

F07 – Benefits of Insurance Pools and Consortiums

April 25, 2024



Gallagher

Insurance | Risk Management | Consulting

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Today's Speakers



Brian Pierce

Key Account Executive
Risk Program Administrators



Chadd Hodkinson

Senior Area Vice President
Market Leader, Michigan Public Sector
Gallagher Benefit Services, Inc.

Agenda

1 Health insurance pooling

2 Risk insurance pooling

3 Cooperative purchasing

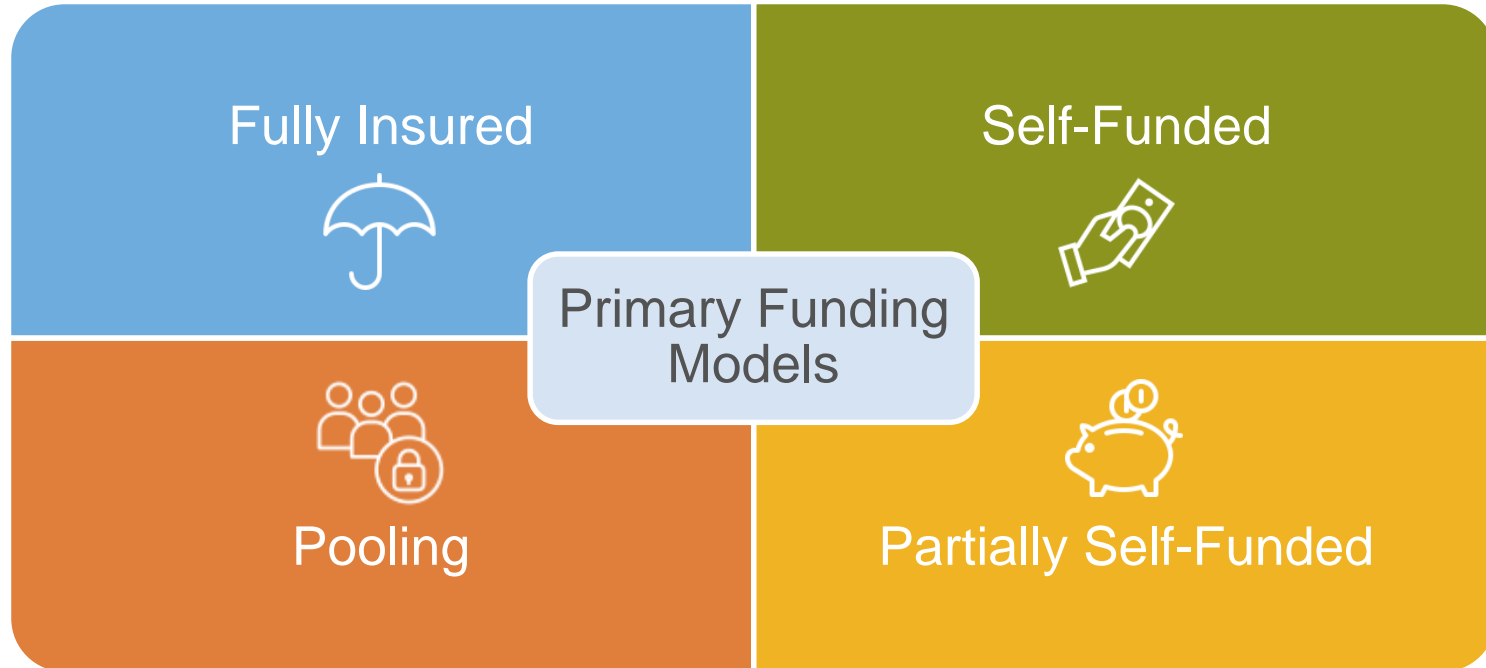
4 Q&A



Health Insurance Pooling

Funding Overview

Four primary funding models used by Michigan public schools

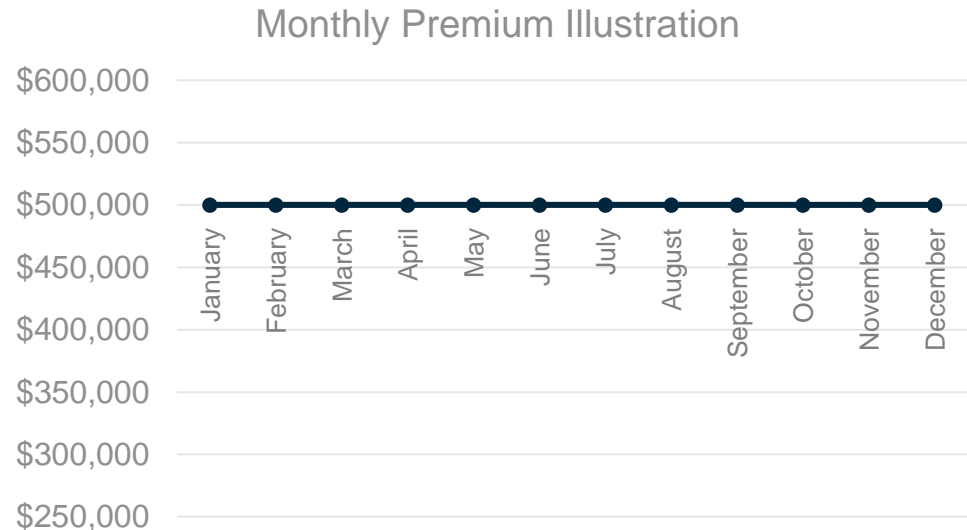


Funding Overview

Fully Insured

- Established single, two person and family rate for each plan offered
- Rates generally guaranteed for 12 months
- District pays the same rates for 12 months whether enrollees use more care than expected or less
- Claim data may or may not be considered when establishing rates (discussed later)

Enrollment Type ⁸	Monthly Rate	Enrollment	Total Monthly Premium
Single	\$600	100	\$60,000
Two Person	\$1,200	75	\$90,000
Family	\$1,750	200	\$350,000
TOTAL MONTHLY PREMIUM			\$500,000



Assumes consistent enrollment all year for illustrative purposes

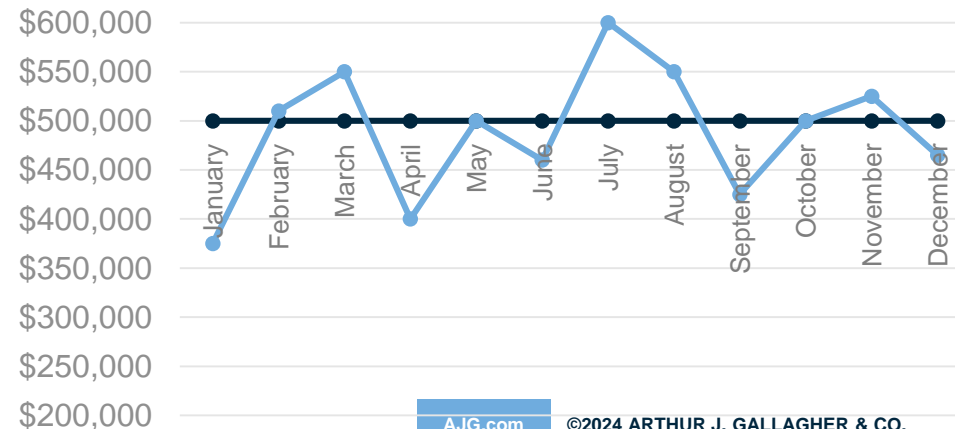
Funding Overview

Self Funded

- District pays for the cost of products and services as they are used by enrollees
- Rates are established based on projected costs expected for the 12 month plan year and are not guaranteed
- District pays more if enrollees use more care than expected and pays less if enrollees use less care than expected
- Insurance retained by district to protect against catastrophic losses called stop loss insurance

Cost Components	Monthly Rate	Enrollment	Total Monthly Projected Cost
Administrative Fee	\$75.00	375	\$28,125
Stoploss Insurance	\$125.00	375	\$46,875
Projected Claims	\$1,133.33	375	\$425,000
TOTAL			\$500,000

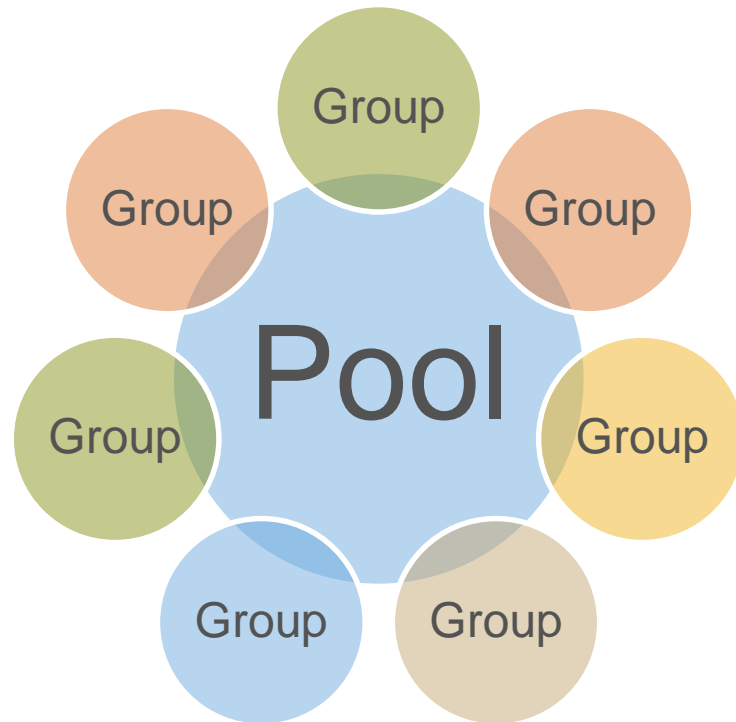
Monthly Projected vs. Actual Cost Illustration



Funding Overview

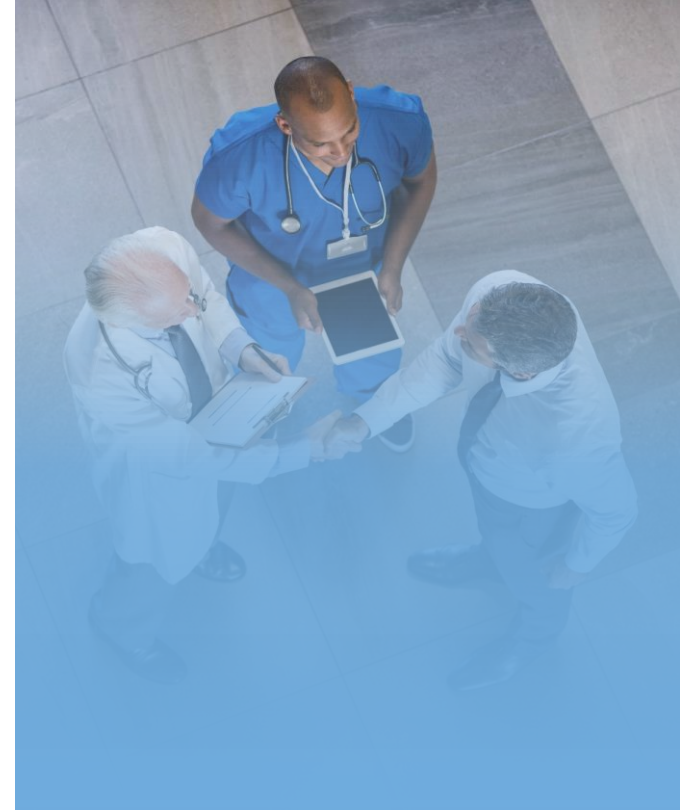
Health Insurance Pooling (bullets below are based on the Western Michigan Health Insurance Pool and can vary depending upon the pool being considered)

- Sharing claim risk with other employers and taking advantage of collective buying power
- Established single, two person and family rate for each plan offered
- Rates guaranteed for 12 months
- District pays the same rates for 12 months whether enrollees use more care than expected or less
- Pool members make program decisions with a view toward providing high quality coverage at a reasonable and stable cost



Potential Benefits of Health Insurance Pooling

- Reduce risk exposure
- Drive down costs by utilizing economies of scale
- Provide value added services to help employees
- Educate and remind staff of the importance of good health
- Use data to drive decisions and strategy
- Team with like organizations
- Improve organizational efficiencies



Reduce Risk Exposure

Depending upon pool structure:

- Opportunity for sharing risk for catastrophic claims
- Potential for reduced renewal volatility
- Assurance of coverage in unique scenarios
- Lower net cost for prescriptions



Economies of Scale



Administrative fee



Stop loss contract terms and fees



Pharmacy contract terms and costs

Value Added Services

Create opportunities that are sometimes not available to smaller, individual groups

Digital health solutions

Second opinion programs

Online enrollment capabilities

Special coverage riders (e.g. hearing coverage)

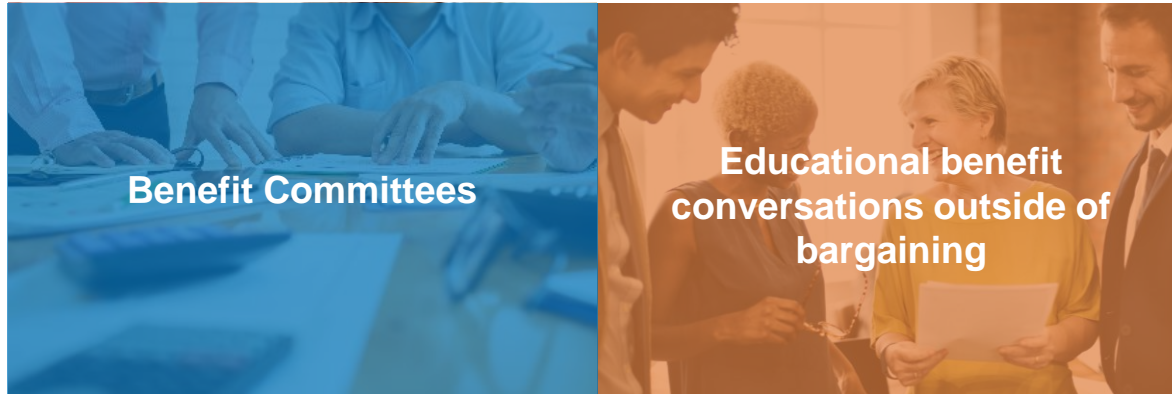
Educational communications



Health Insurance Pool Communications

Educating Plan Participants

Creating a culture of collective, ongoing learning with union/non-union leadership



Data Driven Decisions and Strategy

THE POOL
Western Michigan Health Insurance

Group Name 2022
Year in Review

2022 Plan Performance

Group	Members Paid	Paid Medical Claims	Paid Rx Claims	Claims over \$50K	Total Paid Net Claims	Fixed Costs	Claims
128	\$3,360,321	\$3,183,720	\$636,245	\$0	\$3,819,964	\$292,471	\$

'As we look ahead to 2023, our strategic framework will guide the work of Executive, BRAVE, Member Experience, and Value continue to listen to our service at the right time and at the best cost. I encourage you to become one of your Pool. Thank you for your leadership in helping to make our Pool an ideal organizations.'

-Julie Davis, Pool Chair

Pool Provided Value Adds

Interested in the?

The Pool Life and Disability C initial employers participated \$360,000. The Cooperative (HIS) and insured by Madison take advantage of group un autonomy of plan design an continues through 2025.

Blue Cross Blue Shield Blue Care Network of Michigan

Livongo by Teladoc Health

virta

2nd MD

omada

THE POOL

2023 Renewal
Prepared for Group Name

Pool-Standard Renewal 4.9%

Rate Protection Impact 0%

Rate Adjustment 4.9%

Description	Benefits	2022 Premium Rate	2023 Premium Rate
SB PPO Plan 6	Deductible: \$500/\$1000	Single: \$727.69	Single: \$763.34
	Coinsurance: 20%	Double: \$1,521.80	Double: \$1,596.37
	Rx Coverage: \$20/\$40/\$80	Family: \$1,984.55	Family: \$2,081.79
SB Plan 7	Deductible: \$1000/\$2000	Single: \$676.83	Single: \$709.99
	Coinsurance: 20%	Double: \$1,415.44	Double: \$1,484.79
	Rx Coverage: \$20/\$40/\$80	Family: \$1,845.84	Family: \$1,936.29
PPO Select 1	Deductible: \$0/\$0	Single: \$994.68	Single: \$1,043.42
	Coinsurance: 0%	Double: \$2,080.19	Double: \$2,182.12
	Rx Coverage: \$10/\$40	Family: \$2,712.72	Family: \$2,845.65
Flexible Blue 3	Deductible: \$2000/\$4000	Single: \$700.17	Single: \$734.48
	Coinsurance: 0%	Double: \$1,464.28	Double: \$1,536.02
	Rx Coverage: \$10/\$40	Family: \$1,909.52	Family: \$2,003.08
Versatile 3 PPO	Deductible: \$250/\$500	Single: \$838.47	Single: \$879.56
	Coinsurance: 10%	Double: \$1,753.50	Double: \$1,839.42
	Rx Coverage: \$10/\$40	Family: \$2,286.68	Family: \$2,398.72

How Does Your Loss Ratio Compare With Other Pool Members?


60% 80% 100% 120% 140% 160% 180% 200%

▲ = Your Group

If you have questions regarding your rates or plans, or would like to look at other options, please reach out to a member of your Gallagher support team:

Mike Hagerty: Michael_Hagerty@ajg.com Doug Derks: Doug_Derks@ajg.com Leslie Nowaczyk: Leslie_Nowaczyk@ajg.com

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Teaming with Like Organizations

1

Share risk

2

Exchange ideas and strategies

3

Committees to advance initiatives



Improve Organizational Efficiencies

1

Cooperative purchasing of related benefits

2

Leverage group marketing of products and services

3

Access employee self-service tools



Health Insurance Pool Structure

Not all pools are the same


Considerations

A blue-tinted rectangular box containing a blurred image of two people, with the text 'Health insurance pool mission' centered in white.


Health insurance
pool mission

A green-tinted rectangular box containing a blurred image of two people, with the text 'Health insurance pool governance' centered in white.

Health insurance
pool governance

An orange-tinted rectangular box containing a blurred image of two people, with the text 'Health insurance pool risk structure and process for managing current and future liabilities' centered in white.

Health insurance
pool risk structure
and process for
managing current
and future liabilities

A blue-tinted rectangular box containing a blurred image of two people, with the text 'Reserve structure and risk exposure for individual, participating groups' centered in white.

Reserve structure
and risk exposure
for individual,
participating groups

Also:

- Longevity
- Data and cost transparency
- Philosophical alignment in terms of risk, cost and investment management
- Coverage and program flexibility
- Hospital, provider and pharmacy networks
- Service model
- Commitment requirement

Risk Insurance Pooling

Risk Program Administrators

World Wide Expertise, Local Service

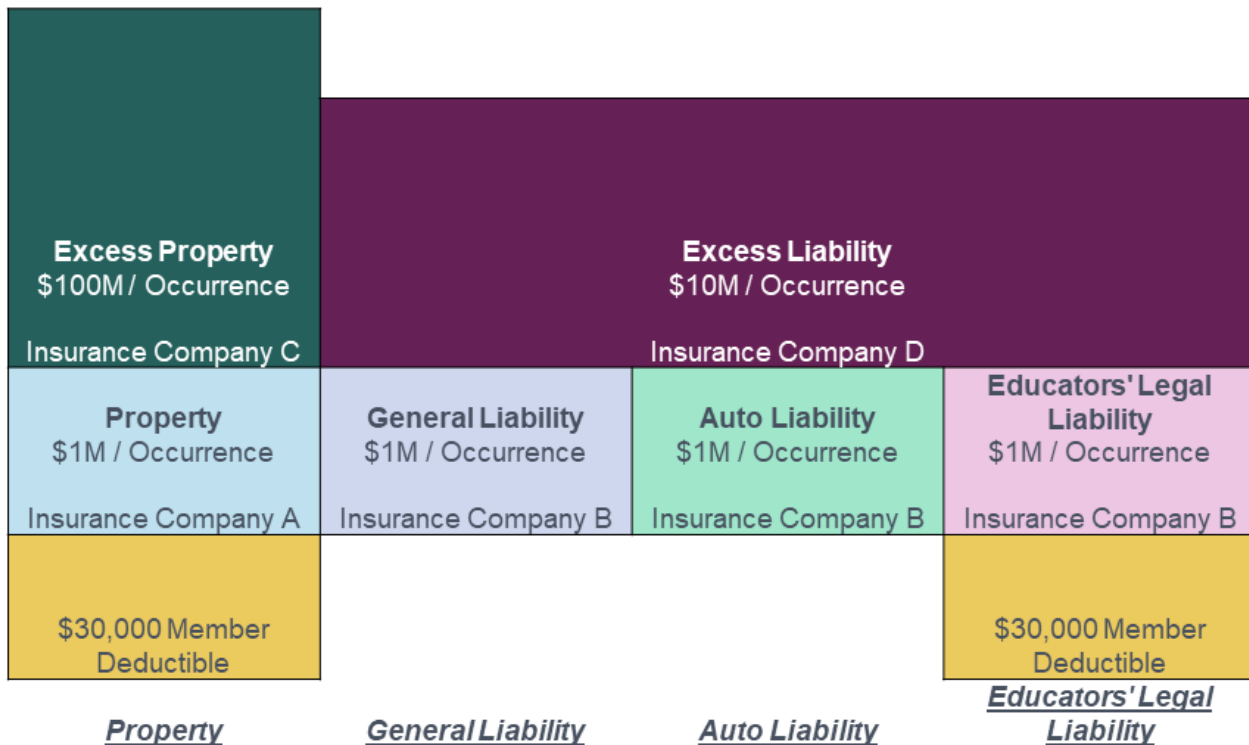
- #1 Broker in Education
- We're on the Cutting Edge of Education Risk Management
- Nationwide Expertise
- Local Team
- Clout with National and International Insurance Companies
- Proactive Approach to Risk Management



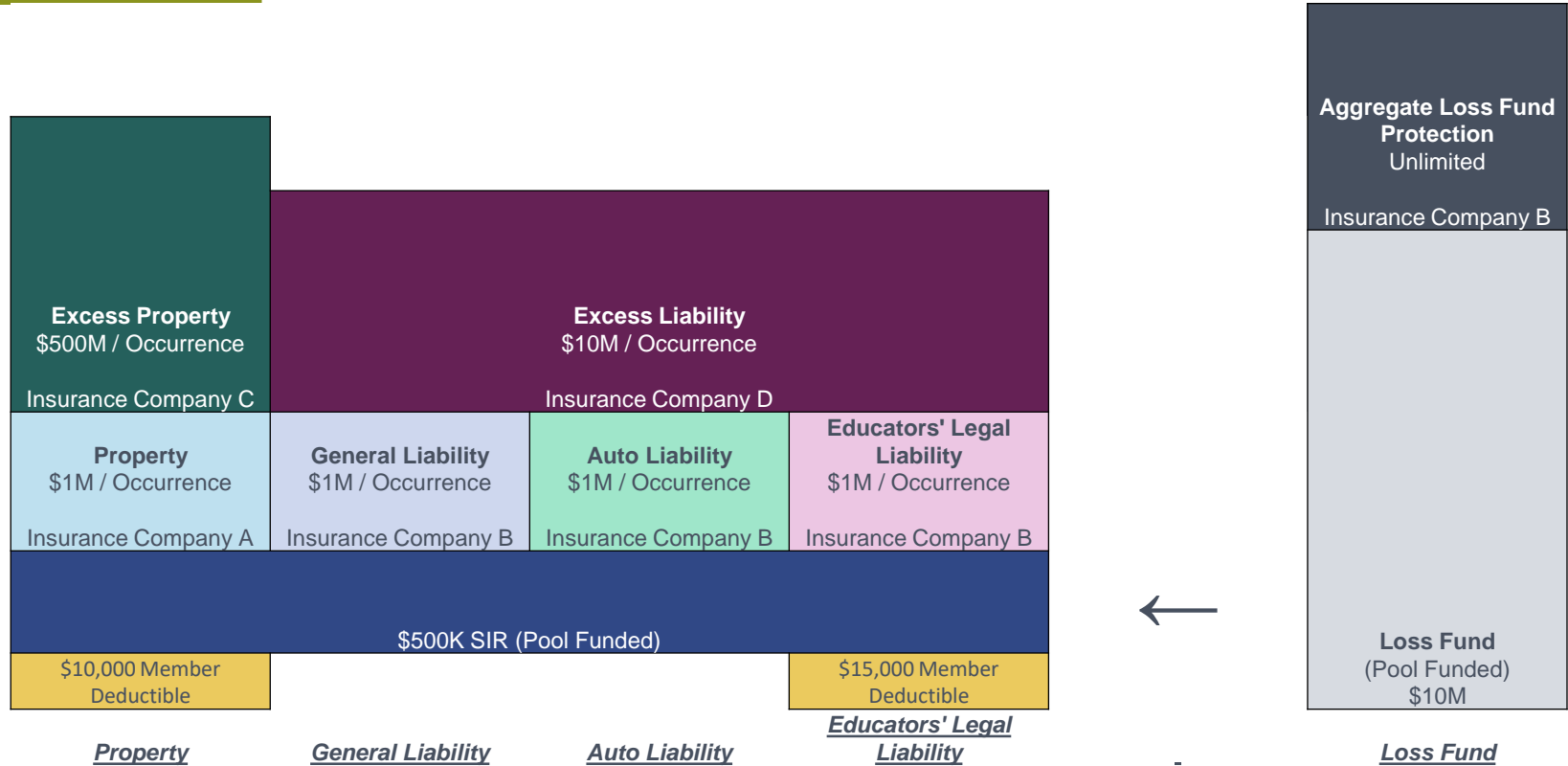
National Public K-12 Education Footprint

49 Regional School Pools	21 States
3M Students Insured	5,882 Districts Insured

Traditional Risk Insurance Sample Program Structure



Pooled Risk Insurance Sample Program Structure



Risk Pooling Member Profile

Who is a Good Candidate for Pooling?

- Like Kind and Quality
- Similar Mindset
- Moderate Appetite for Risk Tolerance
- Moderate Claim Frequency and Limited Severity

Member Quantity

- Critical Mass
- Member Representation
- Cost of Capacity



Scope of Control in Risk Pooling

Member Control / Leverage

Traditional Insurance	Pool Programs
No ownership and limited representation	Fully member owned, governed, and focused



Member Control / Leverage

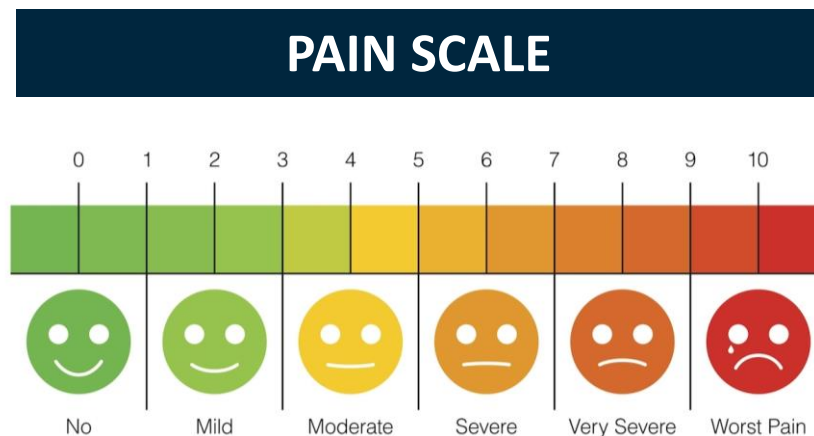
- Tailored Coverages
- Limits
- Deductibles
- Premium Allocation
- Claims Processes
- Vendor Partners
- Member Benefits & Services
- Surplus Utilization



Stability and Sustainability in Risk Pooling

Avoid the Volatility

- Long Term Rate Stability
- Market Insulation
- Preferred Pricing
- Market Clout
- Deductible Management
- Minimized Shock Claim Impact



Transparency in Risk Pooling

Transparency Matters

- Is my Pool Financially Stable?
- Who are the Vendor Partners in my Pool?
- Are the Insurance Companies backing my Pool Financially Stable?
- How is my Contribution Broken Down?
 - Premium by Coverage Type
 - Administrative Fees
 - Brokerage Fees and/or Commissions
 - Taxes and State Mandated Charges/Fees
- How is my Contribution Determined?





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Risk Pooling – More than Just Premium Cost

Minimize your Total Cost of Risk



Additional Risk Pooling Benefits and Considerations

Third Party Claims Administrators

- Insurance company claim departments work on behalf of the insurance company and look for ways to **DENY** Claims
- Pool TPAs work for the Pool focus on doing what is right for their **Members** and look for ways to **PAY** Claims

Member Services

- Independent Claim Reviews
- Independent Loss Control Visits
- Playground Inspections
- Employee Trainings
- Cyber Liability and Network Security Resources



Cooperative Purchasing



Cooperative Purchasing Programs

- Potential benefits of purchasing cooperatively
 - Greater market leverage
 - Economies of scale
 - Enhanced contract terms
 - Cost stability
- Health insurance product types
 - Life and disability
 - Pharmacy
 - Voluntary/worksites benefits
 - Dental/vision
- As with pools, not all cooperative purchasing programs are the same
 - Compensation for program manager
 - Access to terms of the arrangement



Thank you!

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