MAGNACARE
Self-Insured Health Plans

Broker Bulletin

March 2015

Understanding Self-Insurance and Its Many Advantages

MagnaCare partners with and provides network access and administrative services to hundreds of clients who have embraced the self-insurance concept. They've found it to be a viable, convenient and cost-effective alternative to a fully-insured model, giving them greater control while providing their members with the health benefits that fit them best. In this month's Broker Bulletin, we'll take a look at what makes self-insurance such a beneficial preference for so many employers – and we'll even offer a short video that “tells the story” behind the popular funding option.

Self-Insurance - The Video

TAKE A MOMENT TO ENJOY OUR INFORMATIVE VIDEO

Watch our short film that tells the real story about self-insurance and its advantages over fully-insured plans.

Never Underestimate the Popularity and Prevalence of Self-Insurance

CALLING FULLY-INSURED COVERAGE "TRADITIONAL" CAN BE MISLEADING

Sixty-one percent of covered workers are in a self-insured plan. The percentage of covered workers who are in a plan that is completely or partially self-funded has increased over time from 49% in 2000 to 54% in 2005 and to 59% in 2010.

Source:

2013 Kaiser Employer Health Benefits Survey

Reasons that Drive Employers to Self-Insure

IT GOES BEYOND EVER-RISING PREMIUMS. THERE ARE A NUMBER OF BASIC AND COMPELLING REASONS TO CONSIDER SELF-INSURANCE, SUCH AS:

1. Control your own plan design. Cover benefits you want to cover, not just those handed to you in a bundled plan.
2. Gain insight into your members' claims – they're available to you and can be very helpful in making some key decisions.
3. Improve your cash flow – and hang onto any excess monies at year's end.
4. Avoid many of the state taxes that fully-insured plans pay, realizing between 1.5% and 3% in savings.
5. The standard profit margins and risk charges of a fully-insured plan do not apply.

Source:
Five advantages of Going Self-Insured

The Experts Weigh In

"It is simply business economics. Self-insurance usually costs less, because any savings remain with the plan, they're not kept by an insurance company. Also, its main regulatory law, ERISA, requires strict reporting, so fees paid for administration (traditionally hidden within an insurance company) are clearly stated and the precise package of services desired is negotiated with a Third Party Administration (TPA) company. So, to be blunt, instead of leftover money or savings going to paying for insurance company skyscrapers, with self-insurance any unspent money remains as plan assets to help pay future costs."

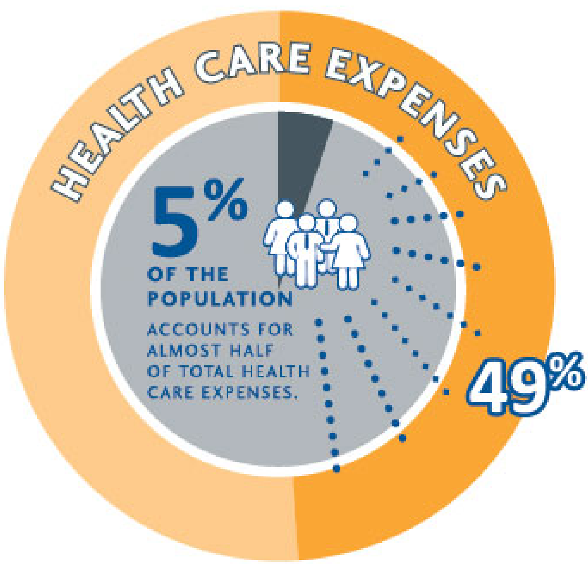
- Fred Hunt,
SPBA Active Past President

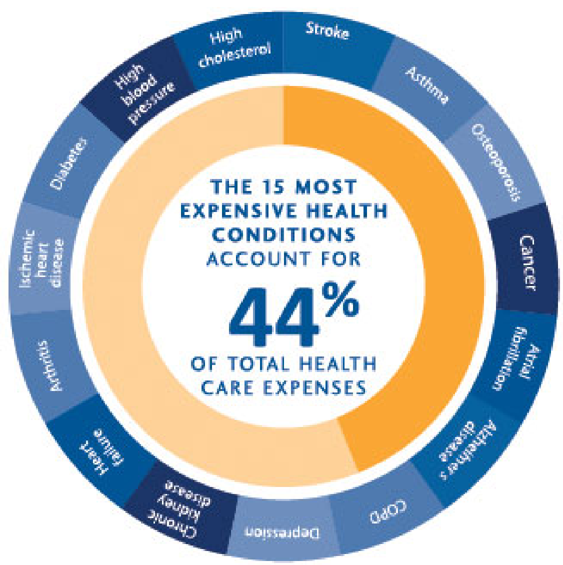
> "Traditional insurance: 'a less-efficient way to finance health care coverage in exchange for the certainty of transferring the risk off the company's books.'"
>
> \- Michael Turpin,
> Executive VP, USI Insurance Services

Never Mind the Deep End – Just Stay Out of the Pool, Period

WHO FULLY-INSURED CARRIERS' CLIENTS ARE SWIMMING WITH (AND HELPING KEEP AFLOAT):

Fully-insured carriers base premiums on how much money they expect to spend on ALL their covered folks – so your client is spending money on unhealthy employees from other companies, no matter what great shape their own employees may be in. It's called 'pooling,' and it's a major reason behind the fully insured carriers' premium pricing strategy.





Patients with multiple chronic conditions cost up to seven times as much as patients with only one chronic condition.

Source:
Kaiser Family Foundation calculations using data from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), Household Component, 2009.)

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