# HIDDEN FEE REVIEW FOR SELF-FUNDED PLANS

THE USI ONE ADVANTAGE®

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# Hidden Carrier Revenue in Self-Funded Plans

Low administrative fee increases at renewal often mislead employers into believing that the plan is running well and that there are no opportunities for additional savings.

Administrative Services Agreement

Contents



**Claim Wire Billing**

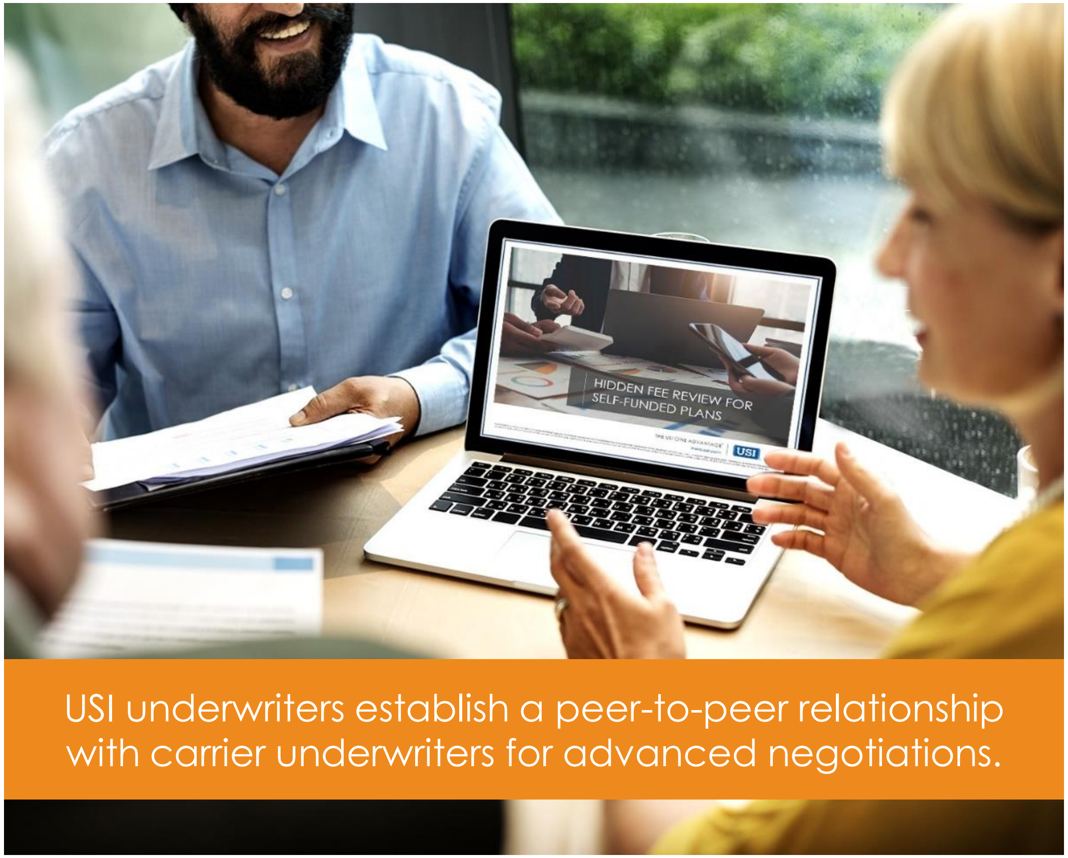
Claim wire billing fees refers to the portion of the total administrative expenses charged through the claim wire as the services are rendered and are subject to any future fee increases independent of any changes to the base per-employee, per-month (PEPM). Fees charged through the claim wire include those described on the financial exhibit as well as those fees that the parties may subsequently agree to add to the claim wire from time to time. Programs or services charged through the claim wire are excluded from the monthly Guaranteed Fees as outlined in the financial exhibit and will not appear on the monthly billing statement.



- Traditional broker renewal exhibits demonstrate net administrative fees but fail to address additional sources of carrier revenue/profit.
- Administrative fee increases are typically less than 5%. This does not account for other claim-based fees that are growing at healthcare inflation rates of 5% to 15%.
- Without a thorough review of ***all*** revenue sources, carrier profit goes unchecked.
- USI has created a proprietary analytical tool to analyze the renewal, determine the impact of carrier fees buried in the claims, and optimize employer savings.

# USI Underwriting Resources

USI's process and proprietary tool identifies revenue hidden within the claim costs revealing inflated fees equal to 3% to 8% of claims.




USI underwriters establish a peer-to-peer relationship with carrier underwriters for advanced negotiations.

- USI underwriters and actuaries, with an extensive background of carrier consulting expertise, have created an interactive proprietary tool.
- Unlike other brokers who simply check the carrier math and spreadsheet explicit carrier fees, the USI process takes a holistic view of the carrier renewal and hidden employer expense.
- The tool analyzes and benchmarks a comprehensive suite of fees buried within a self-funded plan to provide transparency to an otherwise opaque and frustrating process.

# Identifying Hidden Revenue

## USI expands comparative analysis to include all sources of carrier revenue buried within the administrative services contract

| Per Employee Per Month Fees | |
|---|---|
| Medical Administration | $47.40 |

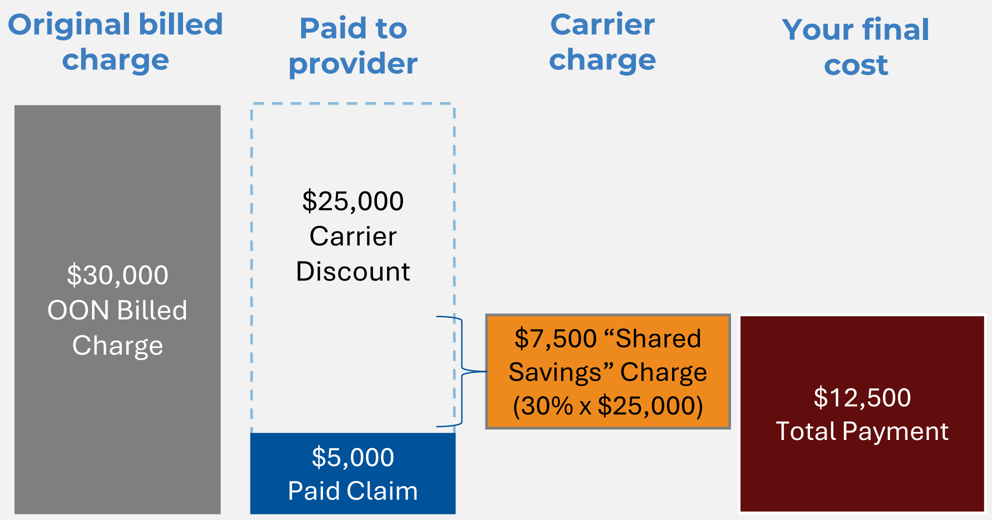
| Additional Fees & Revenue Share | |
|---|---|
| Network Access as a % of Savings Fees | 2% |
| Wrap Network % of Savings Fees | 25% |
| Out-of-Network % Savings Fees | 50% |
| PBM File Integration Fee | Incl |
| Telemedicine Integration Fee | Incl |
| Claims Reporting Integration Fee | Incl |
| Estimated Pharmacy Rebates to Client | Pass Through |
| Hospital-based Pharmacy Rebates to Client | Incl |
| Pharmacy Administration Per Script | $1.00 |
| Large Case Management | 30% |
| Subrogation/COB % of Savings Fee | 30% |
| Medical Condition Management | Incl |
| Vendor Shared Savings % | n/a |

- Self-funded programs include numerous financial arrangements paid through the claims expense line.
  - These include shared savings, capitation, network access fees, data fees, disease management, and more.
- With a firm understanding of carriers' total revenue, USI underwriters are better positioned to negotiate the renewal.

# Identifying Hidden Revenue - Example

USI identifies revenue sources typically reported as claims expense to quantify total carrier revenue, improving negotiating position.

## Shared Savings Example



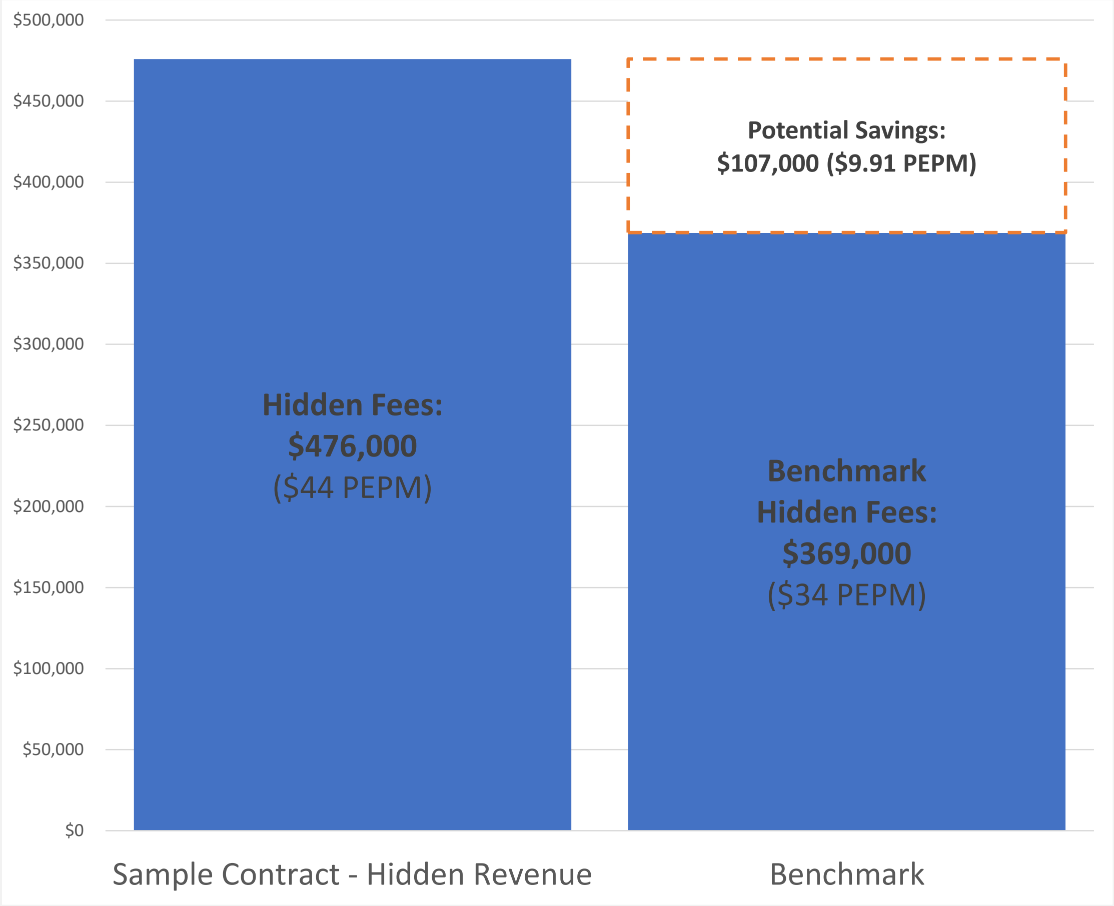

### What is Shared Savings?

- A supplemental charge by the carrier based on how much the carrier has "saved" on out-of-network claims.
- It's passed through as a charge with the invoiced claims but does not appear separately in claim files.
- Shared savings are not accounted for in discount estimations, and do not count towards discount guarantees.

# Hidden Revenue Benchmarking

## Identifying and benchmarking hidden carrier revenue is the first step to understanding actual plan spend.

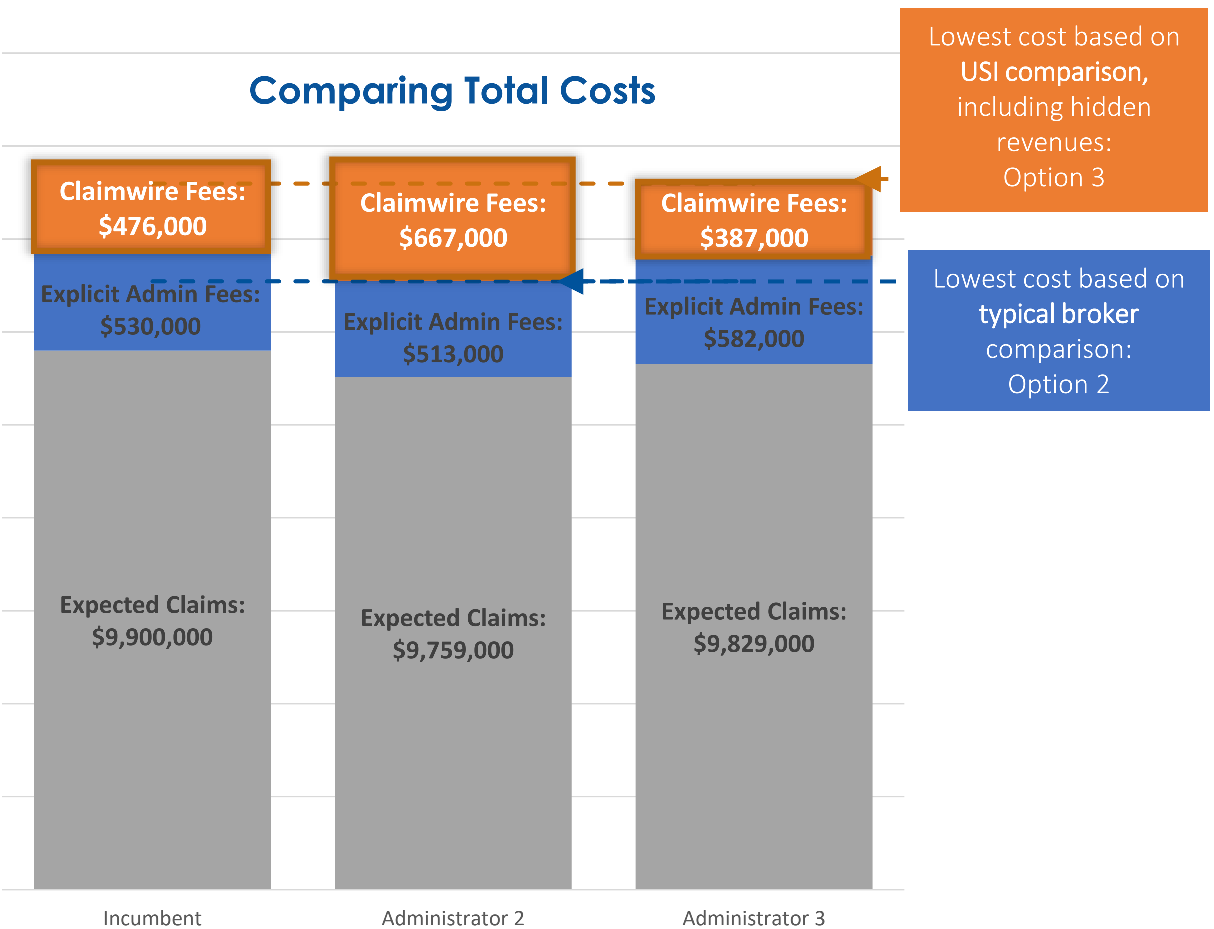
*Additional fees not included in explicit administrative costs*




- USI maintains a database of hidden carrier fees to provide a benchmark analysis.
- Based on your contract terms, USI provides an estimate of your hidden fees and compares to our benchmark.
- Detailed contract review and analysis can reveal up to **8% of additional carrier revenue** in the form of hidden fees.

# Comprehensive Fee and Claim Review

USI's Comprehensive Fee and Claim Review considers all sources of carrier revenue to provide a transparent and informed review




- Typical marketing comparisons only look at claims and explicit administrative fees charged per enrollee (PEPM).
- A carrier may appear to have favorable terms based on PEPM admin fees but could be the highest cost option when additional fees are considered.
- With a firm understanding of carriers' total revenue, USI underwriters are better positioned to optimize employer savings through negotiation with the carrier.


- Specific analysis information needed
  - Copy of current medical renewal
  - Copy of Administrative Services Agreement (ASA) with contract details