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How to Measure the ROI of Self-Funding Through a Group Captive

Healthcare costs rank among your top three business expenses. Understanding the potential return on investment (ROI) of self-funding through a group captive helps you make informed decisions about your company's financial future.

Key Components of Self-Funding ROI

85%

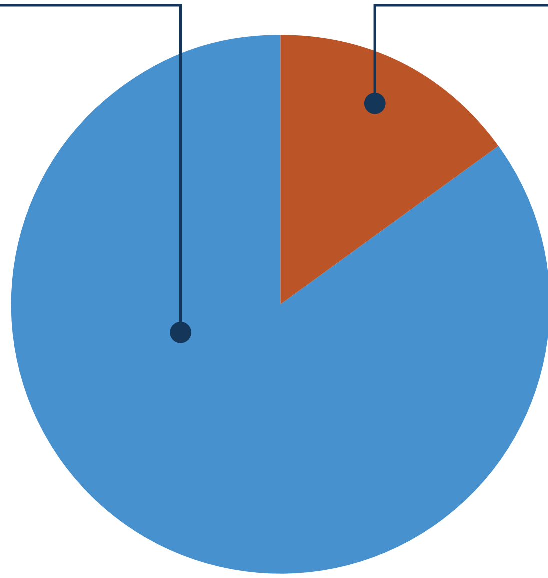
Variable Costs (85% of Total Spend)

CLAIMS SPENDING

The largest portion of your healthcare costs, typically 65% of total spend, goes toward actual healthcare claims.

CAPTIVE POOL CONTRIBUTION

Around 20% of spend goes to the shared risk pool, protecting against mid-level claims.



15%

Fixed Costs (15% of Total Spend)

STOP-LOSS PREMIUM

This represents approximately 10% of your total healthcare spend and protects against catastrophic claims.

ADMINISTRATIVE COSTS

About 5% of total spend covers TPA fees, broker fees, and program administration.

Sample Five-Year Projection Model

YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5

YEAR 1:
Establishing Your Baseline

CURRENT FULLY INSURED COSTS.
Document your total premium payments, employee contributions, and any additional healthcare-related expenses.

EXPECTED SELF-FUNDED COSTS.
Calculate your projected spending using the 15/85 fixed/variable cost split.

YEARS 2-5:
Projecting Growth and Savings

TRADITIONAL INSURANCE TREND.
Factor in typical annual increases of 7-10% for fully insured plans.

SELF-FUNDED TREND.
Account for more moderate increases of 3-5% with effective cost containment.

Calculating Potential Savings

DIRECT COST SAVINGS	INDIRECT SAVINGS OPPORTUNITIES
CLAIMS ACCOUNT SURPLUS. Money left in your claims account stays with you.	**COST CONTAINMENT IMPACT.** Implement targeted solutions based on your claims data.
CAPTIVE POOL DISTRIBUTIONS. Unused pool funds return to you annually (average 10.4% distribution).	**PROVIDER NETWORK OPTIMIZATION.** Choose networks that best serve your employee population.
PHARMACY REBATES. 100% of rebates come back to you with a transparent PBM.	**PLAN DESIGN FLEXIBILITY.** Adjust coverage to eliminate unnecessary costs.

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Real Impact Example

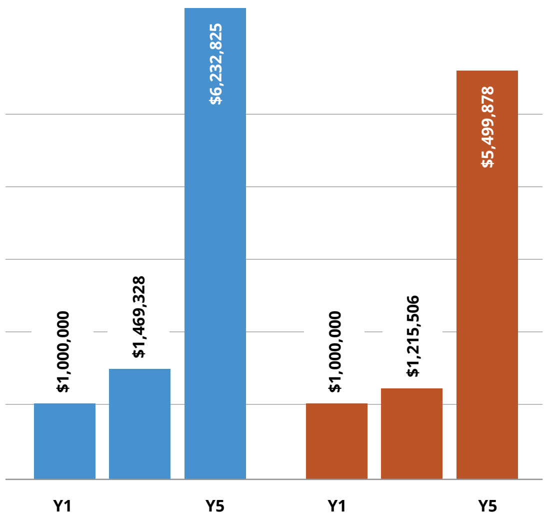
Five-Year Comparison

TRADITIONAL INSURANCE:

- **Year 5: $1,469,328** (assuming 8% annual increases)
- **Total five-year cost: $6,232,825**

TRADITIONAL INSURANCE:

- **Year 1: $1,000,000** base premium



SELF-FUNDED GROUP CAPTIVE:

- **Year 5: $1,215,506** (assuming 4% annual increases)
- **Total five-year cost: $5,499,878** Plus potential distributions and savings

SELF-FUNDED GROUP CAPTIVE:

- **Year 1: $1,000,000** total cost

Total Savings Impact

DIRECT SAVINGS.

$732,947 from lower trend rates alone.

ADDITIONAL RETURNS.

Average **10.4%** annual distribution from the captive pool.

RETAINED FUNDS.

Unused claims account money stays with your company.

Next Steps

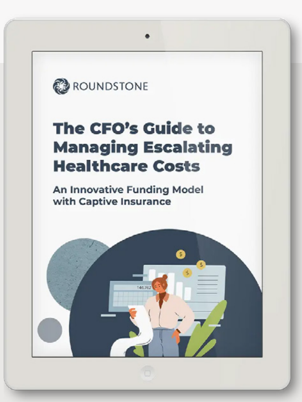
1. Gather your current plan data:

✔ Premium costs ✔ Claims history (if available) ✔ Employee demographics ✔ Current plan design

2. Request a personalized analysis from Roundstone to see your specific savings potential.

3. Schedule a consultation to review your results and explore your options.

Remember: Roundstone guarantees you'll save money within five years, or we'll make up the difference.



Take Control of Your Healthcare Costs

Download our free ebook, "The CFO's Guide to Managing Escalating Healthcare Costs," to learn more about how a Roundstone group captive can save your business money and provide transparency and control of your healthcare spend.

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