Nationwide Insurance Partners With Roundstone Management To Offer Self-Insured Employee Health Benefits

Nationwide Insurance, best known for its property and casualty insurance products, has contracted with Roundstone Management, Ltd. to market a stop-loss product for small- to mid-size businesses seeking to offer self-insured employee health benefits, rather than purchase a group health insurance plan. Roundstone offers a product for groups of multiple, related, or non-related organizations with between 50 to 1,000 employees each enabling the organizations to pool their risks above a self-insured employer deductible.

The Patient Protection and Affordable Care Act of 2010 (PPACA) requires employers to offer affordable employee health benefits, and imposes fines on large employers who do not offer affordable insurance that meets federal requirements for minimal essential coverage. The Internal Revenue Service (IRS) defines a large employer as one with an average of at least 50 full-time employees during the previous calendar year. A full time employee was generally defined as one who worked on average of at least 30 hours a week during three of the past 12 consecutive calendar months. The IRS defined affordable as benefits that cost the employee no more than 9.5% of household income for employee-only coverage. To avoid the fines, employers can offer self-insured employee health benefits, purchase a commercial group plan through traditional channels, or purchase a Small Business Health Option Plan (SHOP) through the health insurance marketplaces. Employer compliance with the PPACA employer health benefits requirements will be monitored by the IRS and by the Department of Labor (DOL) Employee Benefits Security Administration (EBSA).

Companies offering a self-insured employee health plan do so to reduce the cost outlay of purchasing benefits. However, a company offering a self-insured health plan is also at-risk of large losses if employees have higher health care costs than projected, so generally only large companies with more than 5,000 employees have self-insured. Large employers have a risk manager or financial officer to help monitor and oversee a third-party administrator. Smaller companies typically lack staff needed to monitor a self-insured program.

The Roundstone product is marketed as "Mid-Market Med", a group captive insurance program. A captive in this sense is defined as an insurance facility for participants who join together to share risk. A capitve insurance company is an insurance company that provides insurance to and is controlled by its owners. Typically, companies form captives when business insurance for a commercial risk is not available (or not affordable) through traditional insurance markets. A company choosing to self-insure for employee health benefits contracts with a third-party administrator, or with a health insurance company for an administrative services only (ASO) contract to provide management services, claims adjudication, and make provider organization reimbursements. A third-party administrator also offers access to preferred provider networks, prescription drug card programs, utilization review and the stop loss insurance market. An ASO contractor provides similar services by assumes no risk for claims payment.

Roundstone and Nationwide Life Insurance Company entered a Managing General Underwriter agreement, effective October 1, 2012. Through the agreement, Roundstone and Nationwide are focusing on middle market employers self-funding with stop-loss coverage. Roundstone is offering a one-stop, complete, turnkey, group capitve underwriting facility offering stop-loss coverage. Under this agreement, small-to-mid-size employers will partner with Roundstone to underwrite the stop loss coverage and the employer participants in the captive will be covered by stop-loss policies written by Nationwide Insurance. Roundstone will assign the businesses to group pools.

Each employer in the group captive will contract with its own third-party administrator and select the services to be offered by its self-insured plan. If needed, Roundstone will help the employers pick a third-party administrator. The employer will contribute the calculated cost of its stop loss coverage and a portion is ceded to the group captive. The employers in the group captive maintain limited downside protection if other employers in the pool experience high claims that exceed stop loss premium through the group captive's reinsurance protection. Roundstone has managed health benefit or stop loss group captives since 2005.

Even very small employers can self-insure, and nationwide, an estimated eight percent of businesses with between three and 50 employees are self-insured. The statistic was reported in "Small Employer Perspectives On The Affordable Care Act's Premiums, SHOP Exchanges, And Self-Insurance" by Jon R. Gabel, Heidi Whitmore, Jeremy Pickreign, Jennifer L. Satorius, and Sam Stromberg. For this report, the authors surveyed 604 small employers before the SHOP exchanges became operational. The survey found that about 57% of the employees were eligible for coverage through their employers, but only 41% actually obtained that coverage. About 26% of the employers said their insurance brokers had discussed the possibility of self-insurance for health benefits, and nearly a quarter of these employers said they were very or somewhat likely to self-insure in the next few years. For the entire pool of employers surveyed, about five percent were very likely and another seven percent were somewhat likely to self-insure.

In June 2012, a group of consumer advocates responded to a federal request for information by DOL EBSA, the IRS, and the federal Department of Health and Human Services (HHS) about stop loss insurance for self-insured employer health benefit plans. This response outlined concerns about self-insured plans, and included an analysis by Mathmatica Policy Research about small employer interest in self-insuring for employer health benefits.

The full text of "Small Employer Perspectives On The Affordable Care Act's Premiums, SHOP Exchanges, And Self-Insurance" was published in October 2013 by *Health Affairs*. A free abstract is posted online at http://content.healthaffairs.org/content/early/2013/10/15/hlthaff.2013.0861 (accessed October 21, 2013).

A link to the full text of "Response To DOL EBSA-HHS Request for Information Regarding Stop Loss Insurance" may be found in *The OPEN MINDS Circle Library* at www.openminds.com/library/062912dolebsastoploss.htm.

OPEN MINDS reported on the IRS definitions in "Employers Face Penalties If Employee-Only Health Insurance Premiums Exceed 9.5% Of Employee Household Income." The article is available at www.openminds.com/market-intelligence/premium/omol/2013/040813strat7.htm.

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