VERITAS

Case Study

Controlling Costs Though Prudent Risk Management And Innovative Funding Options

Holdco, a holding company with 184 employees on their fully-insured medical plan, was presented with a 23% renewal increase for 2010. Frustrated with their lack of options, and knowing that adding employees through planned acquisitions would only compound future increases, they turned to Veritas for help.

Veritas worked with management to develop a strategy to take control of their health plan. The first step was to transition the company from fully insured to self-funded, so they could gain insight into and control over their actual claims costs. As a result of this move, the company was able to achieve a 4% decrease in medical plan costs in 2010 vs the 23% increase. This was accomplished with no change to plan design—the savings came from eliminating carrier profits baked into the fully insured quote.

Snapshot

Problem: Frustrated with a 23% renewal increase on their fully-insured medical plan and a lack of options, a holding company needed better solutions to control their benefits costs.

Solution: Transition the medical plan from fully insured to self-funded to get control over costs and participate in Veritas' innovative group medical stop-loss captive to save further on the stop-loss premium.

Result: The employer saved almost $5.4 million over six years when compared to remaining fully insured.

HoldCo also decided to self-fund its stop-loss premium through Veritas' innovative group medical stop-loss captive option, the Veritas Premium Return Program (VPRP). The VPRP enables employers to self-fund their stop-loss through a simple captive alternative to traditional carrier premiums. In the captive, members have the opportunity to have some of their premium returned average or good claims years.

Along with the shift to self-funding and the move to the VPRP, Veritas worked closely with HoldCo management on analyzing and projecting their claims costs and educating them on prudently managing risk in their health plan. For example, the company added a wellness program for 2012, which temporarily increased costs but for the right reason—employees were utilizing the benefits to get healthier. Veritas counseled that wellness programs often result in temporary cost spikes, and management reserved for the increase.

More

Even with the rise in 2012, health plan costs were still below where they would have been had the company remained fully insured. Per employee costs normalized from 2013 to 2015. The company saved almost $5.4 million over six years when compared to remaining fully insured, despite more than doubling the employees on the plan.

On top of the savings from self-funding, HoldCo also realized savings from its membership in the VPRP. First, the company's stop-loss premium renewal increases were lower due to the greater credibility and negotiating leverage of the captive. Second, like all members of the captive, HoldCo is eligible to have a portion of the stop-loss premium returned. For HoldCo, this resulted in an additional savings of almost $220,000 in six years.

More importantly, by developing and implementing a benefits strategy tailored to HoldCo's needs, Veritas helped the company save significant amount of money on its health plan without shifting costs to the employees and while implementing a wellness program that helped improve employee health.

HoldCo Health Plan Annual Costs

Plan Yr	Employees	Fully Insured*	VPRP	Savings
2009	184	$1,478,088	$1,478,088	
2010	178	$1,815,960	$1,416,667	$337,872
2011	202	$2,266,889	$1,788,790	$850,222
2012	219	$2,703,433	$2,521,602	$914,643
2013	233	$3,163,881	$2,554,132	$642,279
2014	297	$4,436,223	$2,653,971	$1,882,091
2015	361	$5,931,395	$3,985,231	$3,277,424
Total		**$21,795,869**	**$16,398,481**	**$5,397,388**
			Premium Returned	$219,475

*Assuming 10 % annual increase per plan member.