



AUSTIN, TEXAS

AEC 14TH ANNUAL
HR 2024
SUMMIT

THE A/E/C INDUSTRY'S LARGEST HR CONFERENCE

**Taking Control of Your Healthcare Benefits
A Journey into Self-Funding**

HELLO
my name is

Anne
Davis



I'll read my books
and I'll drink coffee
and I'll listen to
music, and I'll bolt
the door.

- J.D. Salinger



#WHYILOVEH2M



koselig
(koosh - lee)
a cozy and warm atmosphere of
togetherness in a pleasant setting

People over 40 watching birds at
the bird feeder



"WELL-BEING IS REALIZED BY
SMALL STEPS, BUT IS TRULY
NO SMALL THING."
ZENO OF CITIUM



about

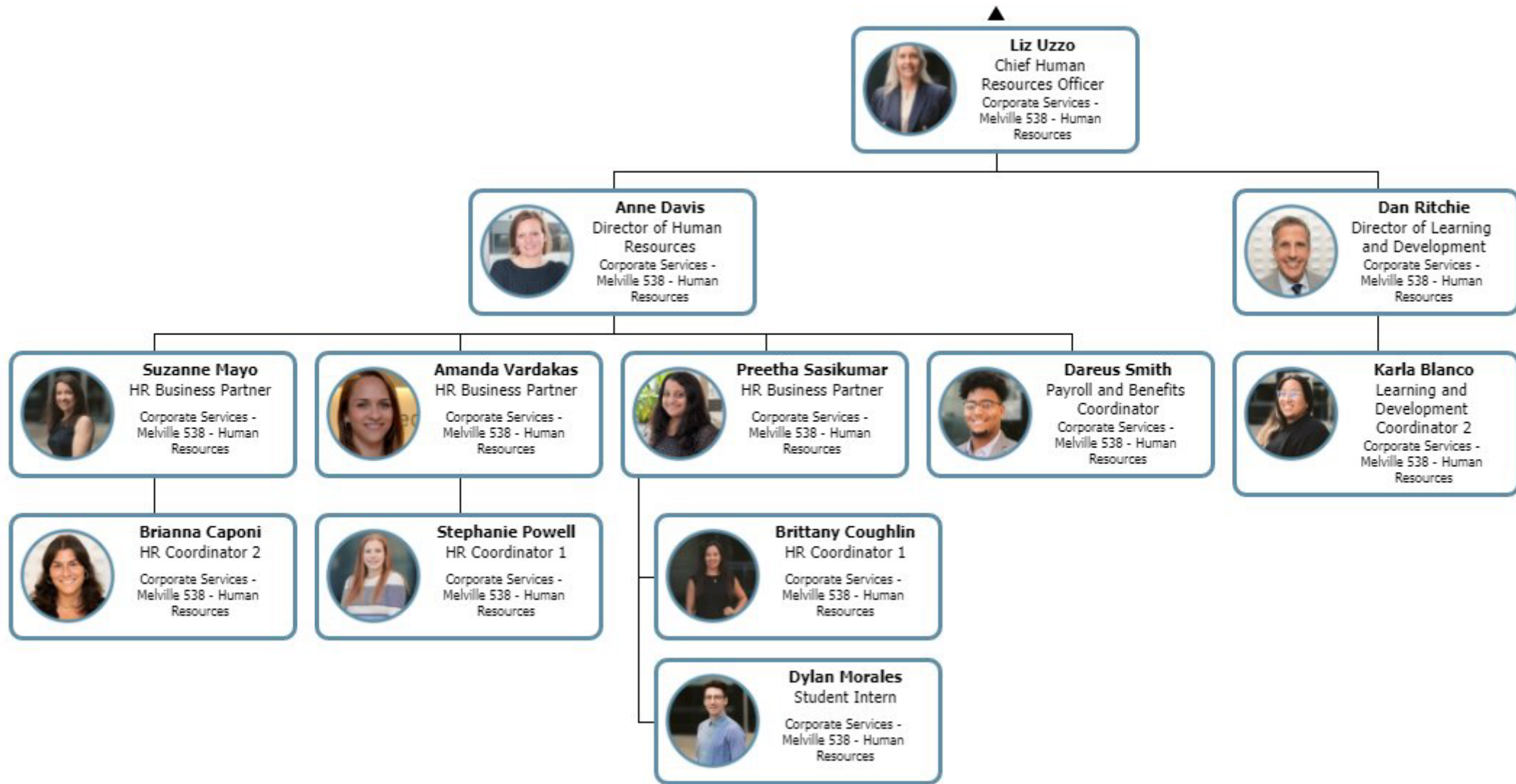
Building communities since 1933

H2M is a multi-disciplined professional consulting and design firm. With a long history of client service, we consistently meet tough architectural, engineering, and environmental challenges head on. From treatment facilities to firehouses, from land surveying to road reconstruction, and from site assessment to remediation, our firm has helped design and build many communities.



At H2M, we're more than just the services we provide. We are a team of over 500 professionals with the knowledge, ability, and desire to create something truly impressive.





2024 Budgeted Position: Compensation and Benefits Specialist / Manager

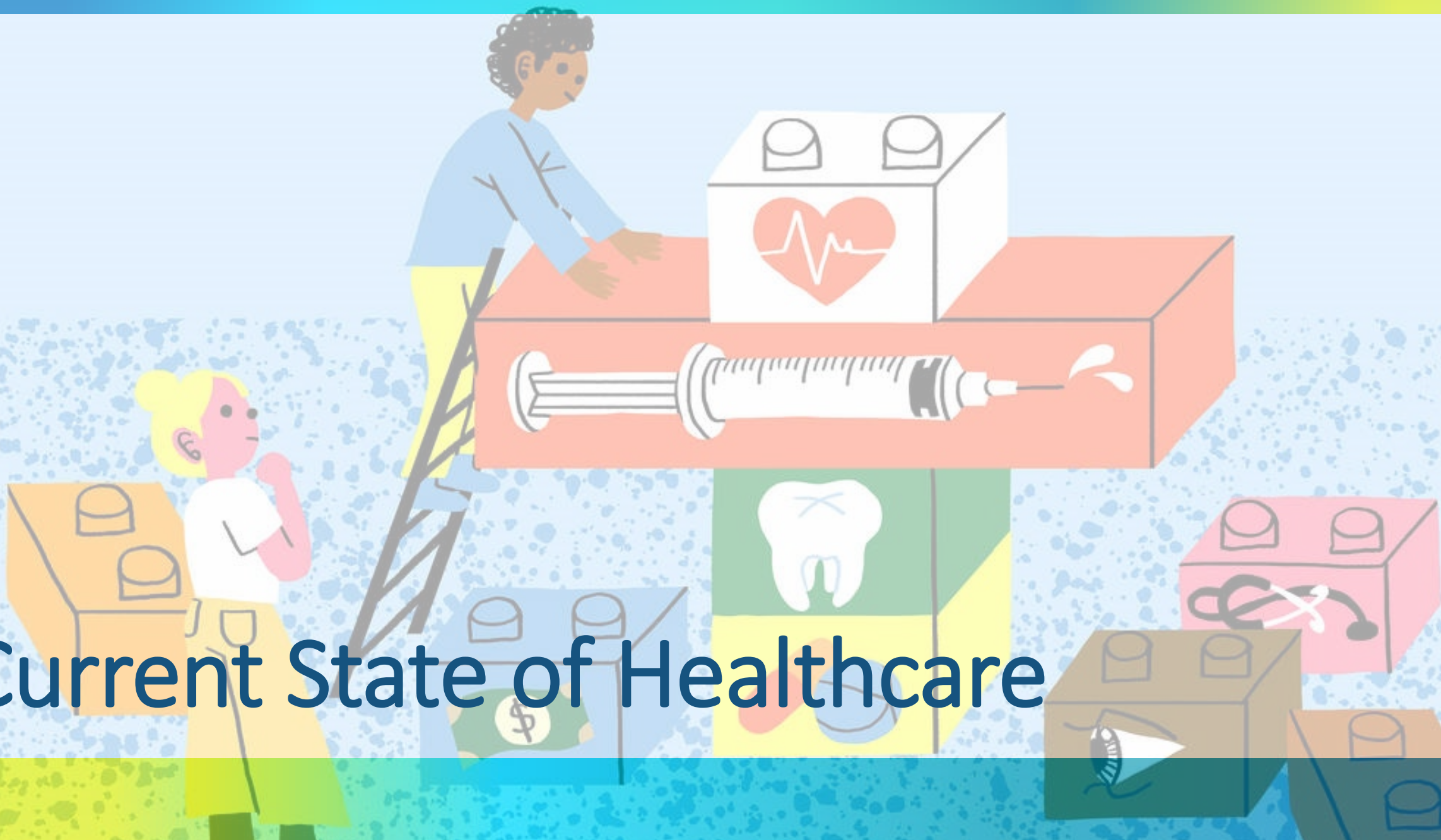
How do I hope you feel at the end of this session?

- Empowered to take your health insurance program from a short-term to long-term strategy

How will we get there?

- Current state of healthcare
- H2M's renewals in the years preceding self-funding
- Components of self-funding
- H2M's first two years with self-funding

Current State of Healthcare



What word comes to mind when you think about Medical Insurance?

0

Nobody has responded yet.

Hang tight! Responses are coming in.

OR [REDACTED] S [REDACTED] RE












What does enrollment look like today?

- Employer sponsored health insurance 54.4% (over half self / level funding)
- Medicare 18.4%
- Medicaid 17.8%
- Direct Purchase 10.5%

teachers. First commercial hospital plan (Blue Cross)

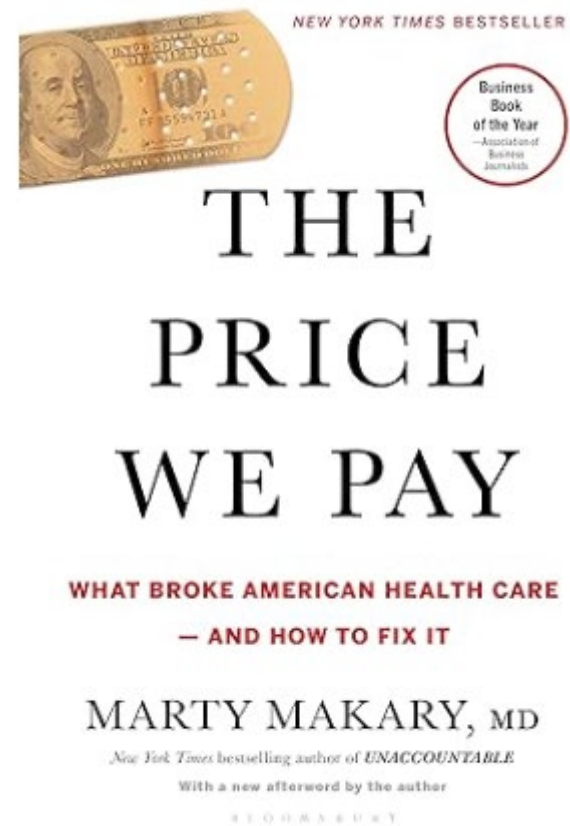
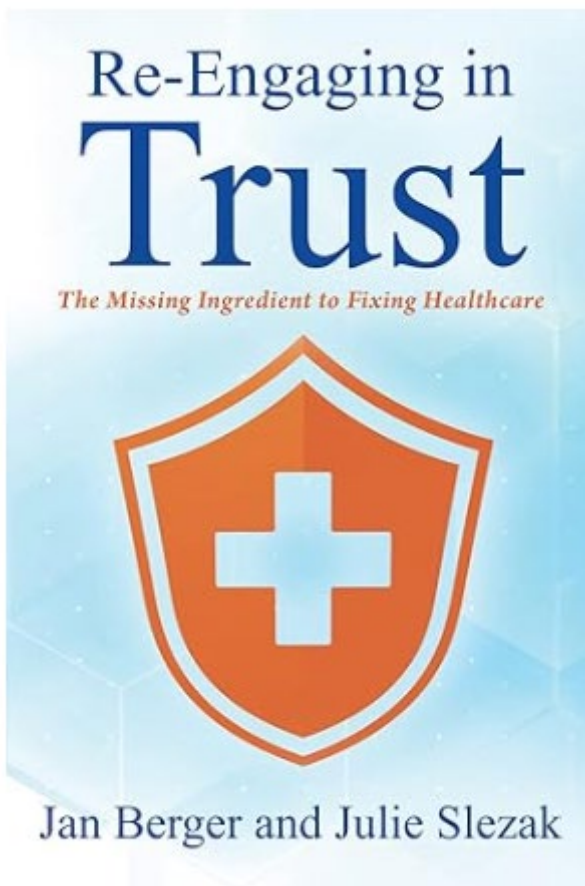
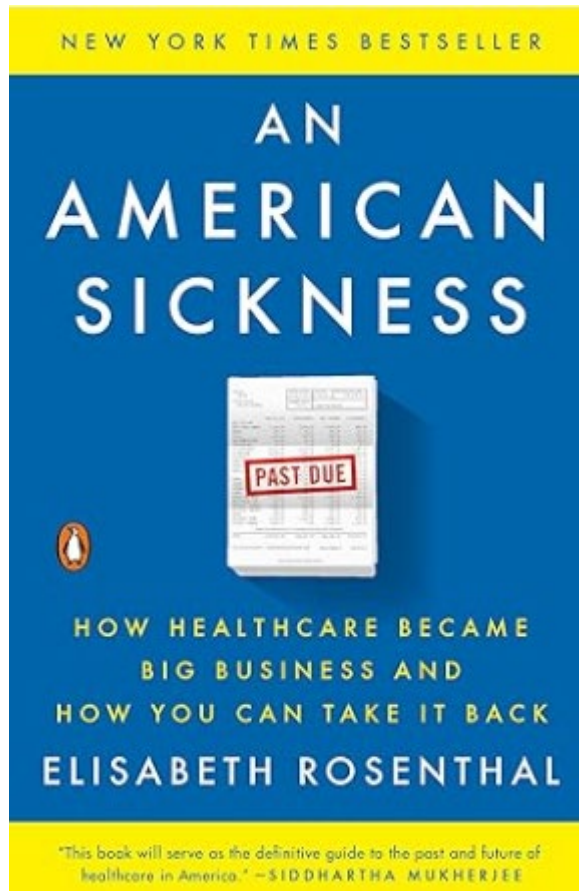
competing on other forms of compensation — including health insurance. (Tax benefits didn't hurt!)

Life expectancy (2021) and per capita healthcare spending (2021 or nearest year, PPP adjusted)

Country	Life expectancy [▲]	Health spending, per capita
 United States	76.1	\$12,914
 United Kingdom	80.8	\$5,387
 Germany	80.9	\$7,383
 Austria	81.3	\$6,693
 Netherlands	81.5	\$6,190
 Belgium	81.9	\$5,274
Comparable Country Average	82.4	\$6,003
 France	82.5	\$5,468
 Sweden	83.2	\$6,262
 Australia	83.4	\$5,627
 Switzerland	84.0	\$7,179
 Japan	84.5	\$4,666

Notes: See Methods [section](#) of "How does U.S. life expectancy compare to other countries?"

Source: KFF analysis of CDC, OECD, Japanese Ministry of Health, Labour, and Welfare, Australian Bureau of Statistics, and UK Office for Health Improvement and Disparities data • [Get the data](#) • [PNG](#)





H2M's Past Renewal Experience

Which type of funding model best describes your firms medical insurance plan?

Fully Insured

0%

Level Funded

0%

Self Funded with Stop Loss

0%

Self Funded without Stop Loss

0%

Something else not listed

0%

I am not sure

0%

What is a consumer-driven health plan (CDHP)?



LOWER PREMIUMS

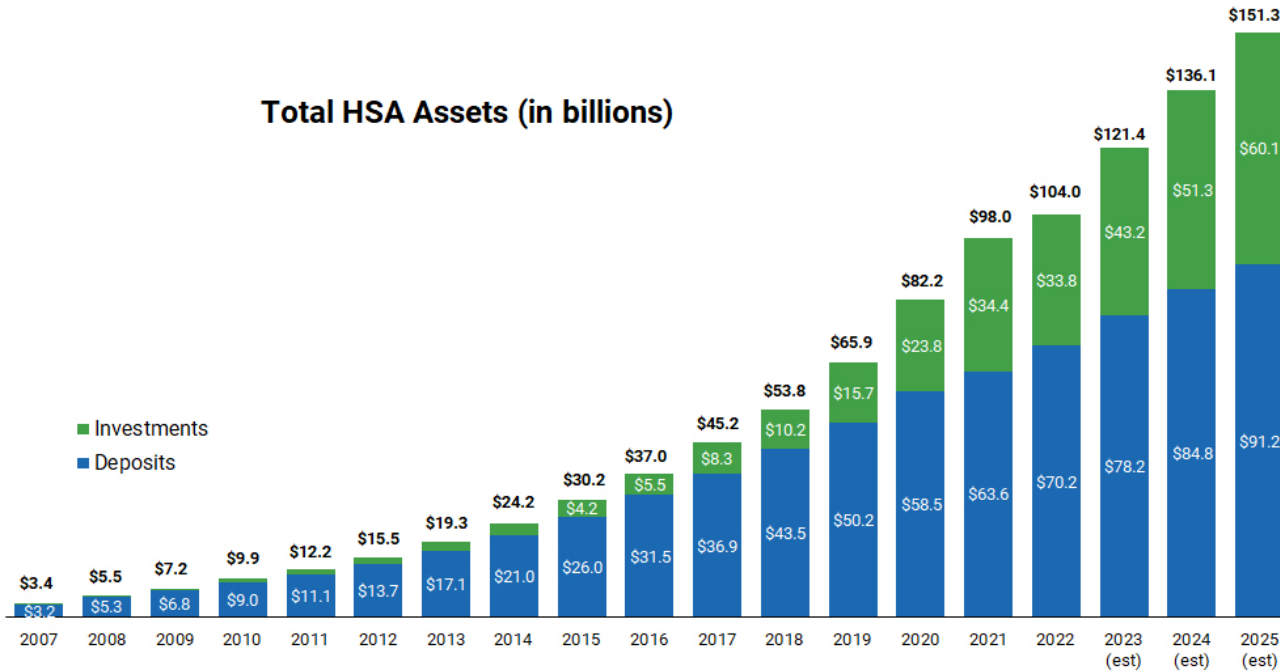
OUT-OF-POCKET MAX

TAX SAVINGS

CO-INSURANCE

HSA

Total HSA Assets (in billions)



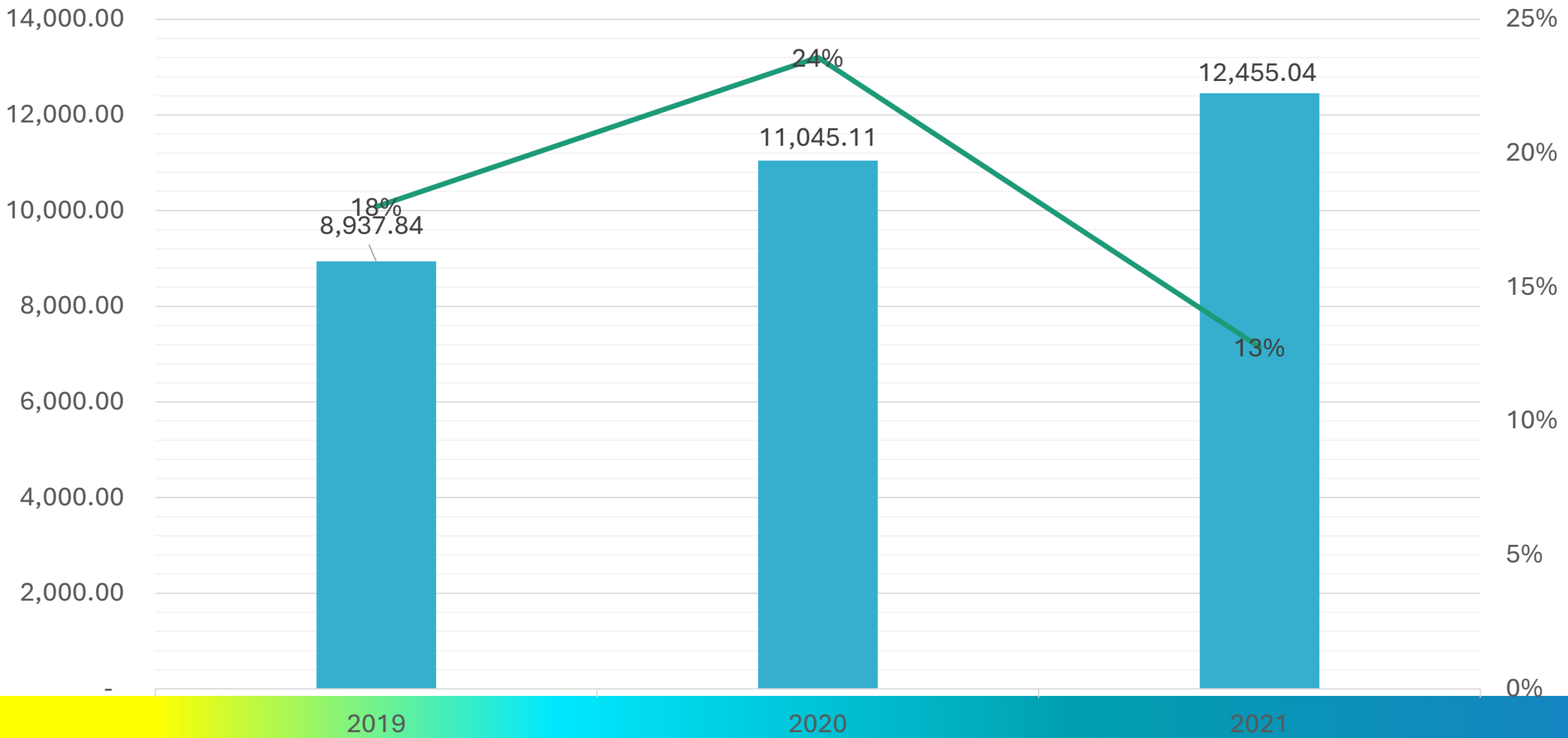
Source: 2023 Midyear Devenir HSA Research Report



2021

- Renewal calculated at 35%
- Carrier offering 27.9%
 - Went to market. Response was initially very poor
- Carrier's final offer before plan changes: 18.9%
 - We were able to reduce the renewal by using:
 - Medical Director's findings
 - Competitive bids (which were obtained by sharing Medical Director's findings)
 - Pure negotiations (leveraging H2M's willingness to pay large increase last year)
- Final Decision – changed network: 13%

H2M Cost Per Member Percent Increase



Components of Self-Funding



Are you currently considering moving to a self-funded medical insurance program?

(A) Yes

0%

(B) No

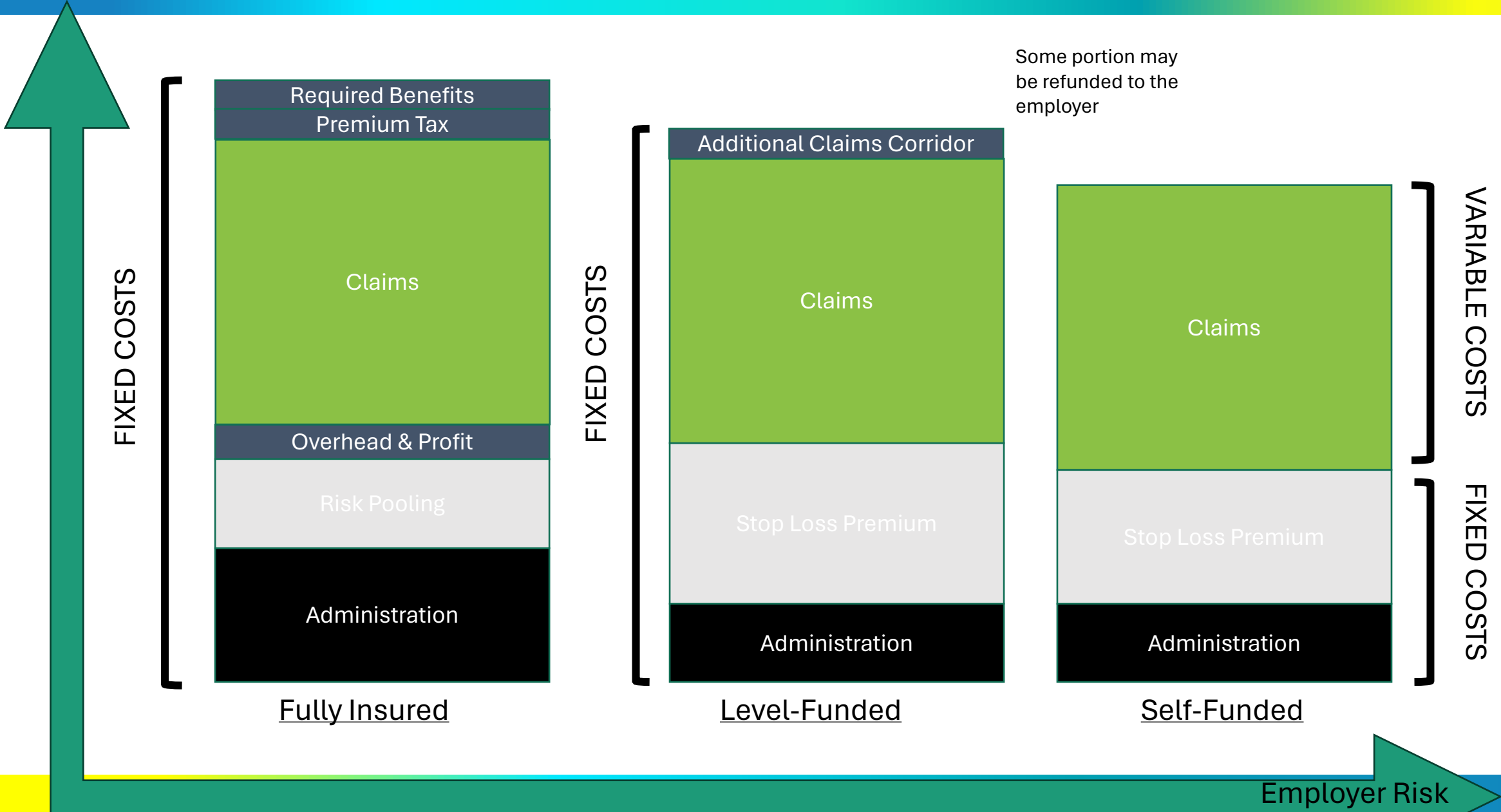
0%

(C) I am not sure

0%

(D) Currently self-funded

0%



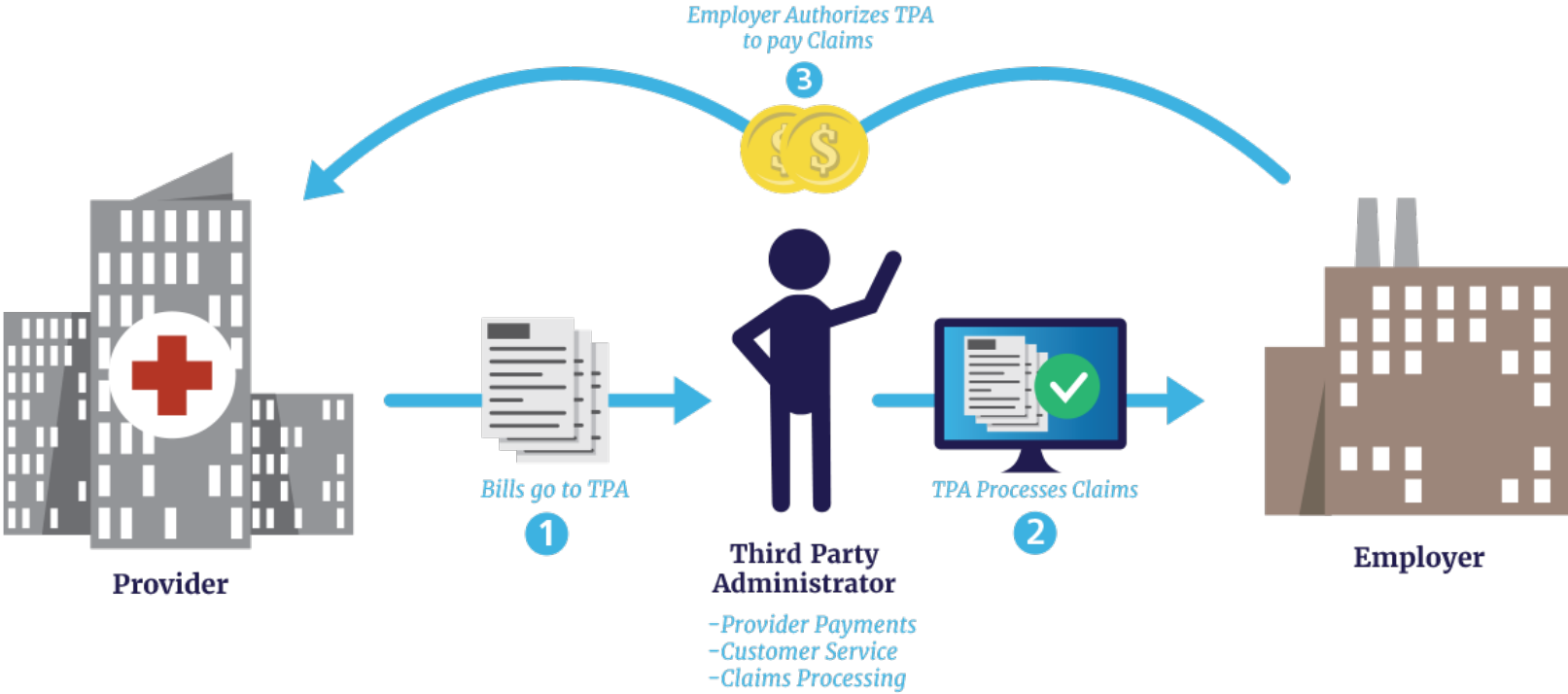
TPA [THIRD PARTY ADMINISTRATOR]

NETWORK

PBM [PHARMACY BENEFITS MANAGER]

STOP LOSS

A third-party administrator is a company that provides operational services such as claims processing and employee benefits management under contract to another company.





NETWORK

Most TPAs have preferred relationships with insurance carriers who have existing networks of providers (doctors, hospitals, laboratories, etc) and contract to have access to these networks.



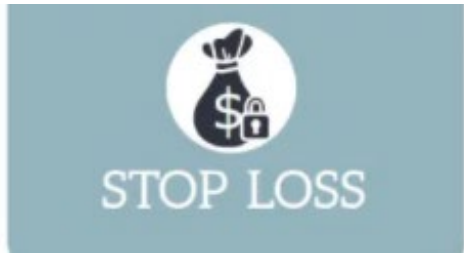


A pharmacy benefit manager is a third-party administrator of prescription drug programs for commercial health plans, self-insured employer plans and other benefit plans.



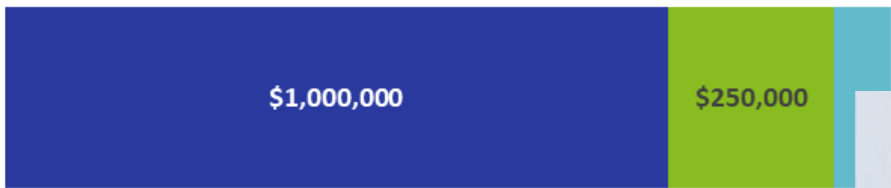
PHARMACY BENEFIT MANAGER





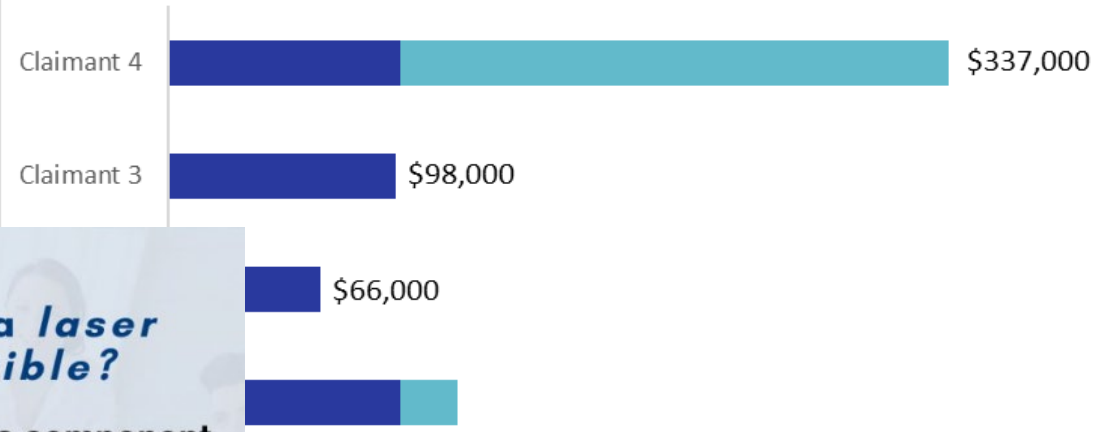
Medical Stop Loss is protection against a catastrophic loss under a self funded medical plan. Medical Stop Loss covers the Employer Two Ways: **Specific (Individual) Coverage** –Protection against Large Claims on any one Individual (or Family) / **Aggregate Coverage** –Protection against Adverse Claims on entire population

ASL Example



■ Expected ■ Corridor ■ Reimbursed

\$100,000 ISL Example



■ Claims below S/L ■ Reimbursed

What is a laser deductible?
 In essence, it's a component that puts additional responsibility on the employer for an individual plan member with a persistent health condition.

1st Number – Claim Incurred
 2nd Number – Claim Paid

	Year One			Year Two			Year Three		
	January-December			January-December			Jan.	Feb.	Mar.
24/12	Incurred Time Period								
				Paid Time Period					
12/12				Incurred Time Period					
				Paid Time Period					
12/15				Incurred Time Period					
				Paid Time Period					



H2M's First Two Years with Self-Funding (putting it together)



GETTING STARTED

- Internal Buy-in
 - CEO, Finance, Advisory Committee
- Broker Relationship
 - Experience with Self-Funding?
- TPA Selection (ASO vs TPA)
 - Carriers (any limitations if changing)
 - PBMs
 - Medical Management Vendors
 - Stop-Loss
 - Customer Service
 - Auto Adjudication and Timing of Processing
 - Local Presence

Comparing Costs

- Plan Design

- First year stop/loss contract

- Fixed Fees

- Expected vs. Maximum Claims

- Premium Equivalents (past cost vs. actuarial)
(expected vs. max)

- Funding Schedule

- Reporting

- Pharmacy Rebates



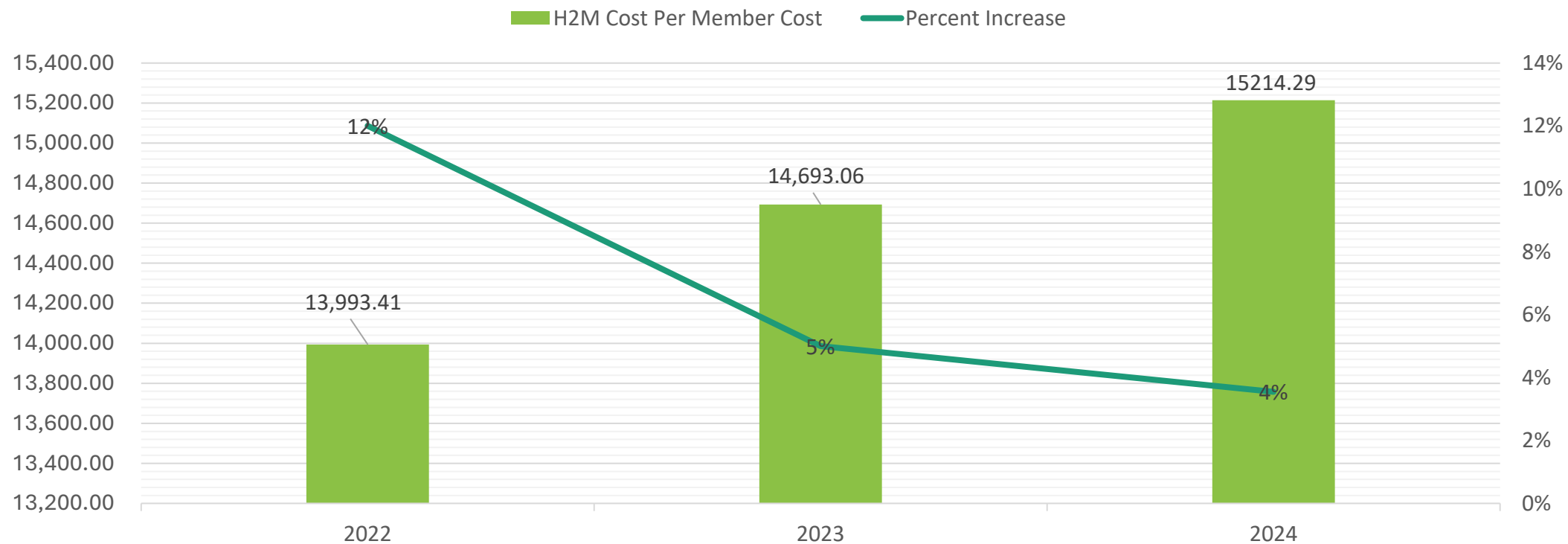
BUT WAIT!
THERE'S MORE!

- Level of transparency with employee information
- Fiduciary Responsibility
- PCORI Filing
- Cost-Savings Programs / Medical Management (Crawl-Walk-Run)

Medical Plans	What You Pay			
	Copay PPO Plan	Copay EPO Plan	HDHP, IRS/AL PPO Plan	HDHP, IRS/AL EPO Plan
Deductible Individual (In-Network/Out of Network) Family (In-Network/Out of Network)	\$250 / \$1,000 \$500 / \$2,000 (embedded)	\$500 / not covered \$1,000 / not covered (embedded)	\$1,600 / \$2,000 \$3,200 / \$4,000 (aggregate / non-embedded)	\$1,800 / not covered \$3,200 / not covered (aggregate / non-embedded)
Co Insurance In-Network / Out of Network	20% / 40%	10% / not covered	20% / 40%	20% / not covered
Out of Pocket Maximum Individual (In-Network/Out of Network) Family (In-Network/Out of Network)	\$2,250 / \$4,000 \$4,500 / \$8,000 (embedded)	\$3,000 / not covered \$6,000 / not covered (embedded)	\$3,500 / \$6,250 \$7,000 / \$12,500 (embedded)	\$3,500 / not covered \$7,000 / not covered (embedded)
Physician Services (In-Network) Preventive Care / Routine Visits Primary Care Physician Specialist Urgent Care Physical & Occupational Therapy Speech Therapy Chiropractor Complex Imaging (MRI, PET, and CT)	0%, deductible waived \$25 copay \$40 copay \$40 copay \$40 copay \$40 copay \$40 copay \$40 copay 20%, after deductible	0%, deductible waived \$25 copay \$40 copay \$40 copay \$40 copay \$40 copay \$40 copay \$40 copay 10% after deductible	0%, deductible waived 20% after deductible 20% after deductible 20% after deductible 20% after deductible 20% after deductible 20% after deductible 20% after deductible	0%, deductible waived 20% after deductible 20% after deductible 20% after deductible 20% after deductible 20% after deductible 20% after deductible 20% after deductible
Emergency Room Services	\$100 copay, then covered 100%, deductible waived	\$100 copay, then covered 100%, deductible waived	20% after deductible	20% after deductible

CONTRACT TERMS	OPTION I
Provider Network	Aetna w/ AA
Specific Stop Loss Coverage	Westport (Swiss Re)
Group Specific Deductible	\$150,000
Specific Contract	12/12
Specific Coverage	Medical, Rx
Individual Specific Ded. - Claimant #1	\$250,000
Individual Specific Ded. - Claimant #4	\$225,000
Individual Specific Ded. - Claimant #8	\$400,000
Aggregate Stop Loss Coverage	Westport (Swiss Re)
Aggregate Contract	12/12
Aggregate Coverage	Medical, Rx

Fixed Costs	(example va		
Service	Enrollment	Per Employee / Per n	Total Annual
Annual Administration Fee			3,250.00
Administrative Costs	300	22.00	79,200.00
Provider Network	300	17.00	61,200.00
Utilization Review	300	2.00	7,200.00
Digital Provider / Cost Tool	300	2.00	7,200.00
Consultant Management Fee	300	40.00	144,000.00
Plan Document Review	300	2.25	8,100.00
Administrative Costs		85.25	310,150.00
Single Specific Premium	155	127.88	237,856.80
Family Specific Premium	145	343.29	597,324.60
Aggregate Premium	300	8.36	30,096.00
Stop Loss Premium Costs			865,277.40
Claims Cost			
Aggregate Liability			
Single Factor	155	780.00	1,450,800.00
Family Factor	145	2,350.00	4,089,000.00
Aggregate total			<u>5,539,800.00</u>
Laser 1	250,000.00	amount over specific	100,000.00
Laser 2	225,000.00	amount over specific	75,000.00
Expected Cost (Aggregate / 1.25)			4,431,840.00
Plan Exposure (Expected + Laser Diff)			4,606,840.00
Maximum Cost (Aggregate + Lasers)			5,714,800.00



	Funding Estimated based on Premiums	Actual Funding	Claims Paid	Pharmacy Rebates*	Difference (Est - Paid+Rebates)
2022	4,313,009.43	3,802,688.62	3,489,958.74	395,529.26	1,218,579.95
2023	4,891,905.24	5,825,315.88	5,634,890.90	pending	(742,985.66)



GUIDE TO MOVING From a Fully Insured to Self-Funded Health Plan

Over half the United States' non-elderly population — [some 150 million people](#) — receive health benefits coverage through an employer-based healthcare plan. Of that 150 million, 61 percent are covered by self-funded or partially self-funded healthcare plans, yet many people remain unfamiliar with the term.

<https://www.phiagroup.com/Media/Industry-Articles/Moving-To-Self-Funded-Health-Plan-Guide>



Also known as Medicare Reference-Based Pricing, Reference Pricing, or other terms, reference-based pricing describes any claim pricing methodology grounded in analysis of an objective value for medical services, and adjudicating medical claims based on some multiple of that value. Popular parameters used for reference-based pricing include Medicare pricing, the provider's reported costs, average wholesale price, third party databases, and more. Simply put, reference-based pricing is so named because the plan's *pricing* is *based* on a *reference*.

<https://www.phiagroup.com/Media/Industry-Articles/Referenced-Based-Pricing-Explained>



Session Evaluation

All evaluations are available on the HR Summit Cloud Website which can be found on the back cover of your event guide.



Thank you, questions?