Self-Funded Plan Considerations

- Specific Stoploss risk tolerance, cash flow considerations, for OKHEEI given the varying size of each school.

- Claims are paid with plan's money out of plan's bank account.
    - Would OKHEEI need to establish a trust?
    - Who would manage such account?
    - Cash flow considerations due to fluctuation in claims activity.

- Process for allowing new institutions into the plan or exit from the plan would require a more thorough review of that school's risk (claims experience) and impact to the plan.

- Reserves are plan's responsibility.
    - Plan must account for incurred but not reported (or paid) claims (IBNR).
    - As state funded institutions, does OKHEEI have any restrictions on maintaining reserves?
    - Would premium equivalent rates for budgeting and employee contributions need to be set based on maximum claims exposure?
    - First year considerations for rates establishment in order to build reserves would need to be explored.

- The plan is the Plan Fiduciary and is ultimately responsible for plan decisions and legal defense of claims actions. The plan has the final say on the acceptance or denial of questionable claims and employees have no protection against the financial insolvency of the plan.

- Renewal timing may be later in the year due to the carrier's need of claims data for underwriting.

- Additional reporting due to ACA is required for self-funded plans.
    - PCOR Fee -$1.00 per covered life first year, $2.00 second year
    - Reinsurance Fee - $27 per covered life for 2016

- Financial Incentive
    - Removal of state premium tax
    - Exempt from ACA health insurer fee (2.3% of fully insured premium)
    - Reduction in carrier margin
    - Plan holds reserves

Self-Funded Plan Considerations- (cont.)

- Specific Stoploss aka Individual Stoploss Limit (deductible)
  - Protects on per individual basis
  - Plan must fund the full claim amount then receive reimbursement of excess from carrier.
  - Reimbursement is typically made to the plan one to six weeks after claim payment, but varies by carrier.
  - Laser risk exists (placing a higher deductible/limit on certain individuals)

- Aggregate Stoploss
  - Additional plan protection based on the total of all claims less than the Specific Deductible.
  - Aggregate Deductible, also known as Aggregate Attachment Point, is set typically at 125% of expected claims.
  - Reimbursements (if any) are made at the end of the plan year, and may take several months depending on the carrier's audit procedure.
  - Monthly reimbursement options may be available for an additional charge to assist with cash flow.

- Contract Basis – the time period in which claims must be incurred and paid in order to be eligible under the applicable stoploss (specific and / or aggregate).
  - First year is typically written on a 12/12 basis – claims must be incurred during the current 12 months period and paid during the current 12 months.
  - Subsequent years are typically renewed on a PAID basis – incurred claims have a run-in provision that includes the prior coverage period and must be paid during the current contract period.
  - 2^{nd} year renewal may expect to see an increase of 20% to 25% in stoploss premiums and aggregate liability simply to compensate for changing from 12/12 basis to a PAID basis.

- More flexibility in plan designs as plan is not subject to state mandates; plan is subject to ERISA and federal mandates.

- The plan is responsible for preparation and distribution of all Plan Documents, Summary Plan Descriptions, SBCs, and Summary Material Modification. This service is typically coordinated with the carrier/ TPA.

- Self-insured plans must pass discrimination tests outlined by the IRS to ensure that the plan does not favor highly compensated employees. Failure to pass these tests could result in unfavorable tax treatment of premium and/or benefits.