
# HIGH DEDUCTIBLE FUNDING STRATEGIES

THE USI ONE ADVANTAGE®

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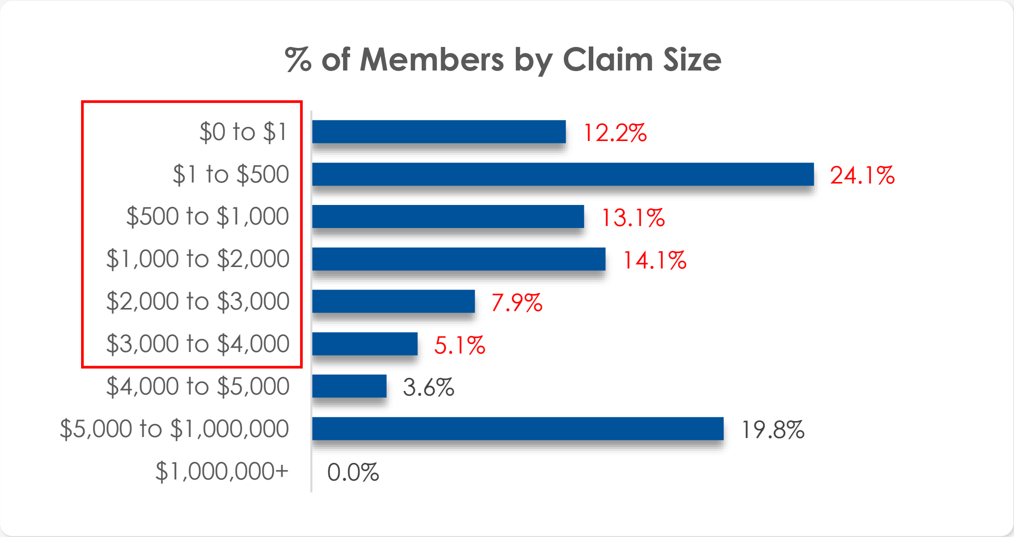
*HIGH DEDUCTIBLE FUNDING STRATEGIES*

# Are You Buying Too Much Insurance?

Fully insured programs with low deductibles and copays are inefficient due to added costs from insurance carriers for retention, risk-sharing and profit.

- Paying for first dollar coverage (predictable risk) is expensive and unnecessary for many employers.
- Insurance carriers over-charge for this coverage.
- 75% of members incur $4,000 or less in claim expense.




## Key Observations

- Traditional copay plans provide insurance for high severity low risk claims, adding unnecessary retention and risk charges for these types of benefits.
- USI has over 3,000 alternatively funded programs that demonstrates our expertise on the subject.
- Increased visibility to claims experience to assess feasibility of partially self-funded plans.
- Discounts from a rich plan to the highest deductible plan are typically 30% of premium.

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# High Deductible Funding Through an HRA

## Health Reimbursement Accounts (HRA) provide an alternative funding mechanism to reduce premium expense while maintaining benefits.

- Switching from a richer plan design to a high deductible health plan (HDHP) reduces fixed cost of premium for employers, typically by 30%
- Adding an employer-funded HRA helps reduce the impact of higher out of pocket expenses on employees
- Employee OOP may be the same or better than original plan design

EMPLOYEE OUT OF POCKET COSTS BY PLAN TYPE

| In Network Expense | Traditional Copay | HDHP Plan | HDHP w/HRA |
|---|---|---|---|
| **Primary Care** | **$25** | **$5,000 Deductible** No copay; employee pays out of pocket up to deductible before insurance kicks in | **$20** |
| Specialist Care | $40 | | $40 |
| Emergency Room | $100 | | $100 |
| Urgent Care | $50 | | $50 |
| Lab & X-Ray | $100 | | $100 |
| MRI, PET Scan | $100 | | $100 |
| Inpatient Copay | $250 | | $250 |
| Outpatient Copay | $150 | | $150 |

### Key Observations

- HRA reimbursement strategy provides transparency into first dollar claims not available through a traditional copay plan.
  - This transparency may allow for further exploration of alternative funded strategies.
- HRA plan design may be customized to improve employee experience if desired.

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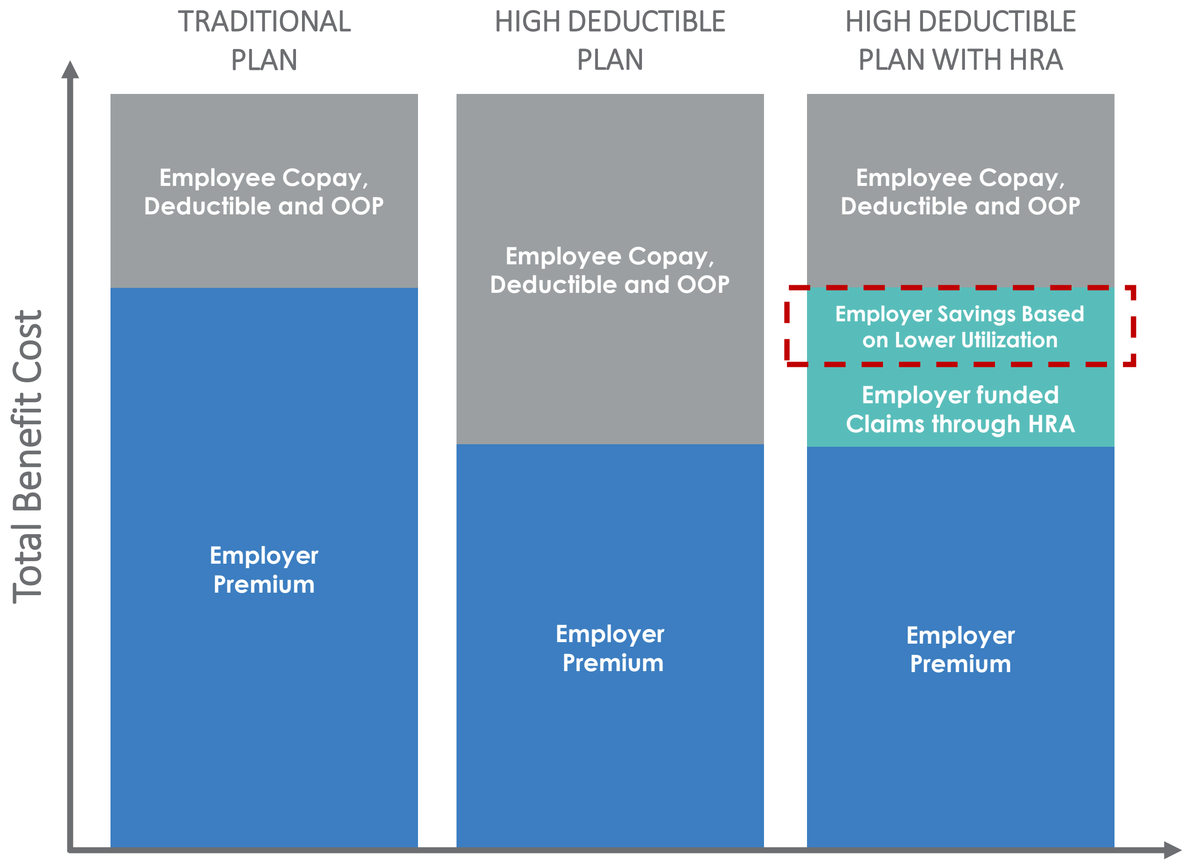
# Understanding Plan Components

## Employer savings realized when actual employee utilization of HRA is below maximum exposure.




### Key Observations

- USI provides the tools and resources to assess the financial impact of high deductible funding strategies.
- Typical utilization drives lower HRA reimbursements with unused funds reverting to the employer.
  - Typical utilization is 50% of exposure.
- Estimated fixed cost of insurance reduction of 25-30%*, ultimate savings of ~10%.

*Must be evaluated in the non-community rated market for carrier supplemental charges

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# Vendor Selection and Employee Communication

USI's network of resources assists in the selection of a third-party administrator and designs communications to facilitate employee understanding of the HRA plan.

## Vendor Selection

- USI assists employers in choosing appropriate vendor to administer the HRA, and may include other offerings such as FSA, DCAP, COBRA admin, and transit/parking reimbursement accounts.
- HRA may be used to manage wellness incentives by offering reimbursement differences based on achieving wellness milestones or behaviors.
- Underlying health plan carrier may be changed while maintaining HRA plan design and vendor.

## HRA Plan Communication

- An HRA offers employers increased control over plan design.
- USI communications consultants design communications strategies to effectively explain new HRA plan design to employees.
- To facilitate the strategy, USI offers an array of no cost communications such as:
  - on-demand educational videos,
  - digital benefits guides (includes federal & local disclosures), and
  - live and recorded presentations that help deliver new plan information to employees.
- USI communications consultants can also help employers select third-party communications when needed.


## USI Underwriters Perform an Analysis for Your Review With the Following:

- Copy of renewals from prior two years
- Current plan design
- Evaluate carrier supplement charge when using HRA wrapper