LOOMIS
THE LOOMIS COMPANY

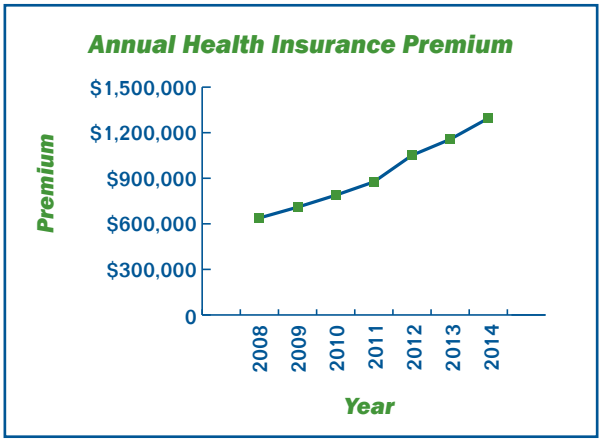
CASE STUDY

Company with 142 Employees and 6 Offices

Tech Company headquartered in San Diego, CA specializes in video game development. Co-founded in 1993 and the ownership group has remained in force.

CURRENT PLAN BENEFITS PACKAGE

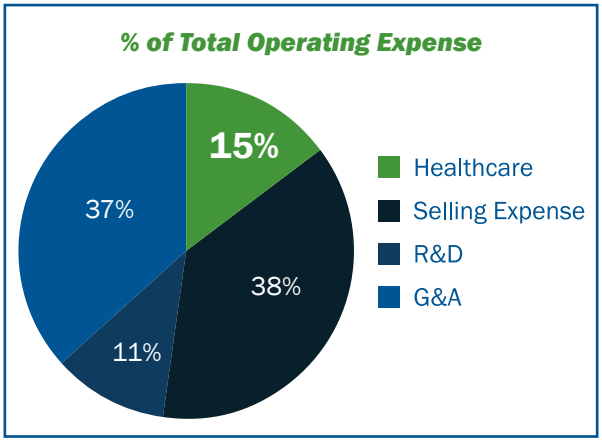
Fully-insured group with Highmark. 108 people on the plan. Management has shopped and switched carriers three times in the past few years. A solid broker relationship has been in place for nearly twelve years. The company has been exposed to annual insurance premium increases of 10-20%, while the annual premium during the 2011 operating year was $876,000. It is a traditional plan with normal co-pays and prescription drug plan. Dental, vision, ST/LTD and life insurance are all in-place; each with different expiration dates and invoices.



THE ISSUE

The employee benefits plan is breaking the financial health of this company. They need a credible means to reduce operating expense, realize a respectable EBITDA that benchmarks or exceeds industry standards, and gain control of spiraling healthcare costs. Their 2011 healthcare spend represents nearly 15% of total operating expense and is a key cost driver hindering them from further investment in high-growth capex projects.

They are unsure of the effects of Obamacare, compliance, and potential fees and fines. The internal staff has spent hours making changes to the plan and administering the billings. They are concerned if they move to a lesser plan/reduction in coverage they would lose the ability to attract and retain top talent, especially in their highly transient tech sector. Furthermore, as the company continues to grow, future plans include seeking alternative funding through venture or private-equity placement, and a key selling feature in sourcing additional capital is not only the management team, but the stability of their talent pool – the critical resources behind driving the company's many new product initiatives.



THE LOOMIS APPROACH

Benefits consultants at The Loomis Company were called in to perform an assessment, offer advice, and implement an appropriate set of benefits solutions. During our first meeting we discussed the issues facing management, company goals, as well as other concerns and obstacles that seem apparent with the current benefits plan. Our team also met with individual employee groups to determine what they perceive as important and valuable to them from a motivational standpoint and helping to instill a sense of "employer commitment."

Additionally, we reviewed the company's claim detail to help us understand what options may make financial sense, while achieving the goal of a significant reduction in healthcare costs within the first year of plan implementation.

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THE DEVELOPMENT AND DEPLOYMENT OF A NEW PLAN

Using current and prior-three-years claims data, and leveraging our in-house Nurse Case Managers and team leaders, we were able to prepare and present three separate plan options:

1. *A self-funded option*

Here the employer pays for its own medical claims directly, while a third-party administrator administers the health plan by processing claims, issuing ID cards, handling member and provider questions, and performing analyses and other necessary tasks. The plan includes stop-loss insurance, which limits the amount of claims expenses (or "stops the losses") the employer's self-funded health plan is responsible for per covered individual per plan year. If claims are lower than predicted, the employer can save money directly, as compared to paying the set monthly premium of a fully insured plan, while the stop-loss insurance policy places a ceiling on the maximum amount the employer would pay in claims.

2. *Medical benefit group captive option*

Like the self-funded plan, the medical benefit group captive gives the employer a tool to gain control of the cost of employee benefits, yet share risk with a group of like-minded employers. When employee claims are extensive, the group captive absorbs the shock. When employee claims are modest, the employer essentially pockets a portion of the profit that would normally have gone to an insurance carrier.

The basic concept of a medical benefit group is as follows

Employer

- Each employer is responsible for covering its smaller and more predictable claims.
- Each employer has its own Third Party Administrator to handle its own claims processing, ID cards, and preferred provider contracts.

Captive

- Each employer pays into the group captive "pool" to cover medium sized claims.
- If the dollar amount of these "in-the-pool" claim payouts exceeds the amount that has been put into the pool, the group shares the loss (up to certain thresholds)
- And vice-versa: if "in-the-pool" payouts are less than the balance in the pool, the group shares the profit.

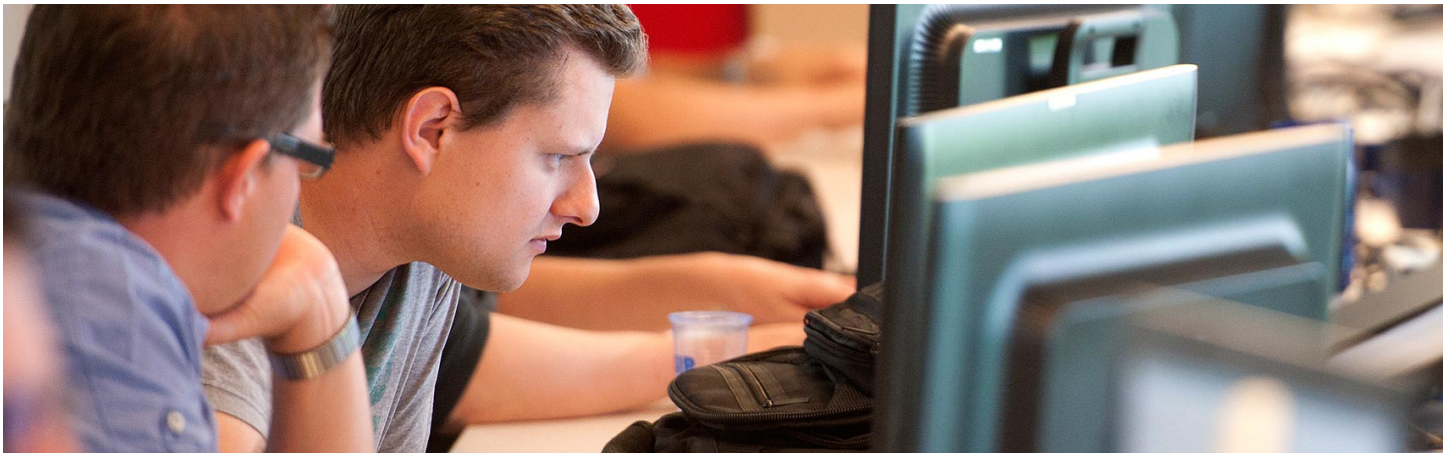
Insurance Carrier

- Each employer pays an insurance company a premium to cover catastrophic claims.
- The insurance company provides protection in cases where an individual's claims exceed an annual cap, or the sum total of all claims exceed an annual cap.

3. *Two separate fully-insured programs - A defined contribution plan and a high deductible plan*

We consolidated all the billings into one monthly invoice and defined a transition process that would provide for seamless conversion to the new plan. We introduced the company to our on-line enrollment tool, as well as our "on-the-go" mobile application for members to view plan benefits, claims status, find providers, and view/share their electronic ID cards. Additionally, we included as part of our standard service, an on-site Loomis employee to assist with enrollment and answer questions. Also standard with any of the packages is a dedicated Loomis customer service team.

Each of the two self-funded options (self-funded and captive) we presented includes an employee wellness program – something we feel strongly should accompany any self-funding benefits solution as it leads to healthier, more engaged employees and ultimately drives significant cost containment. Specifically, we introduced the employer to the MedEncentive product which provides incentives to members when they properly follow their health professionals' advice. The MedEncentive product likewise incentivizes doctors/providers to engage their patients and ensure there is mutual understanding in diagnoses, procedures, prescriptions, and/or rehabilitation criteria.



THE RESULTS

Ultimately the company selected the fully-insured option with a defined contribution plan, saved 28% in its first year premium ($630,700), and maintained a flat renewal the last 2 years. The company's employees experienced a seamless transition and employee satisfaction surveys indicate the highest level of approval yet achieved for any plan the company has deployed over the last several years.

Recently, our loss control consultant worked with the group to create an internal safety and accountability program. Management reports that the program has boosted morale and helped reduce its workers' compensation experience model and premiums.

The company's sales are at an all-time high and it was recently featured in "Tech Crunch" as a player to watch.

CLIENT TESTIMONIAL

"Even though we remained fully insured, seeing all of our options allowed us to be educated and feel confident about the direction we're heading with regard to benefits. Our engagement with The Loomis Company is a true partnership. We finally have a real, manageable plan, while the Loomis team has become a valuable extension to our management team and business planning process."

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