



An Essential Guide to Health Insurance Captives for Benefits Advisors



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Introduction

Welcome to the Advisor’s Guide to Health Insurance Captives—a complete resource for understanding self-funded health insurance through group captives.

As a benefits advisor, you help businesses navigate the complex world of employee benefits. This guide will give you the knowledge and tools to offer innovative, cost-effective solutions that address the challenges faced by small and mid-sized businesses today.

Healthcare costs keep rising, and traditional insurance models often don’t provide the transparency, control, or savings that employers need. With a group medical captive, you can offer your clients a sustainable alternative that reduces costs and improves employee care.

What You Will Learn

Discover the benefits of offering captive plans, including financial rewards, better client relationships, and opportunities for business growth. We will walk you through every step of implementing a captive program, from deciding if it's a good fit to managing it effectively.

Gain the confidence and tools to promote this approach, helping your clients save money and gain more control over their healthcare benefits.

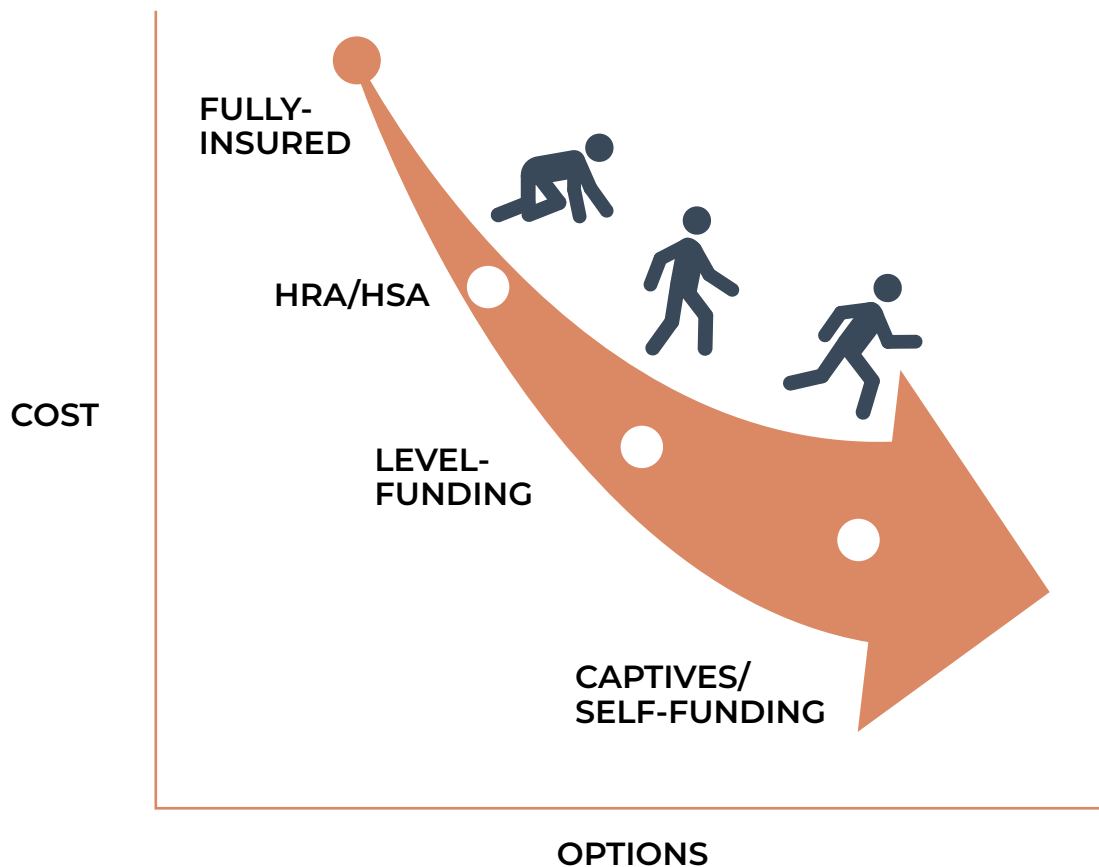
The Problems With Traditional Insurance Programs

Traditional insurance plans strain budgets and limit flexibility. They don't allow access to a company's claims data, so opportunities for cost savings are limited.



Businesses are increasingly exploring more strategic approaches to managing healthcare costs. Some companies are choosing health reimbursement arrangements (HRAs) and health savings arrangements (HSAs).

Others consider level-funding, but more companies are recognizing self-funding as the clear choice for those looking for the lowest-cost plan that offers the greatest flexibility.



Healthcare costs for employers have been rising steadily, with projected increases of 5.4% to 8.5% in 2024, marking the highest surge in over a decade. The average annual premium for employer-sponsored family coverage reached \$25,572 this year, up 7% from last year, leaving many organizations grappling with these escalating expenses despite attempts to curb them.

Here are the key problems with traditional, fully funded insurance:

- **High premiums and unpredictable costs:** Traditional plans come with high premiums that increase yearly, usually without explanation.
- **Lack of transparency and control:** Insurance providers limit access to claims data, making it hard for businesses to understand their costs and manage them.
- **Limited customization:** Off-the-shelf plans offer little flexibility, forcing businesses to choose options that don't meet their needs.
- **Inadequate cost-containment measures:** Many traditional plans don't include effective strategies for controlling rising healthcare costs.



The Benefits to Advisors of the Group Captive Solution

Self-funded health captives offer advantages for both your clients and you as their advisor.

- **Boost your reputation:** Promote self-funding through captives to offer real savings and strengthen client ties.
- **Save clients money:** Captive plans cut costs and give clients more control over spending.
- **Offer financial rewards:** Captive programs return unused funds, proving your commitment to cost-effective solutions.
- **Build strong relationships:** Prioritize clients' financial well-being and strengthen your reputation.
- **Grow your business:** Specialize in self-funded plans to attract new clients and expand your business.



“I would want to be known as the guy who fixes problems ... versus the guy who just renews you every year.”

– Kenny Fritz, Regional Practice Leader, Roundstone

Understanding Self-Funded Captive Insurance

To advocate for a self-funded health captive, you need to understand how it works.

What is a Captive?

A captive insurance company is formed by a group of businesses to self-fund their health insurance. Businesses pool resources and share risk to gain more control and stability in healthcare costs.

Employers contribute to a shared fund that covers employee healthcare claims, administrative costs, and reserves. Because risk is shared across the group, healthcare costs become more predictable and manageable.

How a Stop-Loss Captive Works

The stop-loss captive arrangement offers these advantages over traditional insurance by spreading the risk with a three-tier cost structure.

Here's how it works.



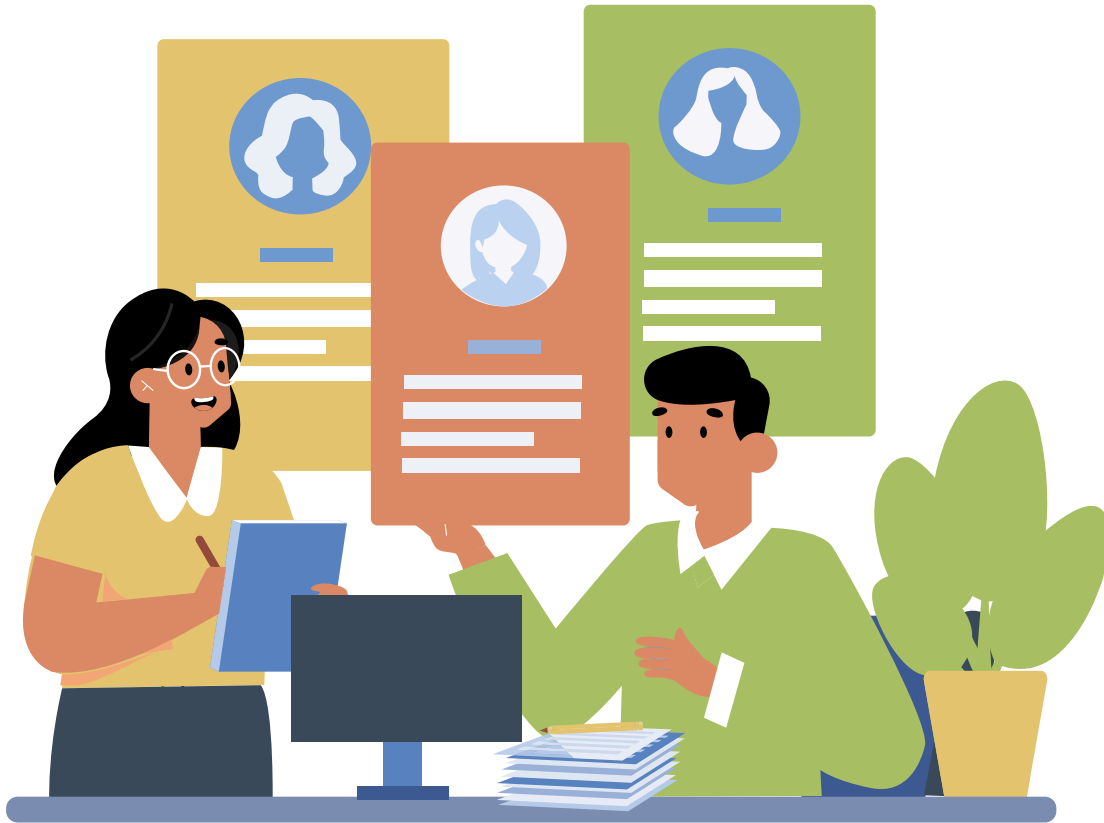
Claims Account: The employer pre-funds a bank account, to pay claims as they are incurred. The TPA (claims administrator) writes the checks and manages the claims, not the employer. The employer keeps what they don't spend.



Captive Pool: Each employer in the captive pools a percentage of their premiums to cover claims in excess of employer's agreed-upon responsibility. The employer receives a pro-rata distribution for unspent pool premium each year.



Stop Loss: 15% of your total healthcare spend is a fixed cost, going to a stop loss policy for excess reinsurance coverage.



Key Components and Stakeholders

- **Member companies:** Employers who join the captive.
- **Captive manager:** Oversees captive operations (e.g., Roundstone).
- **Third-party administrator (TPA):** Manages day-to-day operations of the health plan. A reliable, fully integrated TPA is crucial for the smooth functioning of the captive.
- **Stop-loss carrier:** Protects against catastrophic claims that exceed a certain threshold. Stop-loss insurance ensures no single large claim can impose undue financial strain on its members.
- **Pharmacy benefits manager (PBM):** Manages prescription drug benefits, negotiates prices with drug manufacturers.

The Benefits of the Group Captive Solution to Your Clients

A captive insurance model offers numerous benefits to your clients:

- **Cost savings:** Pooling resources allows businesses to negotiate better rates and receive unused premiums as dividends.
- **Transparency:** Captives offer access to claims data, allowing businesses to track healthcare spending and identify cost-saving opportunities.
- **Flexibility:** Captives let businesses design health plans that meet their specific needs.
- **Risk management:** By sharing risks, businesses avoid large financial hits from big claims, with stop-loss insurance protecting against catastrophic events.
- **Improved employee satisfaction:** Custom plans lead to higher employee satisfaction, better health outcomes, and increased productivity.





The Playbook for Managing Clients in a Captive

When you begin the transition from traditional insurance to a group captive, you will walk your clients through a few stages.

- 1** First, you need to help them assess whether they are a good fit for the Captive.
- 2** Then, you onboard them with a cooperative, supportive approach to help them transition from fully insured to self-insured.
- 3** And finally, you support their ongoing experience and manage renewals with more confidence and less “shopping around” angst.

Assessing Suitability: Is Your Client a Good Fit?

Not every company is an ideal candidate for self-funding. Here's what to consider when assessing if your client is a good candidate for a captive insurance program.

- 1. Company size:** Group captives work best for businesses with 20 to 1,000 employees, ideally between 50 and 500.
- 2. Financial stability:** If controlling health insurance costs is a priority, a group captive may be the perfect fit.
- 3. Cost management goals:** Is your client frustrated with traditional insurance plans? Captives offer more control and lower premiums.
- 4. Long-term outlook:** If your client seeks a strategic shift from traditional insurance and has buy-in from key leaders like the CEO, CFO, and HR team, a captive could be a great solution.

“If the CFO and CEO are not engaged in the conversation, that’s not a good sign. When you can get them in the room, along with HR, you’re much more likely to win them over with the captive approach.”

– Jamie Debenham, Regional Practice Leader, Roundstone



The Next Step: Onboarding

Help your clients experience a seamless on-boarding process. Despite common misconceptions, moving a client from fully insured to self-funded isn't more time-consuming than switching them from one fully insured plan to another.

The following are best practices for smooth onboarding.

- **Start with orientation:** Educate your client about captives, explaining how they work and benefit the business and employees.
- **Emphasize employee engagement:** Show how informed employees can help lower costs for both themselves and their employer.
- **Implement regular communication:** Use your TPA to keep employees updated on their benefits and any plan changes.
- **Introduce cost containment early:** Encourage wellness programs and preventive care to reduce claims. Roundstone's [CSI team](#) will help with data analysis and recommendations.
- **Promote data analytics:** Guide clients on how to use data to identify cost-saving opportunities.
- **Encourage employee education:** Help clients teach employees to use their benefits wisely, like opting for generic medications and telehealth services.
- **Highlight transparency:** Ensure employees understand the value of their benefits and how their choices can impact costs.



Managing Renewals

Roundstone makes renewals easy by providing full access to detailed claims data so you can easily adjust plan design. This proactive approach helps your clients avoid steep cost increases and tailor benefits to fit their needs.

With Roundstone, renewals are not just easier—they're a strategic opportunity to deliver more value to your clients, ensuring both savings and employee satisfaction.

Partnering with Roundstone

Roundstone offers full support to help advisors and their clients throughout the assessment, onboarding, and renewal processes.

Here's what you can expect when you work with Roundstone.

- **Continuous monitoring:** We regularly review claims data to identify trends and cost-saving opportunities using our [CSI Dashboard](#) for real-time insights.
- **Plan design adjustments:** Based on data, we help fine-tune health plans to meet the business and employees' needs.
- **Strong support network:** Our team coordinates communication between member companies, TPAs, PBMs, and other stakeholders to keep everything aligned.
- **Educational resources:** Access [Roundstone University](#) for webinars, white papers, and other materials to help advisors and employers understand captives.

“Our close rates go up to 49% when a Roundstone regional Practice Leader accompanies the advisor at the meeting with the employer.”

– Rob Hamilton, EVP Sales, Roundstone

Overcoming Challenges and Objections

When introducing the idea of a group captive to your clients, you will likely encounter objections. The table below addresses some common ones with suggested responses.

CONCERN	RESPONSE
<p>“I’m worried that self-funding will cost more than a fully insured plan.”</p>	<p>The truth is, sticking with a fully insured plan will always result in higher costs. Our members pay only for the healthcare services their employees actually use and get back any unused funds at the end of the year. Under the <u>Roundstone Guarantee</u>, we promise they’ll see savings within the first five years, or we’ll make up the difference.</p>
<p>“I’m worried about compliance and running my own plan.”</p>	<p>Employers don’t need to directly manage their plans. The TPA will do all the heavy lifting. Compliance issues are handled by the TPA, captive manager, and the advisor. When your client chooses to work with Bywater, all aspects of plan management are integrated under one roof for a seamless experience.</p>
<p>“I’m not familiar with plan components like stop-loss insurance.”</p>	<p>Stop-loss insurance reduces the risk of losses stemming from catastrophic claims. Insurers are liable for any losses that go over the set employer deductible limit. For our member businesses, this limit can be as low as \$10,000. With stop-loss insurance coverage, employers can protect their financial reserves and their bottom line.</p>
<p>“I’m not sure my company is the right size.”</p>	<p>A stop-loss captive is ideal for any company with more than 20 employees.</p>
<p>“I’m concerned about the risks of self-insurance.”</p>	<p>Under the stop loss captive, employers are protected against high-cost claims beyond a specified deductible.</p>

The best way to overcome these challenges is to take a practical approach. Find out which concern is most relevant to that client and address it head-on.

Here are some additional tips.

- Reassure your clients that when they work with Roundstone, **they are never on their own.**
- **Use specific examples** to highlight the impossibility of providing cost-effective benefits with a traditional plan. For example, a fully insured premium for a family could be as high as \$4,400 per month, with the single premium reaching as high as \$1,000 in many markets.
- If these premiums increase by 10% for five consecutive years, companies will struggle to cover a significant portion of the costs for their employees while remaining competitive. **This unsustainable situation demonstrates the need for an alternative solution like a group captive.**
Use [Roundstone's interactive Cost Savings calculator](#) to illustrate their savings.
- Emphasize the value of [Roundstone's 5-year Guarantee](#).





All Captives Are Not Created Equal

The stop-loss captive market continues to grow. New companies are popping up around the country, largely driven by venture capital. As an advisor, you want to ask the right questions to evaluate and choose your captive partner wisely, because they are not all the same.

Why Work With Roundstone?

Roundstone pioneered the first medical captive in 2005. We are the original captive—the “OG” of captives, if you will.

Unlike other captives on the market, Roundstone offers a turn-key and holistic approach that includes in-house underwriting, white-glove support, and educational resources to help employers create a long-term solution for sustainable healthcare costs and great benefits for happier, healthier employees.

ROUNDSTONE GAME-CHANGERS

THE FIRST MEDICAL
CAPTIVE IN THE MARKET

COST EFFICIENCY WITH
80-85%
VARIABLE SPEND

THOROUGH, REGULAR,
AND TRANSPARENT
REPORTING

SEAMLESS
MEMBER EXPERIENCE

HIGHEST ROI
CAPTIVE MODEL
AVAILABLE

FLEXIBLE WITH TPAS,
NETWORKS, PBMS, AND
PLAN DESIGNS

SELF-FUNDING
BEST PRACTICES
AND CENTER OF
EXCELLENCE



How Roundstone Stacks Up

In comparison to other captives, Roundstone stands out in these important ways:

- **Lowest collateral:** We ask for only 7% collateral, compared to the industry average of 11-15%.
- **Highest return fund:** Roundstone returns 68-70 cents on every dollar to the stop-loss fund, much higher than the 50-60 cents most captives return.
- **Cash distributions:** We distribute cash about six to seven months after the policy year ends, with an average 10% return to participants. Since 2003, we've returned \$91.8 million to group members.
- **Low expense load:** Our operating costs are low, with a sliding scale fee of just 2-5% of stop-loss premiums.
- **Cost containment solutions:** We recommend, but don't mandate, cost-saving measures, offering flexibility to fit your client's needs.
- **Quarterly reporting:** We provide quarterly reports on captive performance, giving full transparency to members.
- **Guaranteed renewals:** Unlike other captives, Roundstone guarantees plan renewals, so clients won't face last-minute renegotiations or steep premium hikes.
- **In-house underwriting:** Roundstone is a managing general underwriter (MGU)—we underwrite all our risk in-house. Our underwriting team is directly accessible to advisors, providing deeper insights and personalized service.
- **In-house claims adjudication:** We handle stop-loss policies and claims directly, ensuring quick turnaround and better communication.
- **Employer-aligned commission:** You earn your commission from employer-driven solutions, so you can always offer what's best for the client, boosting coverage quality and loyalty to you.
- **Guaranteed savings:** The Roundstone Guarantee ensures your clients will save money. Most Roundstone customers save enough in the first four years to cover their fifth year of claims. And 100% save money, full stop.

Resources to Help You Succeed

When you partner with Roundstone, you receive top-tier support, including:

- Advisor Advocacy Program
- Welcome toolkit
- Roundstone University
- A regional practice leader
- Marketing support
- Educational events and webinars
- Vetted cost containment solutions
- Case studies
- Tailored client recommendations using data analytics
- Expert troubleshooting support
- Proven track record

Contact us to learn how we can work and grow business together. We will pair you with a Regional Practice Leader in your area.

Ready to get started? See how to submit an RFP.



Acknowledgments

Roundstone would like to thank all the professionals who contributed to this guide. Your insights were invaluable!

Jay Booth

President, Capital Group Benefits

Kenny Fritz

Regional Practice Leader at Roundstone

Jamie Dedenham

Regional Practice Leader, Roundstone

Rob Hamilton

Executive Vice President of Sales, Roundstone

Beth Snyder

Chief Operations Officer, Roundstone

Let's Get Started

To learn more about providing your company with the benefits of self-insurance with Roundstone's group captive, [request a proposal](#) and benchmark review today. You'll see if you are a good fit and how easy it is to start.

We have the experience and expertise to get you started with a plan designed to meet you where you are and with the flexibility to evolve over time to fulfill your long-term strategy.

We're ready to work with your team to create an affordable, high-quality health benefits plan. A custom plan built on proven practices — backed up with data. A compelling and sustainable plan that your employees will love and that HR and your business leaders can count on for the future.

Contact Us

Request a personalized proposal for your company today.

[Request a proposal](#)



Meet Roundstone
Quality Affordable Healthcare
and a Better Life for All

**Launched 1st Group
Medical Captive in 2005**

90%
Retention
Rate

Total healthcare
spend covered
\$1,500,000,000

10.4%*
Average distribution to
captive participants

1000+
Number of
employers



160+ employees
dedicated to YOU!

Number of
lives covered 

170,000+

