ROUNDSTONE

E-BOOK

What Your Fully Insured Insurance Carrier Doesn't Want You to Know

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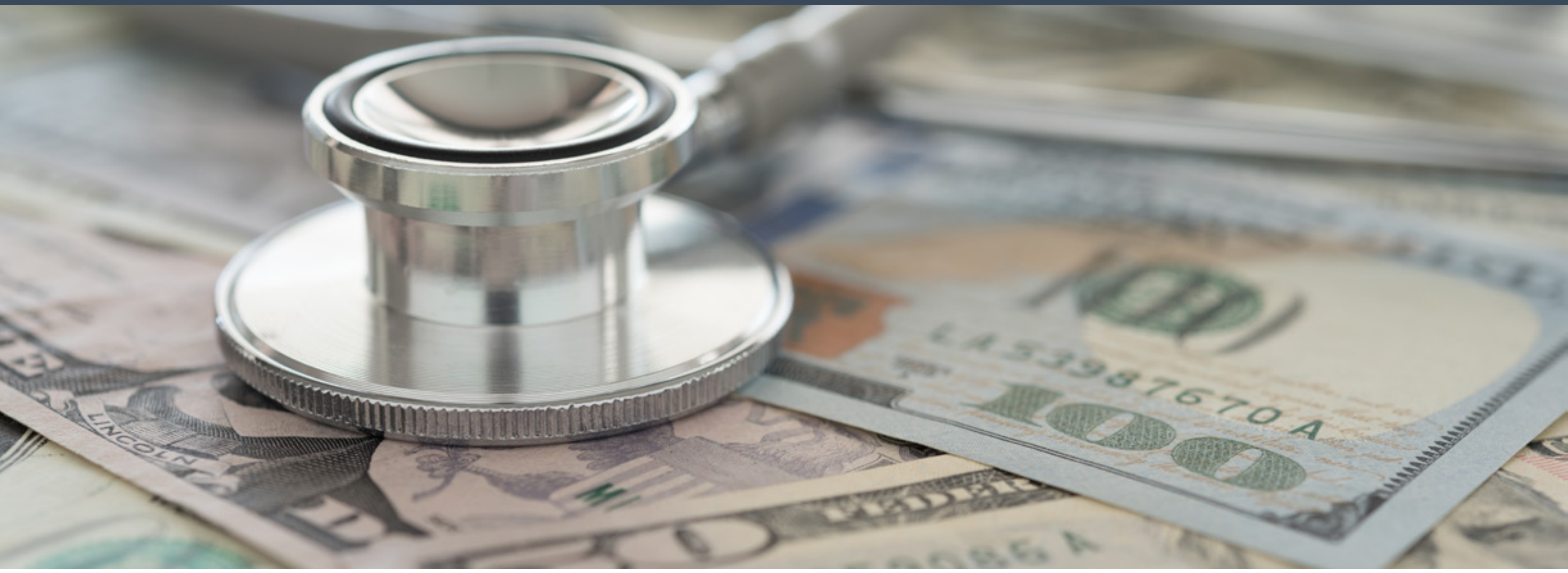
Health insurance is one of the most significant company expenses. For small businesses, finding affordable small business health insurance is almost impossible. Traditional, fully insured carriers don't have the flexibility to allow small businesses to get employee health benefits at a price they can afford.

If they aren't able to offer adequate healthcare, small and midsize businesses can't retain experienced workers, and their productivity and bottom line suffer.



Fully Insured Isn't the Only Option for Health Insurance

There are four types of health insurance: fully insured, level-funded, self-funded, and self-funded captive. It's essential to know the distinctions so you can make the best choice for your small business health insurance needs.

Fully Insured

Fully insured plans are prevalent among small to midsize businesses. A company pays an agreed-upon premium rate per employee to an insurance provider. This rate is set for the year, although the specific amount the company pays each month may change if the number of employees fluctuates.

The insurance company collects the premiums from the business and uses that money to pay claims as outlined in the policy the company selected. The employees pay deductibles or copays as stated in the policy.

For fully insured plans, the insurance provider assumes all financial risk and keeps all the money the company pays in premiums, regardless of whether every employee uses their insurance.

In other words, the company pays the same per employee, whether the employee is healthy and only has wellness checkups every year or has a chronic condition that requires more expensive care.

Level-Funded Insurance

Level-funded insurance is also called partially self-funded insurance. Level-funded plans are rarely a good deal for small to midsize businesses. Basically, they're an attempt by the larger fully insured product carriers to cash in on the growing popularity of the self-funded model.

Level-funded plans typically have much higher fixed costs (up to 60%) than self-funded plans and allow the carriers to keep 100% of the underwriting profits (unlike self-funded plans).

Level-funded plans also give employers limited control over the coverage they offer and the data they can review. They force employers to accept 100% of the volatility risk and can be very expensive to renew or discontinue.

Self-Funded Insurance

Self-funded insurance is similar to fully insured except that the employer assumes the financial risk. Instead of paying the premiums to the insurance provider each month, the company pays employee claims directly.

With this type of insurance, the employer only pays for the coverage used, which saves money if the company's employees are healthy. However, if the employees work in a high-risk environment or file a lot of claims, expenses for the company can add up quickly.

Companies that use self-funded insurance often set up special funds to cover the claims. These funds can consist of employer and employee contributions, usually placed in a trust to help generate interest to pay for the costs.

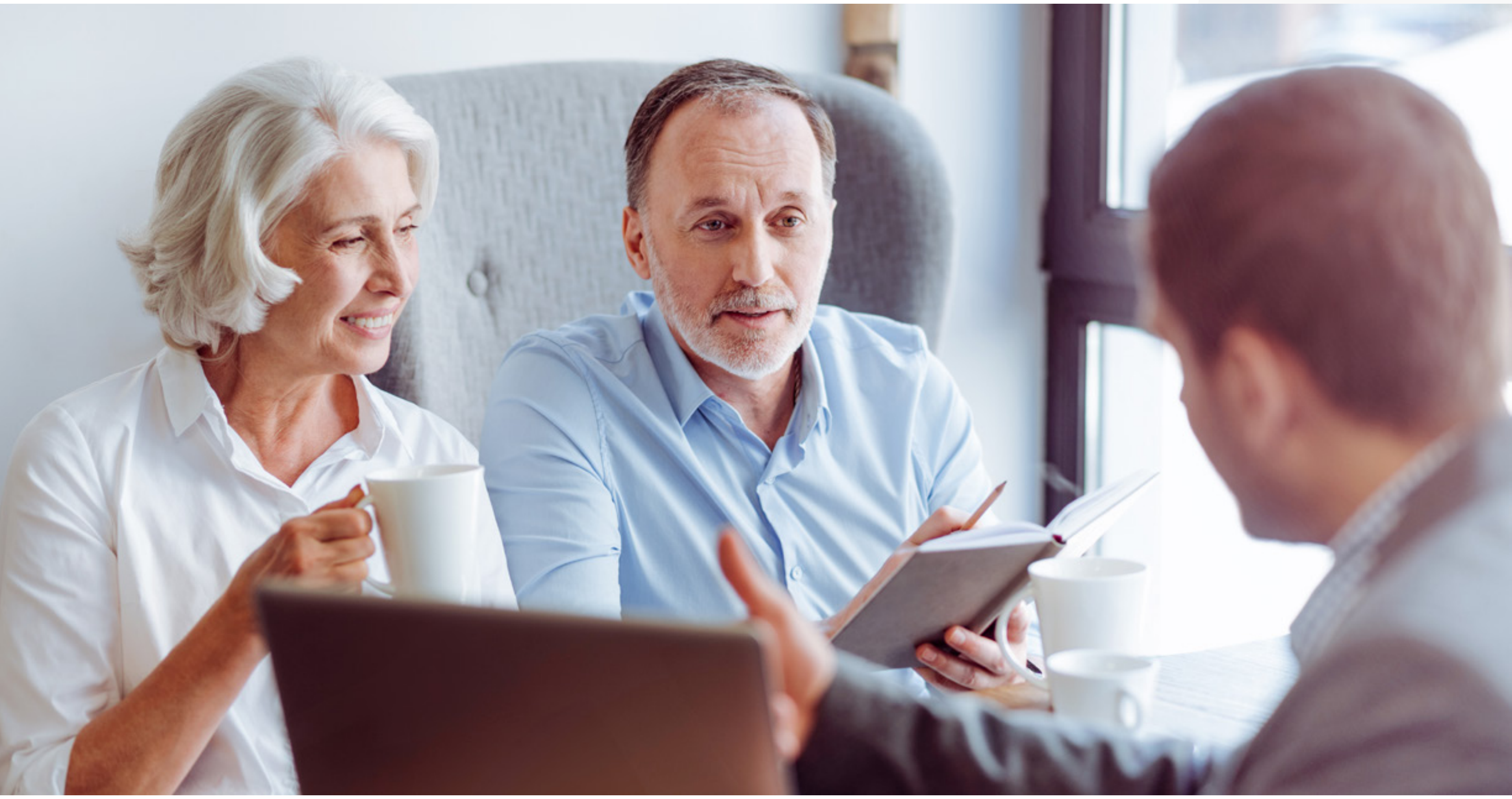
In addition, most companies using this type of insurance also purchase stop-loss insurance to cover catastrophic claims over a certain amount.

Self-funding is an excellent way for companies to take control of their healthcare spend but typically works best for very large employers.

Captive Insurance

Captive insurance is a form of self-funded insurance in which the company creates its own licensed insurance company to cover its employees. This is beneficial because it allows the company to tailor insurance policies specific to their needs and gives them flexibility in terms of vendors, service providers, and structure while also offering tax or profit benefits.

A *group* captive is similar, but instead of having a single owner, a group captive is owned by multiple companies banding together. This allows them to pool expenses and share risk, which minimizes the volatility of the healthcare market for all member companies.



What Fully Insured Carriers Don't Want You to Know

Fully insured carriers may act like they help the policyholders, but in reality, they are more aligned with making money for their company and shareholders. As a result, there are several issues that they don't want you to know about.

- **Fully insured carriers keep raising costs regardless of your claims.**
- **Fully insured carriers do not offer data transparency.**
- **Employers and their plan members lack control over their plan and expenses.**

By making it virtually impossible for customers to know how these areas work, insurance carriers make it hard for companies to understand what they're getting for the price of their premiums. In this way companies maintain control over an industry with steep rises in costs and decreases in coverage.

The Rise in Insurance Costs

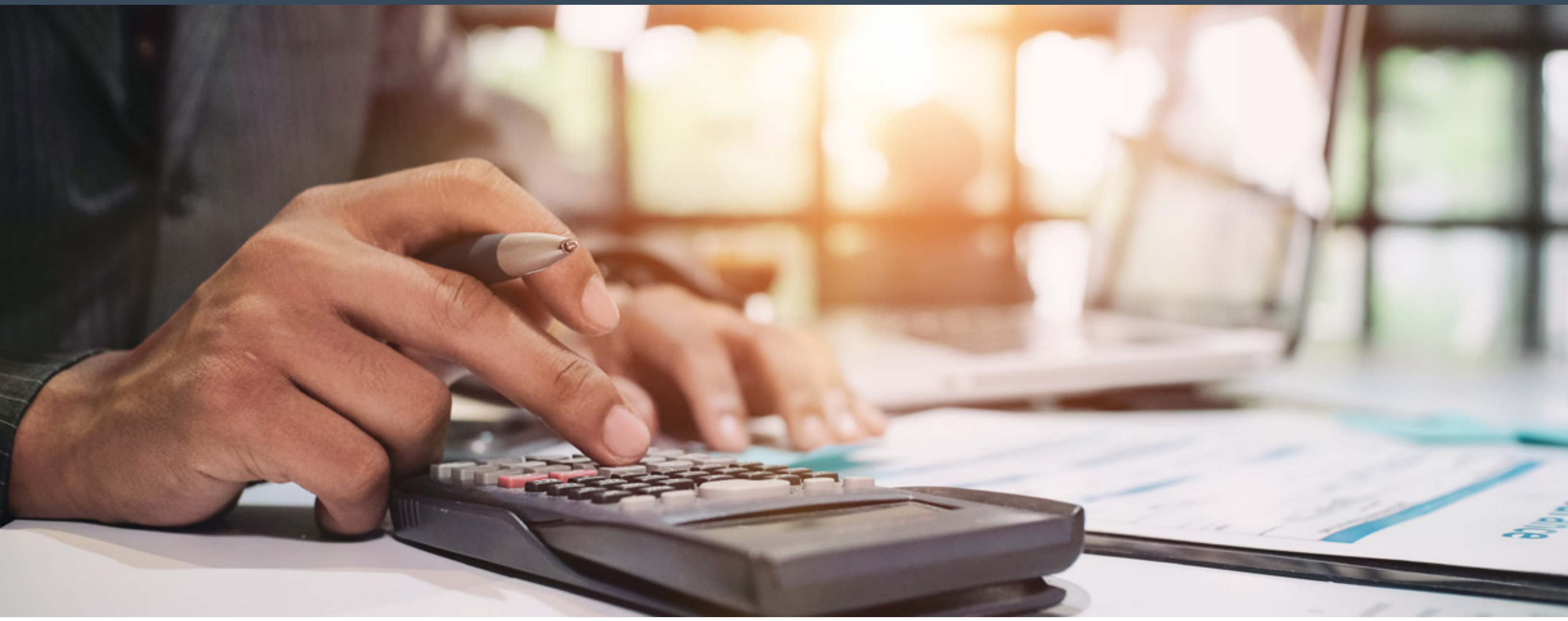
Over the past decade, consumers have seen dramatic increases in their insurance premiums.

For a single employee, premium costs have grown to an average of $7,470 per year, a 55% increase since the early 2000s.

Unfortunately, employee income has not followed the same trajectory, with an increase of only 26% in the same time period.

What is driving the costs so high? There are several factors that carriers of fully insured plans take into account when they are setting their prices:

- Government regulation
- Aging population
- Disease prevalence
- Medical service utilization
- Service price



According to Investopedia, service price accounts for more than half of the increased cost. This is because service price includes the rising cost of pharmaceutical drugs, which continue to skyrocket.

For example, diabetes treatment has seen the most significant increase. Medication costs to manage this condition account for $44.4 billion of the reported $64.4 billion increase in coverage of diabetes.

Compounding the problem, government healthcare programs have seen dramatic increases in participants. Total Medicare enrollments have increased 2% to 3% year over year since 2014 as more baby boomers leave the workforce.

Medicaid has also seen rapidly increasing enrollment, which has grown 14% in the year ending March 2021, driven largely by Medicaid expansion and the COVID pandemic.

With more people using these programs, the overall cost has risen. Insurance companies have used this to raise insurance premiums to help offset the cost of government programs.

Yet, higher insurance premiums are only part of the reason that costs are going up. Insurance companies are also raising out-of-pocket expenses.

High-deductible health plans can have out-of-pocket costs as high as $14,000 for family insurance per year.

For some larger insurance companies, that is the deductible you must pay before your insurance covers any medical expenses.

For too many Americans, these figures represent a catastrophe just waiting to happen. In 2019, the Federal Reserve reported that roughly 40% of Americans don't have the resources to cover an unexpected $400 expense.

A $14,000 health insurance deductible could mean financial ruin for these families — or worse. In 2018, a quarter of insured American adults chose not to get necessary medical care because they couldn't afford it.

Lack of Data Transparency

Employers find it challenging to make informed decisions concerning costs.

Most fully insured carriers tend to consider the cost of services a trade secret.

As such, they feel they don't have to disclose exact pricing to consumers. This lack of transparency makes it difficult for small businesses to provide their employees with appropriate healthcare benefits.

In addition to the lack of information on how much policies and premiums cost, consumers find it difficult to understand where their money is going. There is little transparency on where premium dollars go and how they are paid out to hospitals and stockholders.

This lack of detail makes it nearly impossible to look at a medical bill and know what coverage you are getting for the premium cost.

Some fully insured insurance companies also make it difficult for consumers to determine whether doctors are in-network or out-of-network. As health costs are higher for out-of-network providers, not having that transparency in advance can lead to higher medical costs than anticipated.

If a policyholder ends up seeing a provider who is not in the network, the insurance companies may invoke their right to deny payment, forcing consumers to pay the entire bill.

Insurance Companies Have All the Control

Traditional insurance companies, especially the BUCAAs (Blue Cross, United, Cigna, Aetna, and Anthem), are national companies. They design products to accommodate the healthcare needs of most of their subscribers, or their average policyholder.

This works for large companies because they have many people to insure across the country who often match the profile of the average person's health needs. But small businesses are structured differently and have distinct needs, which the BUCAAs often don't meet.

Why Group Captive Insurance Is a Better Alternative

It's critical for employers to offer workers coverage that meets their needs without exceeding them so much that they overpay, or conversely, lack access to the care they need. Striking the balance of enough coverage that will be fully used without excess coverage for extra benefits that go unused is challenging.

Accommodating Differing Employee Needs

There are now four generations of people working in a typical company at any given time, and each of those generations places different demands on their health insurance. These are:

- Baby boomers (1946-1964)
- Generation X (1965-1979/80)
- Millennials (1981-1994/6)
- Generation Z (1997-2012)

Baby boomers, as seniors, need more specialized care, while millennials typically need only yearly wellness checks. Offering one overarching plan doesn't make sense. The millennial pays too much for benefits they don't use, and the senior pays too little for the number of claims they are responsible for, or they miss out on specialist preventative care opportunities they need.

You Determine Coverage and Costs

Health insurance is one of your company's top three expenses each year, but with fully insured carriers, you are at the insurance company's mercy. Unlike other expenses, like which vendor you use for materials, for example, you can't negotiate.

Insurance carriers make decisions in the best interest of their company's bottom line, not yours.

Those big insurance carriers determine what your policy costs and what it covers, leaving you voiceless regarding one of your company's most significant expenses.

With a group captive plan, you can control everything from what a policy covers to the financial risks and costs.

- With captive health insurance, you have transparency into your healthcare costs, so there's no unexpected rise in costs without explanation.
- You determine what your plan covers. If you want to prioritize well-being initiatives for employees to minimize healthcare costs later, you can. You know your workforce best and can design a plan that's tailored to your specific population's needs. Whatever you decide, you'll be able to make your employees happier, which will increase workplace productivity and boost employee retention.
- You determine which cost-containment initiatives you put into place, so you can pick the ones that suit your employees best. It allows you to simultaneously protect your bottom line and your employees' health, something unheard of from traditional fully insured carriers.

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Why Choose Roundstone

For the last sixteen years, Roundstone has been helping small and midsize businesses take control of their health insurance spending. We do the exact opposite of a big carrier: We offer transparency, flexibility, control, and savings back to the employer, not in our pocket.

At Roundstone, we believe in affordable healthcare for all. You shouldn't have to pass rising costs on to your employees every year through high deductibles and copays.

Small and midsize businesses can now self-fund employee healthcare benefits the same way large corporations do.

Roundstone guarantees that you will save money in the long-term on insurance with our group captive program, which means your employees will have high-quality insurance for less.

You should have freedom of choice in your healthcare. We know your employees have unique healthcare needs.

With Roundstone group captive insurance, you can customize the plan you offer to your employees.

You'll be able to use our data tools to help you see exactly where your money goes so you can take proactive steps to mitigate costs.

Your data belongs to you. To make the best decisions for your employees and your company's bottom line, you need data.

Unlike carriers of fully insured coverage, we want you to be informed, so you'll have access to all the data you need to make cost mitigation adjustments through our CSI Dashboard. The Dashboard is an analytics platform that provides a clear outline of your healthcare claims data in a user-friendly format. It ensures that all protected health information (PHI) remains anonymous for safe access anywhere.

Your small-claims fund belongs to you; you should keep what you don't use. At Roundstone, you are in charge of your claims bank account, so you only spend what you need to use to cover small claims. At the end of the year, you keep any money left over in that claims account.

In addition, the premiums that you pay for stop-loss insurance are pooled with funds from other members of your group captive.

At the end of the year, those pooled funds are returned to you on a pro rata basis.

Two-thirds of the companies working with Roundstone save enough during the first four years to pay for the fifth year's small-claims premium.

Your company is unique and deserves to be treated as such. No one knows your company and its needs better than you. The experts at Roundstone partner with innovative healthcare benefit advisors and work with you to create a workplace insurance plan that meets your specific goals.

We also help you decipher claims data so that you can make informed decisions about cost-control measures that can protect your company's bottom line while still providing coverage for your valued employees.

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For More Information

If you'd like to learn more about why you should choose Roundstone for your group captive and our commitment to our customers, read our blog post Why Choose Roundstone for Group Captive Insurance.

Request a Proposal

All it takes to get started saving with Roundstone today is three simple steps:

1. Request a proposal.
2. Review your options and select a plan that works for your company's needs.
3. Enroll and start saving on your company's healthcare benefit expenses.

Request a Proposal

If you'd like to learn more about providing your company with the benefits of group captive health insurance with Roundstone, request a proposal and benchmark review today. We're ready to work with you to create a group captive insurance plan that's a perfect fit for the needs of your company.

Request a proposal