

Understanding Health Insurance Brokers and Carriers

Daniel Meylan

Learning Objectives

- Analyze the current health insurance market
- Determine what motivates brokers and carriers
- Identify key differences between self-funded, level-funded and fully-insured employers
- Examine current health insurance & DPC integration challenges
- Evaluate emerging insurance and DPC integration solutions

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- Daniel Meylan disclosed a relationship with Allied National - Group Health Plans, Employment

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Insurance Brokers and Carriers Allies or Adversaries?



Daniel R. Meylan



- Insurance Professional Since 1973
- P&C and Benefits Broker
- Company Senior Executive
- Agency Principle & Senior Executive
- Agency Acquisitions and Valuations
- Self Insurance, Captives, RRGs
- Husband, Father, Grandfather

Topics for Today:

1. Changing market dynamics
2. What motivates agents?
3. What motivates carriers?
4. Health care cost drivers
5. “Health Care Adviser” profile
6. Integrating DPC with Insurance
7. Communication challenges
8. Long term outcomes
9. Next steps...



June 15-17, 2017 - Washington, D.C.

**CHANGE
AHEAD**



**American Academy of Family Physicians
Direct Primary Care Summit**



Am I going to...

1. React to change?
2. Embrace change?
3. Drive change?



What do these changes mean?

...personally?

...for my career?

...for our industry?

...for our patients?

...for our community,

state & nation?

What is not going to change?

People need health care



100 pennies in \$1



What continues to change?

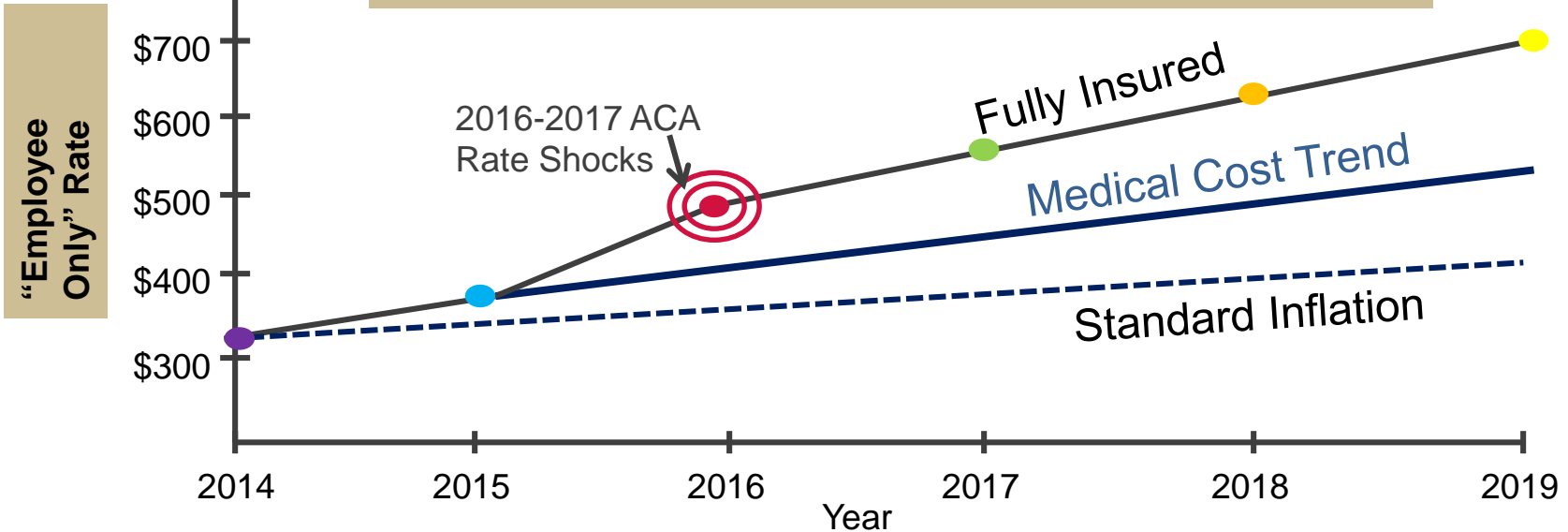
2016 Milliman Study of Health Care Costs

Annual Healthcare Cost per US Family			
		2001	2015
Annual		\$ 8,414	\$ 25,826
Rx Costs		\$ 1,111	\$ 4,270
Rx as % of total		9.10%	13.60%
Employer Paid		61%	57%
Employee Paid		39%	43%

Projected Family Cost in 2020 = \$31,267

Insurance Cost Projections

“Employee Only” Rate Illustration



Health Care Cost Drivers

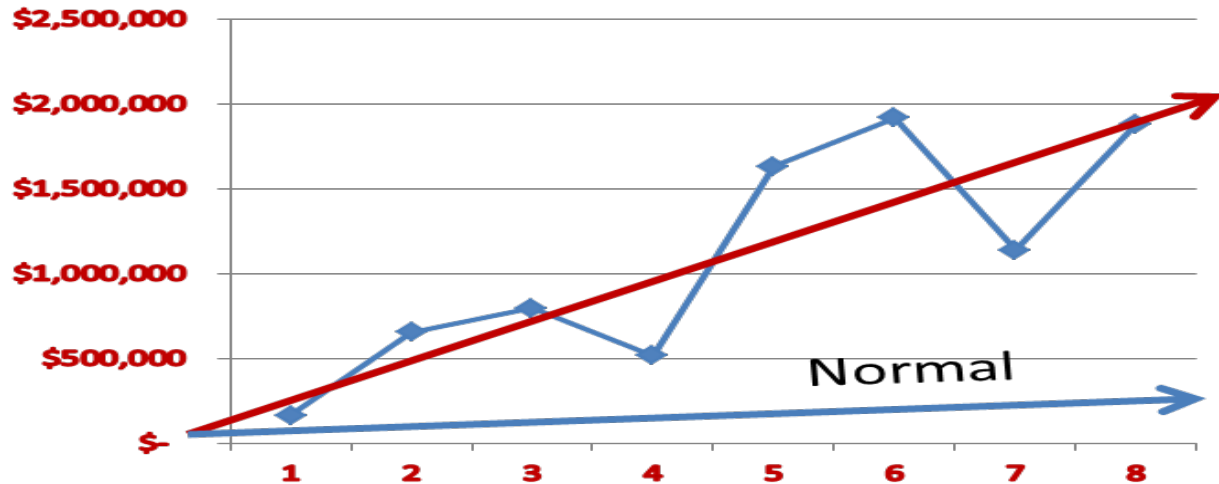
“Is health care a right or a privilege?”

1. **Business Practices** – Marginal business practices of government, insurance companies, providers, medical vendors and suppliers, including mercenary pricing
2. **Transparency** – Lack of transparency with actual costs and appropriate profit margins
3. **Litigation** – Threat of litigation drives costs through redundant “defensive” medical practices and malpractice insurance costs
4. **Wellness** – Unhealthy lifestyles choices
5. **Media Distortions** – Promoting an entitlement mentality... “Free” is not “Free”
6. **Consumer Education** – Lack of informed medical consumers
7. **Technology** – State-of-the-art medical technology that prolongs life
8. **Aging Population** – Baby Boomer generation experiencing deteriorating health
9. **Government** – Cost of compliance ACA, EHR and additional taxes
10. **Politics** – Marketplace volatility driven by political uncertainty
11. **Catastrophic Claims** – Driving cost increases (see chart)

Impact of Catastrophic Claims

With the elimination of *maximum lifetime benefits* under the ACA, catastrophic claims are becoming the primary driver of increasing health care costs as stop-loss carriers and reinsurers seek adequate premiums to cover these catastrophic losses

Average claim in excess of \$2M increased 78% each year since 2004



Health Insurance Marketplace Segments

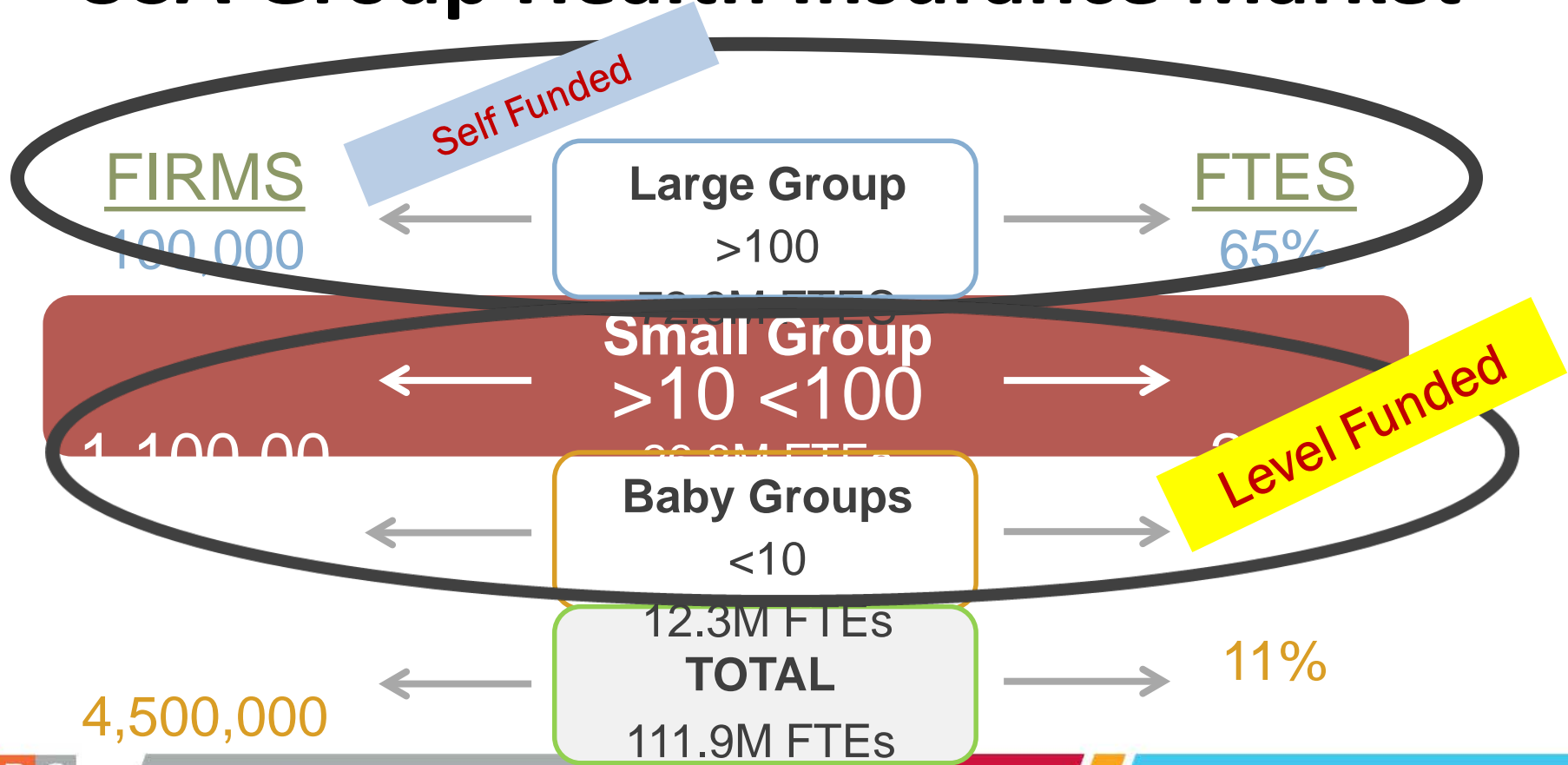
Large Group (Self Funded)

Small Group (Level Funded or Insured)

Individual - (Insured)



USA Group Health Insurance Market



Source: BLS - 2012; Government & Military not included

Insurance Company's focus:

- Shareholder value, cash flow, profits
- Actuarial Models that maintain solvency
- Reinsurance for catastrophic claims

Self Funded Employer's and TPA's focus:

- Limiting Risk
- Controlling Costs
- Customer Service

Insurance Challenges

1. ACA regulations (MLR's)
2. Carrier business models
3. Rigid insurance products
4. Network commitments
5. Bureaucracy
6. Legacy operating systems
7. Complacent agents

Insurance Agent

OR



Professional Health Care Adviser?

Insurance Agent

Transactions

Relationships

Professional Health Care Adviser?

Insurance Agent vs Health Care Adviser?

Deliverables	Health Insurance Agent	Health Care Adviser
Benefit Plan Designs	X	X
Marketplace Options – Carriers, Networks	X	X
Cost Comparisons	X	X
Commissions	X	
Compliance HIPAA, ERISA, DOL		X
Self & Level Funding		X
Medical Underwriting		X
Employee Engagement		X
Regulatory Changes		X
Claims Analysis & Review		X
Referenced-Based Pricing		X
Direct Primary Care		X
Long -Term Strategic Planning		X
Fees		X
Time	40 Hours per account/Year	70 Hours per account/Year

Who is a Health Care Adviser?

- A trusted strategic partner
- Professional equivalent of attorney or CPA
- Management team member
- Technical consultant
- Resource for compliance
- Resource for communications
- HR leadership and planning support
- Insurance market access point

Business Challenges for the Health Care Adviser

- Higher technical skill required
- Higher client services needs
- Greater product complexity
- Larger client service time commitment
- Lower commission levels
- More staff support required
- Higher operating costs

Identifying a Competent Health Care Adviser?

- Technical competence – insurance, risk financing, regulations and compliance
- Understand employer's business issues
- Builds client loyalty and respect
- Has systems, processes and support
- Strong communications skills
- Market access and knowledge
- Wise, humble, committed and ethical
- ***Willing to drive change!***

What makes a strong Health Care Adviser valuable to a DPC?

- 40 to 80 groups
- 800-8,000 enrolled employees
- 1,400 – 20,000 lives
- Gross Annual Income - \$250K to \$1.5M
- Solid client support structure
- Looking for innovative solutions to control costs
- Aggressively seeking new clients
- Solid introductions of the DPC concept to their clients
- Supports integration of DPC with employer's health plan

Barriers to Engaging Health Care Advisors with DPC

1. *Time...Time...Time*
2. *Income*
3. *Education*
4. *Risk of an untried solution*
5. *Trust*
6. *Regulation and compliance*
7. *Marketplace uncertainty*
8. *Insurance product integration*



**Integrating
Direct Primary Care
With
Level-Funded Plans**

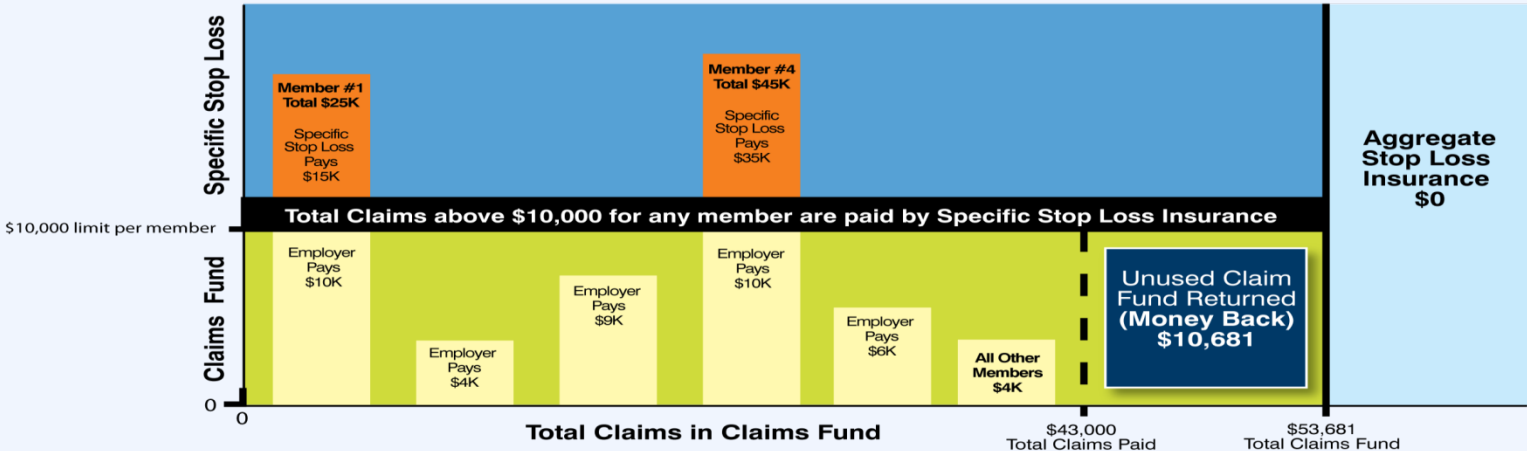
*Slashing Costs!!
Improving Care!!*



Small Group Level-Funded Plans With Direct Primary Care

- Level-funded plans recognize and reward the integration of direct primary care services.
- The scope of DPC services must satisfy a basic benefit standard.
- DPC cost structure coordinates with level funded underwriting rate matrix.
- When DPC meets underwriting requirements, insurance plan costs are reduced by:
 - a. Removing office visit costs and limiting Rx benefits from the rates
 - b. Install larger deductibles and co-pays
 - c. Freeing up dollars to offset the cost of the DPC services

Standard Small Group Level-Funded Plan



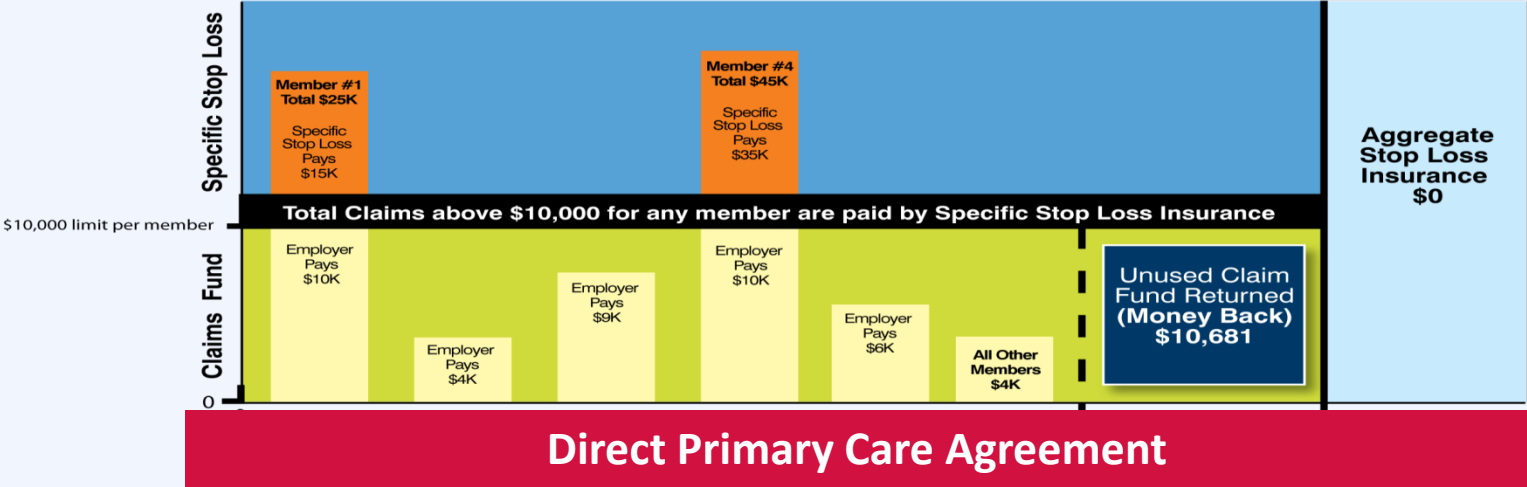
Annual Employer Costs

Administration and Sales	\$22,072
Stop Loss Insurance	\$46,868
Claims Fund	\$53,681
Maximum Total Costs	\$122,621

Claims Fund

Claims paid by you from Claims Fund	\$43,000
Claims paid by Specific Stop Loss	\$50,000
Aggregate Stop Loss pays all Claims in excess of Claims Fund	\$0
Money Back from Claims Fund	\$10,681

Integrating DPC with Small Group Level-Funded Plans



Annual Employer Costs

Administration and Sales	\$22,072
Stop Loss Insurance	\$46,868
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Level-Funded Underwriters

National General

Starmark

Cigna

Aetna

Allied National

United Healthcare

Humana

Others...

Sample Level Funded Underwriting Data Sheet

Client Info: Average Age:41.9 Gender Ratio: Males make up 100% of group.

Plan Design

Plan Type: HSA Qualified High Ded Plan
Deductible: \$2500
CoPay: None
Coinsurance: 100/70
OOP: \$0/\$6000
RxBenefit: HSA Deductible Integrated RX Formulary Plan
PPO: PHCS

Expenses

OV Cost: \$0
RX Cost: \$0
MM Cost: \$12,483

Total: \$14,429

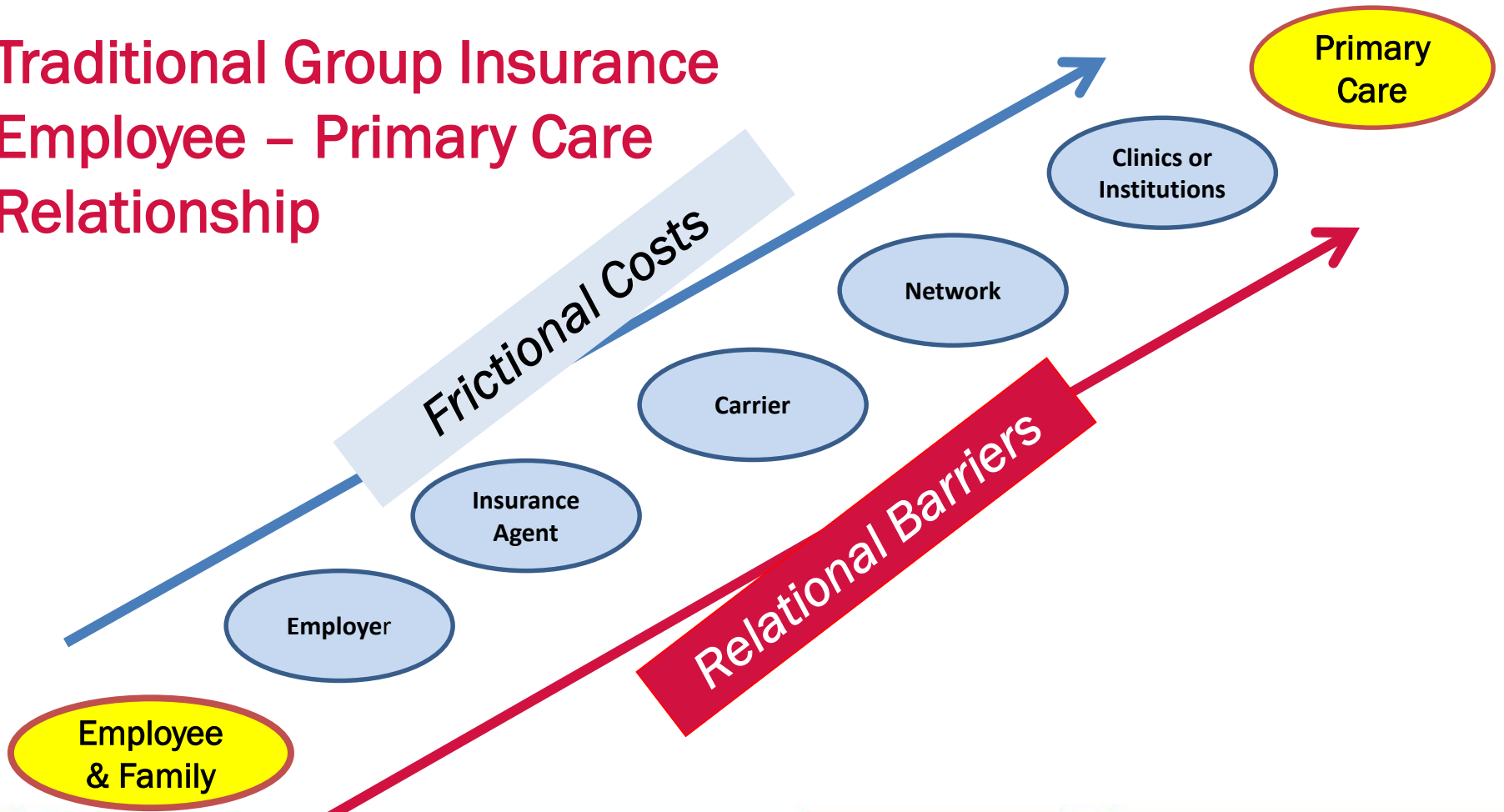
Premium

Annual \$: \$745,920
Needed \$: \$671,328
Ratio: 0.90
QuoteAddLoad: 1
Calc Load: 0.9

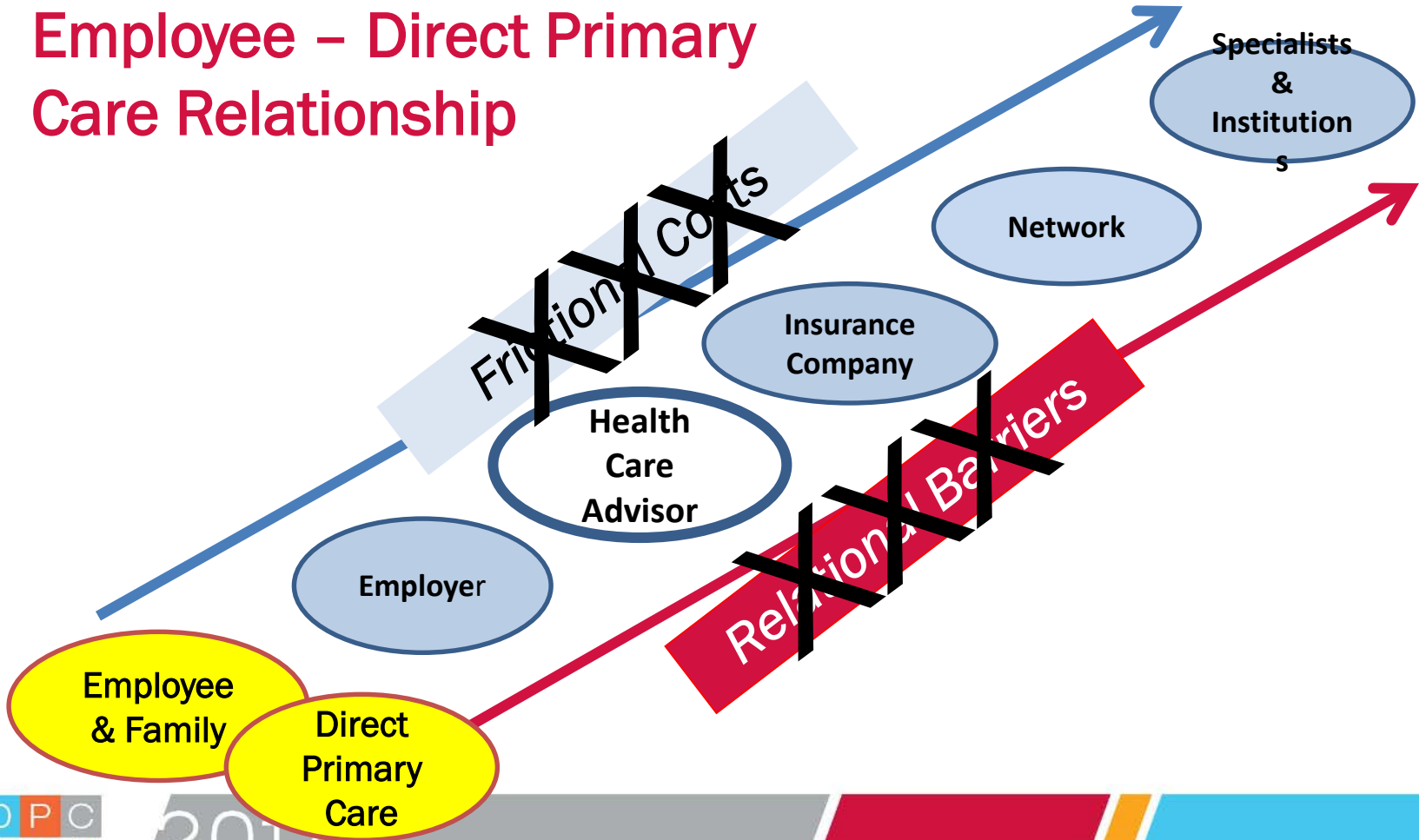
INSURED	Applicant/Age/Sex	Relation	Condition	Office Visit	Rx	MajorMed	Notes
11	25 M						
Test	0 F	Spouse	Acarbose/25 mg	\$0 0	\$1,421 4	\$0 0.0	
Test	0 F	Spouse	Anxiety Disorders/Panic Attacks	\$450 3	\$0 0	\$0 0.0	
				Applicant Cost Summary: OV:\$0 RX:\$0 MMA:\$0 MMB:\$0			
11	25 M	Self	Gastrointestinal Conditions/Heart burn-RX known	\$200 2	\$0 0	\$0 0.0	
11	25 M	Self	Anxiety Disorders/Generalized Anxiety Disorders	\$450 3	\$0 0	\$0 0.0	
				okay to field quote			
11	25 M	Self	Diabetes/Insulin Injections	\$1,200 4	\$0		
11	25 M	Self	Allergies/Mild- RX 12 months	\$200 2	\$0		
11	25 M	Self	Actos/30 mg	\$0 0	\$2,824		
11	25 M	Self	Aciphex/20 mg	\$0 0	\$2,092		
				Applicant Cost Summary: OV:\$0 RX:\$0 MMA:\$4288.86 MMB:\$604.09			

DPC reduces plan costs

Traditional Group Insurance Employee – Primary Care Relationship



Employee – Direct Primary Care Relationship

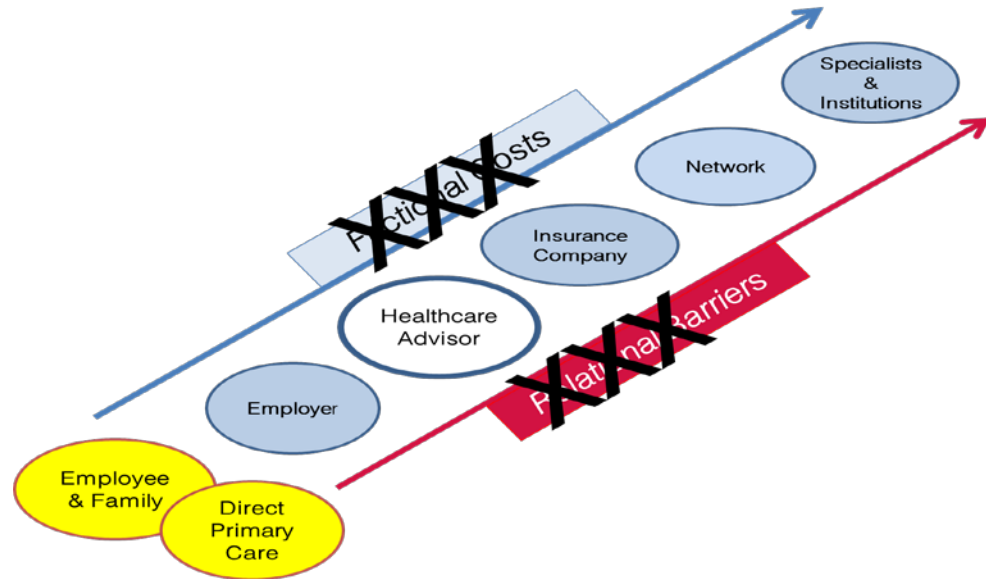


DPC Integrated Case Summary
23 FTEs enrolled
3-year results

		Mo Rate/FTE
Standard Level Funded Plan 3 year costs	\$ 365,076	\$ 441
Costs after DPC discounts	\$ 317,556	\$ 384
Total claim fund	\$ 148,764	
Claim fund refunds paid	\$ (93,012)	\$ (112)
Trend increases avoided	\$ (22,924)	\$ (28)
Cost of DPC Services	\$ 56,160	\$ 68
Net 3 year cost	\$ 257,780	\$ 311
Net Savings	\$ (107,296)	\$ (130)
% Saved	-29.4%	-29.4%
Annual Savings per FTE	\$ (1,555)	\$ (130)

The Compelling DPC Story

- Higher quality health care
- Save money
- Save time
- More immediate access
- Personal relationships
- Proactive health care
- Active disease management
- Communicate with technology
- Catastrophic coverage



Practical Integration Challenges

- Reluctant insurance community
- Expanded DPC Value Proposition
- Need a larger DPC ***“Community”***
- Standardization of DPC services
- DPC services for multi-location employers
- ERISA & DOL employer compliance
- Employer or employee-paid DPC?
- Plans with and without DPC
- Tax deductibility of DPC



**CHANGE
AHEAD**



NEXT STEPS?



Direct Primary Care Physicians Collaborating with Health Care Advisers

*Slash Costs!
Increase Access!
Improve Care!*

Questions?

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