

## CASE STUDY

### *Company with 70 Employees*

#### **THE ISSUE**

The client, based outside of Reading, PA, is a 70-life employer involved in the manufacturing of chemicals. Their current benefits are offered through Health America in a fully insured benefits package. This employer is growing more and more frustrated with yearly renewals of their healthcare benefits; over the past 5 years their health benefits have continued to increase at an average annual rate of between 5 and 10%. Typical of fully insured plans, the client has received no reasonable explanations as to why their costs continue to escalate year over year.

The client is also frustrated with the switch between carriers, another annual occurrence, resulting in more work for an already overtaxed HR staff. The required updated notifications as to what doctors are in-network, as well as other network services information, serves only to create anxiety throughout the employee population. Most importantly, maintaining a focused, highly



innovative workforce is a key competitive advantage to this company, and when its employees are anxious about pending benefits changes (e.g. employees and dependents concerned about keeping their provider relationships or pre-existing conditions, etc.) it proves challenging to sustain a concentration on research & development and critical new product releases.

The experiences of this particular client are in no way unique, and the same story proves to be a recurring theme throughout the country with respect to employers of similar size. The fully insured market lacks transparency in its pricing and experience/usage information, and employers continue to incur double digit premium increases without access to any relevant data or evidence to support the increases. At The Loomis Company, we often encounter employers realizing large premium increases following “bad” (high claims \$\$) years, yet even after a “good” (low to minimal claims \$\$) year the carrier typically increases rates.

#### **THE LOOMIS APPROACH**

The Loomis Company specializes in being a partner and consultant – a facilitator to help you make the best decisions for your company and your employees. Our knowledge and our access to key data, trends and statistics, given the Third Party Administrator that we operate as one of our business units, is nothing short of substantial. We process over \$1B in claims annually for hundreds of employers representing various industries and employee demographics. Armed with a trove of information and the necessary systems to properly analyze data, we can model an assortment of benefit options for your company so you can realistically and confidently evaluate fair pricing from carriers and create forward-looking scenarios to aid in budgeting and planning.

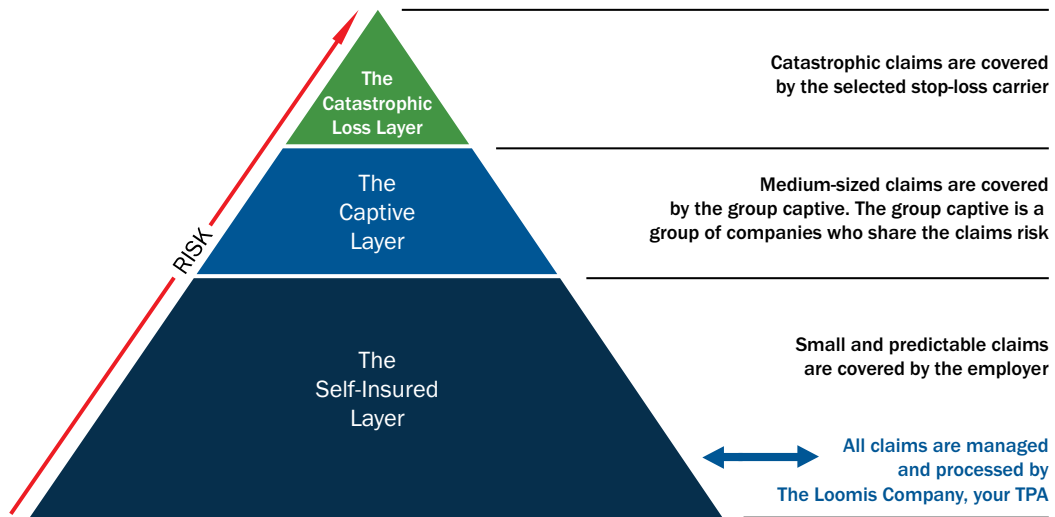


*Protecting What You Value Most. Your People. Your Assets. Your Future.*

The Loomis Company is aligned particularly well, given its TPA operation, national scope, and core staff of knowledge experts, to facilitate and administer employer self-funded benefits plans. But our flexibility and expertise, as well as the breadth of insurance products in our portfolio, affords us many different vehicles to aid in “fitting” our clients to the most appropriate benefits solution. From self-funding to risk-sharing group captives to fully insured programs, The Loomis Company can put your organization in the most ideal benefits plan – one that truly aligns with your goals and objectives and serves as a catalyst rather than an obstruction to drive your company and your people forward.

For this particular employer, we earned a meeting by explaining that they did not have to continue to endure continuous increases in their fully insured premiums. We shared that there are alternatives other than simply switching to different carriers every couple of years. One of the new alternatives now available in the marketplace is entering a group medical captive. Captives are a combination of self-funding with fully insured attributes. Here, the insured self funds to a specific dollar figure (the self-funding layer in the illustration below), above which it is very similar to a fully insured plan where a monthly premium is paid into a captive layer (where risk is shared among a group of companies). The insured also contracts with a stop-loss carrier to cover any catastrophic claims that might exceed the agreed upon amount covered by the captive layer. Below is a conceptual illustration of how a medical benefits captive is structured:

### The Self-funding, Captive Concept



These captives were designed for fully insured employers who want to take control of their healthcare costs and have a view into the true make up of their medical costs. The captive option also gives both the client and The Loomis Company the flexibility to deploy some innovative cost saving tools as part of the overall benefit plan.



### THE RESULTS

In the final analysis, the client was very impressed with the captive proposal as well as our breadth of knowledge with respect to health insurance. The company decided to remain fully insured because management did not think they were ready to take a step toward self-funding. They were not quite comfortable with what they perceived as the potential “unknown” and volatility that self-funding might bring to a small company with a small employee base. However, we did earn this account via a Broker of Record agreement (BOR) serving as their broker/consultant and preserving their existing relationship with Health America. The client saw the value in eventually moving into a captive, which is why they chose The Loomis Company as their benefits consultant - to help provide a plan and a road map to self-funding, a solution that will ultimately lead to their ability to take control of their health care costs.

Though all brokers have access to the same rates in fully insured markets; not all brokers can deliver cost saving tools and risk mitigation options and combine that flexibility with in-house claims administration and real-time data analysis. The powerful combination of consultative engagement, product flexibility, systems, and knowledge expertise provides The Loomis Company with a unique perspective to help ensure its clients always enjoy the most appropriate benefits solution.

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