



# Alternative Funding Overview

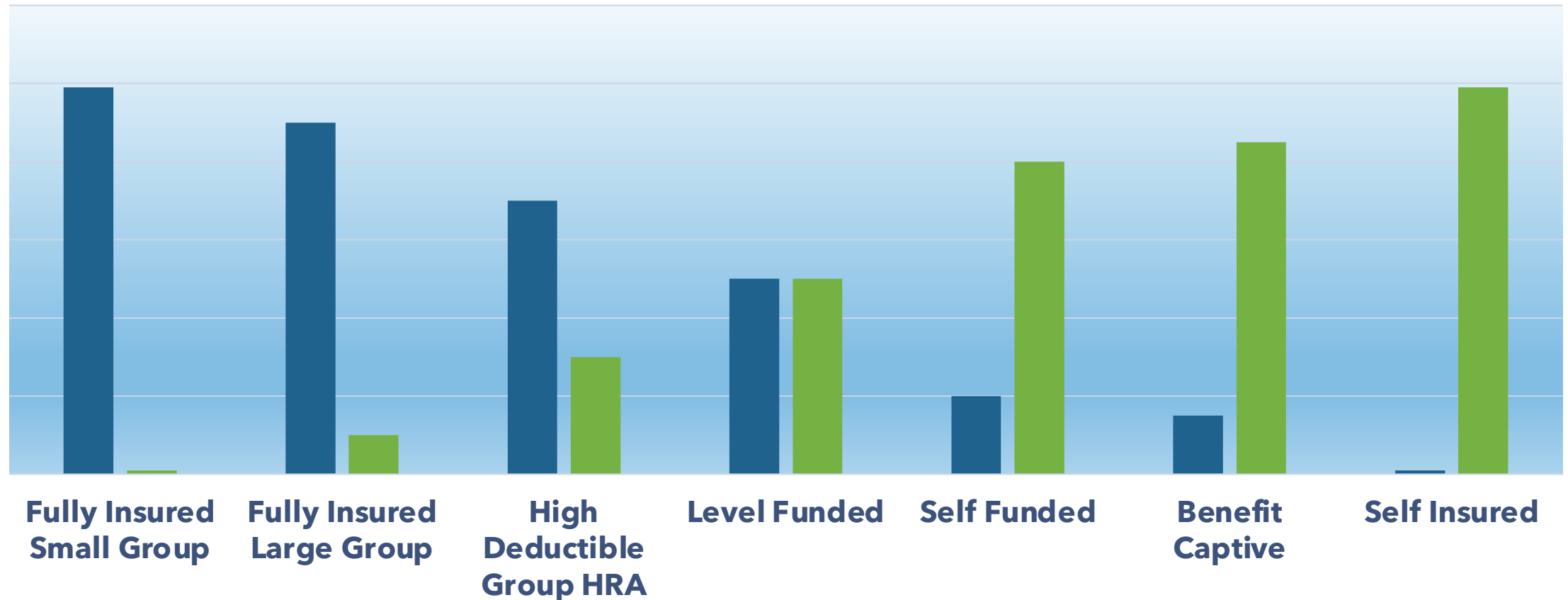


**DICKERSON**  
ALTERNATIVE FUNDING  
AN **ALERA GROUP** COMPANY

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# What is Alternative Funding?



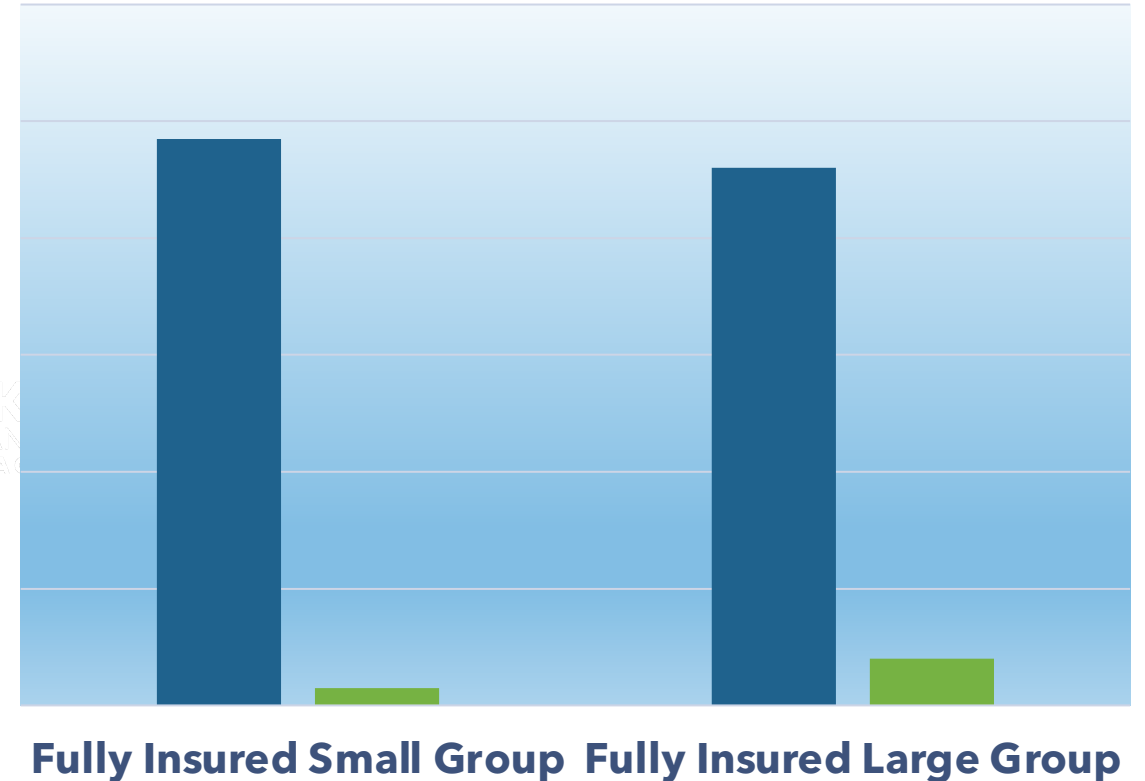
# Fully Insured – Small Group/Large Group

- **Small Group**

- Employers are pooled ("**community rates**")
- Carrier at **risk** for nearly 100% of losses
- Carrier **retains** nearly 100% of "underwriting gains"
- ACA "**minimum loss ratio**" rule of 80% applies

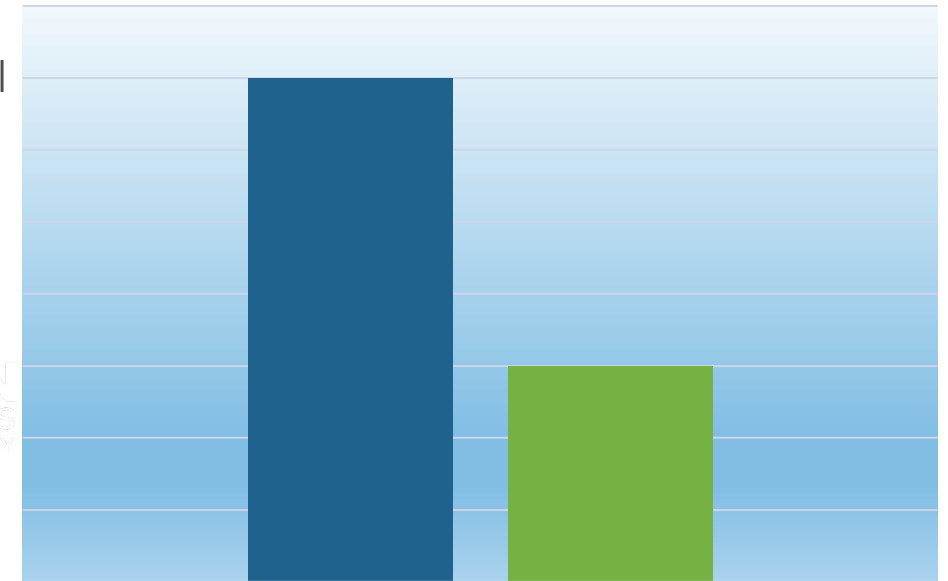
- **Large Group**

- Employers are experience-rated and subject to "**risk adjustment**"
- Carrier is **at risk** for majority of losses
- Carrier **retains** majority of "underwriting gains"
- ACA "**minimum loss ratio**" rule of 85% applies



# High Deductible Group HRA

- Employer purchases a “High Deductible Health Plan” (HDHP)
  - This reduces premium spend between 20% and 50% over traditional coverage
- Employer establishes a “Health Reimbursement Arrangement” (HRA)
  - Tax qualified / IRS approved account
  - Employer contributions are tax deductible
  - Employee reimbursements are not considered taxable income
- Advantages:
  - Flexible plan design
  - Fewer IRS restrictions
  - Many carriers now offer HDHPs for use
  - Net savings over traditional coverage of 10% - 20%
  - Easy to administer (internally or externally)

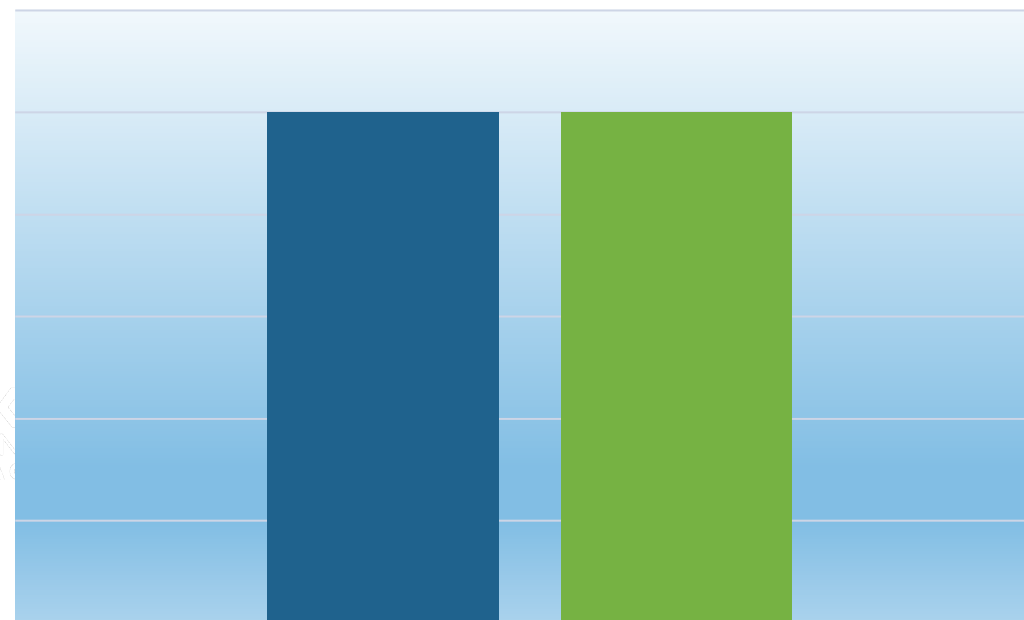


**High Deductible Group HRA**

■ Insurer Risk/Reward  
■ Employer Risk/Reward

# Level-Funding

- Looks like traditional fully insured coverage
- Is viewed as a step between fully insured and self-funded
- Internally, it includes:
  - Stop Loss insurance premium
  - Administrative/Broker fees
  - Claims funding account
- Carrier and employer share the risk-reward
  - Carrier guarantees maximum cost through use of stop loss insurance
  - Carrier refunds all or part of any claims surplus funds

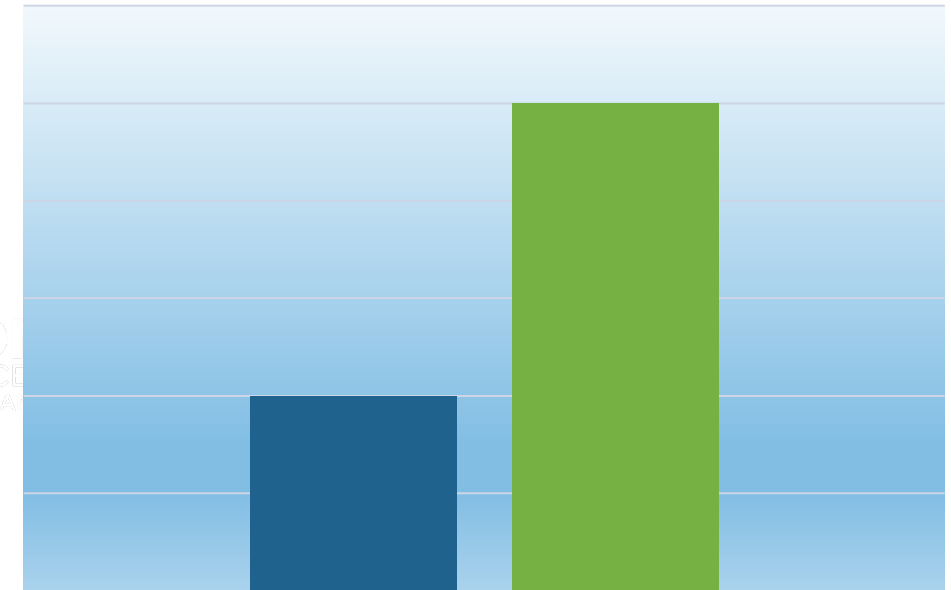


**Level-Funding**

- Insurer Risk/Reward
- Employer Risk/Reward

# Self-Funding

- Similar to Level-Funding ('bundled' self-funding):
  - Stop Loss Insurance
  - Administrative Services
  - Claims Funding
  - Avoids State regulation, Insurance Premium taxes
  - Regulated under Federal (ERISA) law
- Unlike Level-Funding:
  - Unbundled so employer chooses stop loss insurer, administrator
  - Employer controls claims funding, holds own reserves
    - Pay as you go vs pre-funding claims
- More plan design flexibility
- More transparency of data
- Needs a benefit consultant, broker or attorney for advice
- All 'profits' benefit the employer, not the carrier
- Regulated under federal ERISA law



**Self-Funding**

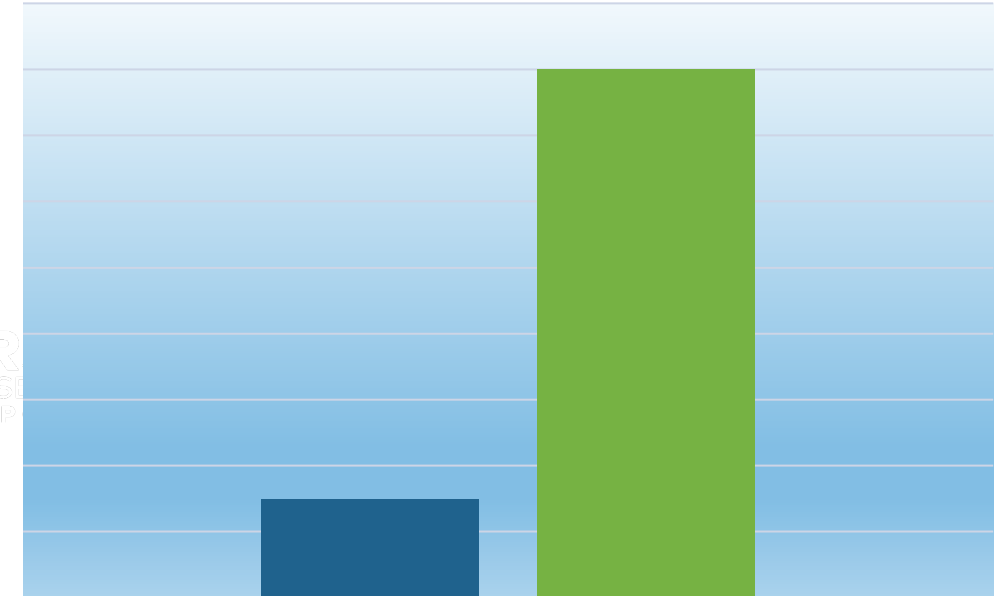
- Insurer Risk/Reward
- Employer Risk/Reward





# Benefit Captives

- Same as a self-funded plan except the employer chooses to purchase stop loss insurance coverage through a Benefit Captive
  - The benefit captive offers both Specific and Aggregate stop loss coverage
  - Is generally reinsured at the top level while the captive provides a 'middle layer' of risk protection – example:
    - First \$50,000 of claims risk = employer
    - Next \$250,000 of claims risk = captive
    - All risk in excess of \$300,000 = reinsurer
- Aside from the above risk share/transfer, the captive should also provide claims analytic services, assist in pharmacy benefit management negotiations and reference-based pricing matters
- Captives make money off of underwriting gains while returning surplus to captive members

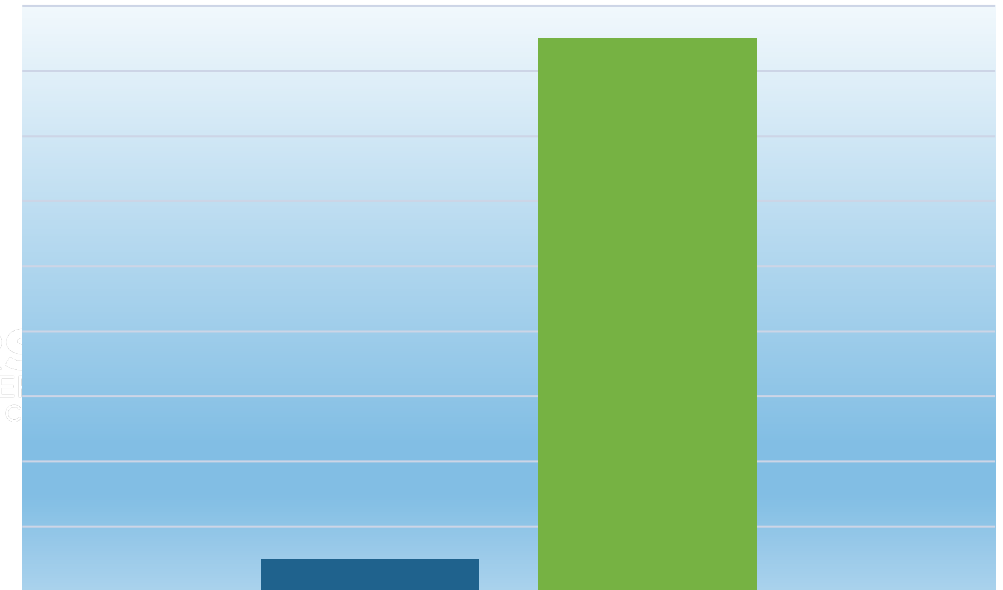


**Benefit Captive**

- Insurer Risk/Reward
- Employer Risk/Reward

# Self Insured

- As the name implies, self-insured infers that the employer take nearly 100% of the risk for all claims
  - Some may purchase very high level of specific stop loss coverage (similar to what a benefit captive might feature)
  - Others may provide in-house administration but most use outside carriers or TPAs to administer their self insured plan
  - Nearly all captives will contract for provider network services and some have invested in setting up reference based pricing arrangements
- Only the very largest employers will self insure their medical benefits



**Self-Insured**

- Insurer Risk/Reward
- Employer Risk/Reward



# Alternative Funding Summary and Conclusion

## Control Health Plan Spending with Alternative Funding Arrangements

As healthcare costs continue to rise, implementing alternative funding arrangements can help organizations gain greater control over their employer sponsored health plans. Unfortunately, many employers avoid these types of arrangements due to a lack of clarity and guidance on how to put the right approach in place.

Dickerson has the expertise and vendor partnerships to help you put the right funding structure in place for your organization. Your local Dickerson partner understands all facets of risk and funding arrangements and has access to the tools and resources you need, including:

- National partnerships with stop loss vendors and captives who provide best-in-class contract provisions and service
- Timely and accurate financial reporting to monitor plan performance and avoid surprises
- Analytics, actuarial and underwriting expertise to provide assessment and guidance
- Partnerships with top data analytics firms and data scientists on staff to interpret results and provide data-driven recommendations

During the renewal process, inertia can set in when selecting your fully insured plan and it can be challenging to change course. At Dickerson, we take a strategic approach to evaluate all aspects of your benefits program to help you optimize your healthcare savings.



67%

of covered workers are enrolled in plans that are self-funded, up from 61% the prior year.

Kaiser Family Foundation 2020 Employer Health Benefits Survey



Optimized Solutions



Personal Partnerships



National Collaboration

## Collaborating for Your Success

As a Dickerson client, you have the peace of mind that comes from working with a trusted, local partner, backed by a national community of problem solvers. Together, we deliver local, optimized benefits solutions to help grow and protect your business.

## Strategic Approach Built on Strong Partnerships

The Dickerson Alternative Funding team will work with you to explore and evaluate alternative funding options. We offer:

### Expertise

- Experts who understand and can communicate and explain the issues and solutions
- Centers of Excellence and Subject Matter Experts throughout the nation
- In-house actuaries and underwriters

### Preferred Partnerships

- Vetted best-in-class partnerships and contracts
- Collective/coalition purchasing arrangements
- Marketing administrators, provider networks, pharmacy benefit managers, reinsurance/captives & cost management services
- Advanced self-funded solutions

### Strategic Process

- Understanding self-funding and reinsurance
- Self-funding feasibility study
- Vendor implementation
- Financial analysis and reporting
- Analytics and predictive modeling
- Compliance and government reporting
- Thoughtful, customized strategic planning

With Dickerson Alternative Funding you have the guidance and access you need to put the right alternative funding strategies in place to control costs for your clients.

To learn more, contact the Dickerson Alternative Funding Team or visit [thebrokersga.com/alt-funding/](https://thebrokersga.com/alt-funding/)

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Updated as of 04/12/2021.



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