

Hybrid Self-Insured Strategy For Managing Healthcare Costs

Many companies that are small and mid-sized employers continue to be frustrated with the increasing costs of healthcare, and limited answers other than just reducing benefits or charging employees more. Rather than simply shopping rates as the traditional broker, we have embraced a different financial approach. It insures what risk should be insured and creates a customized design for the employer that starts moving towards consumerism. A standard plan design has a small out-of-pocket cost for the employees in the form of deductibles and co pays. The employee doesn't get impacted for the cost of the vendor they choose for procedures, prescriptions etc. The **Hybrid self-insured strategy** takes a different design approach – create your own self-insured account and re-price insurance from the carrier at appropriate exposure points (maximum total outlay per year, per employee).

The company already utilizes this approach for property and casualty coverage. We are recommending you allow us to evaluate the potential savings of this concept for healthcare.

PLAN STRUCTURE

1. A plan design is developed as an example with each employee being responsible for 10% of every out-of-pocket benefit cost up to \$500.
 - a. Employee now sees the costs of drugs, doctor's visits, etc. (Is their cost 10% of \$200 or \$50?)
2. Clearpoint coordinates with the carrier for re-pricing of insurance coverage insured only for a claim total of \$5,000 and above per employee. (The company still takes advantage of carrier network discounts.)
3. The company sets up a pretax account to fund budgeted amounts for reimbursing employees for out-of-pocket expenses incurred between \$500 and \$5,000.
4. The company sets up HSA accounts for senior management to take advantage of an annual pretax savings of \$6,000 for medical out-of-pocket expenses. An owner/senior manager keeps the money pretax if it is not needed for out-of-pocket expenses.
5. In contrast to the traditional broker, we provide the benefit services to manage and administer this strategy for THE COMPANY.

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For
Managing Healthcare Costs
(Continued)**

WHERE IS THE FINANCIAL MAGIC?

Clearpoint has implemented this strategy for an array of clients that have experienced at least **15–20%** savings on healthcare cost. How?

1. The reduced premiums to the carrier for only insuring claims after a \$5,000 expense per employee have been reached.
2. The company only reimburses employees for that segment of the employees who had deductible expenses.
3. Altering the vendor choices of employees through the design since the design impacts them for the choices they make (consumerism).

1 + 2 + 3 = bottom line cost savings

NEXT STEPS

Clearpoint cannot negotiate the pricing components with the carriers unless we are the named broker for THE COMPANY. This process isn't simply changing brokers; it's allowing us to negotiate this Hybrid strategy for THE COMPANY. This design approach is much more common in other parts of the country and has been slow to Western Pennsylvania. The success clients have had in reducing costs with this approach speaks for them.