Managing Your Medical Plan's Future Cost:
Self Insuring, Group Captives and Private Exchanges

By Jim Mohler PHRA - March 2014

The year 2014 has brought many changes to a company's medical plan. In addition to requiring benefit increases, the Affordable Care Act (ACA) includes new taxes and fees to help pay for itself. Many of these costs are passed through to the employers who are paying fully-insured premiums.

The evolving playing field is forcing employers to consider new solutions to respond to the new challenges. For years large companies have turned to self-insuring their medical benefits to reduce cost and increase plan flexibility. These advantages have increased significantly with the implementation of the ACA. It would be prudent for employers to weigh the option of a self-insured medical plan for their companies.

It is no longer enough to look only at medical rates when evaluating plans. It is important to know what costs and services are built into these rates. In addition to avoiding a significant portion of the ACA fees, a self-insured plan allows companies to tailor services to their specific needs. These include selecting the right provider network; an effective wellness plan, first-rate claim services, and an employer specific benefit design.

The availability of self-insuring through a group captive insurance arrangement is now presenting employers with new options. A group captive is an insurance company that is owned and/or controlled by its insured members. When implemented with the right partners, self-funding through a group captive safely can maximize an employer's control over its plan. Used for years in other insurance lines, medical group captives are growing in popularity. A good group captive offers flexibility and should reduce an employer's costs and long-term risk.

Turn-key options and technology make self-insuring easy. Group captives can be used for groups with as few as 35 participants and offer a variety of program options. Other self–insuring options are available for employers who have as few as 10 participants.

Another alternative approach is using a private exchange. A private exchange switches an employer plan from a defined benefit to a defined contribution design. This can be used in conjunction with a self- insured or a fully insured plan. Employers can offer several alterative plan options while providing a fixed contribution amount. Larger employers have offered cafeteria plan designs for some time, but this flexibility was not easily available to smaller companies through the traditional marketplace. With the promotion of alternative choices in the public exchange, this concept is favored by some employees. Private exchanges help employers predict future cost and apply contributions more effectively to their needs.

With the use of either of these programs, it is important to have appropriate consultation. Choosing a group self-insured captive or a private exchange should be a long-term decision that is made carefully

Group captives and private exchanges are simple concepts and easy to implement if done with experienced guidance.

Is it time to take control of your future cost?

Jim Mohler is an Employee Benefits Consultant with *Strategic Employee Benefit Services* in Pittsburgh, PA. He can be reached at jim.mohler@NM.com. (412) 491-8000