, businesses of all sizes are exploring other options for providing healthcare to their employees. As a result, many businesses are choosing to forego traditional group health insurance plans (fully-insured plans) and are adopting alternative programs, such as self-funded medical plans (self-insured plans). A self-funded medical plan can mitigate the problem of increasing insurance premiums and help reduce employee healthcare costs. It can also smooth cash flow and ease monthly expenditures.

In 2000, about 48% of all employers self-funded their employee healthcare coverage. By 2015, the percentage of self-funding employers had eclipsed the 60% threshold and is expected to continue to grow at a significant pace. Today, more than 80 million people – 60% of all workers under the age of 65 – are covered by self-funded employer medical plans. Given the rising cost of healthcare, and the complexities associated with compliance, more employers are likely to explore self-funding as an option to lower or offset the cost of healthcare delivery to their employees.

PROTECTING THE HEALTH OF YOUR EMPLOYEES ... AND YOUR BUSINESS

The rapid rise in health insurance premiums weighs on the bottom line of a business. A self-funded medical plan can provide relief.

A self-funded medical plan can help you manage costs. The right provider network can help your employees manage their health care. RMC Group has access to a number of different provider networks. We can help you design a plan that balances your need to control health care costs and your employees' desire to have access to quality health care.

An employer has many options when designing its self-funded medical plan. However, whatever option you choose, you want a network that gives your employees access to a wide range of physicians, hospitals and other healthcare providers on a local, regional and national basis. By working with RMC Group, we can help you select the right network, so you and your employees benefit from:

- » A broad portfolio of flexible products and health services, including access to quality healthcare networks
- » Innovative programs to improve employee health and productivity and lower costs
- » Highly personalized service and account support

55%

**Increase for fully-insured
plans over the next
3 years**



11%

**Increase for self-funded
plans over the next
3 years**





HOW SELF-FUNDED MEDICAL PLANS CAN SAVE MONEY

TRADITIONAL HEALTH INSURANCE = INSURANCE COMPANY PROFITS

In a fully-insured arrangement, the employer pays a fixed monthly premium to an insurance company. In exchange for this fixed premium, the insurance company assumes the cost of medical care provided to the employer's employees. If actual claims are higher than the premiums paid by the employer, the insurance company pays the difference. If actual claims are lower than the premiums paid by the employer, the insurance company keeps the difference. Since insurance companies are in the business of making money, in most cases, actual claims will be less than the premiums paid by the employer.

SELF-INSURED MEDICAL PLAN = EMPLOYER SAVINGS

Instead of paying health insurance premiums to an insurance company, the employer pays the cost of medical care provided to its employees. If medical claims are less than the insurance premiums that it otherwise would have paid, the employer will save money. However, the opposite is also true. If medical claims are higher than expected, the employer's cost could exceed the insurance premiums that it otherwise would have paid. However, RMC Group can help an employer maximize the odds of saving money through the purchase of stop-loss insurance.

ADVANTAGES OF A SELF-FUNDED MEDICAL PLAN

- » Flexible plan design
- » Improved cash flow
- » State premium tax only on stop-loss premium
- » No Affordable Care Act (ACA) insurer tax
- » Employer, not the insurance company, benefits if claims experience is better than expected
- » Reinvest savings in business
- » Control the benefits offered by its medical plan
- » Protect against rising health insurance premiums
- » Participate in prescription saving plans
- » Participate in wellness programs
- » Use telehealth services
- » Enable its employees to access plan information through mobile apps



IN 2017, THE AVERAGE INCREASE IN
HEALTH INSURANCE PREMIUMS WAS
A SHOCKING 25%.

**A SELF-FUNDED MEDICAL PLAN
MAY PROTECT YOUR COMPANY
FROM SUCH DRASTIC INCREASES.**

OTHER SERVICES AND PRODUCTS OFFERED

WELLNESS PLANS

A wellness plan can help your employees manage their health and reduce your costs. RMC Group has access to a number of wellness plans that you can offer as part of your self-funded medical plan. One plan that we offer is a health and chronic disease management plan, which helps employees control chronic conditions such as asthma, diabetes, high blood pressure or even coronary artery disease. By better managing chronic conditions, your employees may be able to avoid more costly procedures.

You can add concierge health services to your wellness plan. As part of a concierge health services plan, your employees are assigned a dedicated Personal Health Advocate who is available to answer questions about their personal health needs. You can also add healthcare price transparency software, which helps your employees compare the cost of healthcare and find the best price for quality care; thus saving you money. Telehealth Services is a service that enables your employees to resolve minor medical issues by speaking with a doctor via telephone or video. Telehealth Services is available 24/7, so your employees do not have to wait until they can make an appointment with their doctor. It saves you money, because a Telehealth Services consultation is less expensive than an office visit. Finally, we can offer you access to a pharmacy benefit management plan. This type of plan helps to reduce the cost of prescription drugs and medications through voluntary mail-ordering programs. It can also reduce fraud and abuse, which can also lead to savings.

WELLNESS PLANS AVAILABLE:

- » Health and Chronic Disease Management
- » Concierge Health Services
- » Healthcare price transparency software
- » Telehealth Services
- » Pharmacy Benefit Management

VOLUNTARY BENEFITS OFFERED:

- » Group Term Life
- » Voluntary Term Life
- » Short-Term Disability
- » Long-Term Disability
- » Dental
- » Vision
- » Critical Illness
- » Accident

VOLUNTARY BENEFITS

As part of your self-funded medical plan, you can offer what are called “voluntary benefits”. RMC Group has a portfolio of insurance products, including life, short-term disability, dental, vision, critical illness, and

accident insurance, which will help you attract and retain the best employees. Our professional staff will help you find the best products for your business and also provide employee education, enrollment, and account management services. Take advantage of our experienced sales and service professionals, who are here to guide you – every step of the way.

PROMOTING SAVINGS

MITIGATING RISK

What is stop-loss insurance? Stop-loss insurance is an insurance policy purchased from an insurance company to cover costs above a certain amount. It caps an employer's exposure to claims at an amount set forth in the policy. The employer will be responsible for claims up to that amount. If claims exceed the threshold in the policy, the insurance company becomes responsible for paying those claims. Stop-loss insurance is significantly less expensive than traditional health insurance. So, stop-loss insurance helps an employer realize the savings of a self-funded medical plan without the risk of catastrophic claims.



**AVERAGE SAVINGS
OF OVER 25%
ANNUALLY AFTER
CLAIMS WHEN
IMPLEMENTING A
SELF-FUNDED PLAN
WITH STOP-LOSS
INSURANCE.**

MEDICAL STOP-LOSS

PROTECTION FROM CATASTROPHIC CLAIMS

Stop-loss insurance protects an employer from unexpected claims, whether from a single employee or its entire workforce. An employer with a stop-loss insurance policy is not responsible for claims that exceed certain pre-set limits for the policy year. If expenses exceed these limits, the stop-loss carrier assumes the liability.



There are generally two types of stop-loss insurance:

Specific Stop-Loss Insurance is sometimes referred to as “individual stop-loss insurance”. It protects against catastrophic claims incurred by a single employee. Specific stop-loss insurance reimburses the employer for claims made by a single employee in excess of the policy’s individual deductible.

Aggregate Stop-Loss Insurance protects the employer from high claim volume. It caps the employer’s exposure to an amount called the aggregate deductible. Aggregate stop-loss insurance reimburses the employer if total claims incurred by all of the employer’s employees exceed the policy’s aggregate deductible.

“Over 85% of self-funded employers with up to 5,000 employees purchase stop-loss coverage. 61% of U.S. employees in employer-sponsored health plans work for firms that self-fund.”

- The Kaiser Family Foundation,
2014 Employer Health Benefits Survey

WHO NEEDS STOP-LOSS INSURANCE?

Any employer that adopts a self-funded medical plan should have stop-loss insurance. Why? No matter how young or healthy an employer’s workforce, the size and number of medical claims is essentially unpredictable and can exceed expectations due to unforeseen health issues. Stop-loss insurance caps an employer’s cost and protects the employer from unexpected claims.

CASE STUDY

SEE FOR YOURSELF THE SIGNIFICANT SAVINGS

A manufacturing company with 150 employees asked us to provide a self-funded option. The company was paying a premium of \$2,410,505, which was expected to increase by 15% at renewal. We were able to propose a self-funded medical plan that had the potential to offer the employer significant cost savings. Since we cannot predict with certainty the medical claims that an employer will incur, we assumed a range of claims, and showed what would happen if the employer had a year with healthy employees and what would happen in a year of average health conditions. Example 1 on the next page illustrates a plan with “good claims experience” and Example 2 shows “average claims experience”. In both scenarios, the savings are compelling.

PLAN COMPARISON SELF-FUNDED VS. FULLY-INSURED PLAN			
		Self-Funded Plan Option	Self-Funded Plan Option
Premium	\$2,410,505	\$551,579	\$551,579
Administrative Costs	Included	\$172,800	\$172,800
Vendor Costs	N/A	Included	Included
COST BEFORE CLAIMS	\$2,410,505	\$724,379	\$724,379
Estimated Claims (<i>low</i>)	Included	\$719,711	\$1,439,399
COST AFTER CLAIMS	\$2,410,505	\$1,444,090	\$2,163,778
POTENTIAL SAVINGS		\$966,415	\$246,727

Estimated Claims is based on a percentage of the Expected Claims. Expected Claims is the anticipated amount of claims during a contract year. Expected Claims is calculated by the stop-loss carrier by using mathematical models and historical claims data of the employer. Example 1 assumes 50% of the Expected Claims. Example 2 assumes 100% of the Expected Claims.

SAVINGS AFTER CLAIMS

EXAMPLE 1

\$966,415

EXAMPLE 2

\$246,727

FREQUENTLY ASKED QUESTIONS

Who decides what benefits an employer's medical plan will offer?

Subject to certain limitations, an employer can determine the participation rules for its plan and can also determine what benefits are included.

How is the cost of a self-funded medical plan with stop-loss insurance determined?

There are three parts to the cost of a self-funded medical plan with stop-loss insurance. The first part depends upon the amount of medical claims that the employer decides to pay directly and the amount of claims actually incurred by its employees. The second part is the stop-loss insurance premium. This depends, in part, upon the specific and aggregate deductibles. The stop-loss premium will be calculated by the insurance company's actuary and depends upon such factors as claims history and the make-up of the employer's workforce. The third part is the cost of administration. Generally, an employer will engage a third-party administrator to manage and pay claims.

Can an employer's costs be capped?

Yes. The employer's costs are capped on both a per-employee and per-group basis. The employer will be liable for claims for a particular employee up to the specific deductible. Claims in excess of that amount are reimbursed under the stop-loss policy. Likewise, once the employer has paid claims equal to the aggregate deductible, the insurance company takes over. Stop-loss insurance prevents an employer from paying claims in excess of a pre-determined amount.

How are medical claims paid?

Claims are generally paid by a third-party administrator from an account set up by the employer. Once the employer has paid an amount equal to the specific or aggregate deductible, the third-party administrator will seek reimbursement from the stop-loss insurance company.

Can a self-funded medical plan include pharmacy and other wellness benefits like traditional health insurance?

Yes. A self-funded medical plan can offer the same benefits as traditional health insurance. In fact, an employer may be able to offer more benefits and better coverage with a self-funded medical plan.

NEXT STEPS

START SAVING WITH A SELF-FUNDED MEDICAL PLAN FOR YOUR BUSINESS

RMC is an international provider of risk management and actuarial consulting services. RMC specializes in the design and administration of innovative risk management and insurance products for the small-to-medium sized business.

We know that controlling costs and providing superior personalized service are the keys to a long-term relationship. Our corporate philosophy is to put the goals and interests of our clients first. That is why we have access to the top healthcare provider networks. RMC offers our employer-clients the opportunity to optimize their health plan performance through our unique innovation, expertise and value.

A man with a beard and glasses, wearing a dark suit, white shirt, and light blue tie, is sitting at a desk and working on a laptop. He is looking down at the screen with a slight smile. The background is a blurred office environment with other people working.

**THERE IS NO END
IN SIGHT TO RISING
HEALTH INSURANCE
PREMIUMS. LET US
CREATE A SELF-FUNDED
MEDICAL PLAN WITH
STOP-LOSS INSURANCE
FOR YOUR BUSINESS.**



Visit rmcgp.com for more information on RMC Group.

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