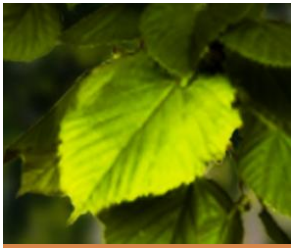


Banyan Consulting Medical Captive Program

August 6, 2010



BANYAN
CONSULTING LLC™



Current Fully Insured Market

- **Significant rate increases every year**
 - Trend and credibility adjustments
 - State and federal mandates, Health Care Reform adjustments
- **Limited rewards, if any, for health improvement or favorable claim experience**
- **Minimal health plan data available**
 - Where do your premium dollars go?
 - What are your cost drivers?





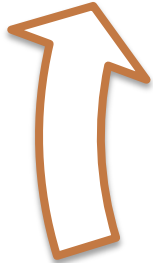
PPACA – Health Care Reform

What are the fully-insured premium increase estimates?

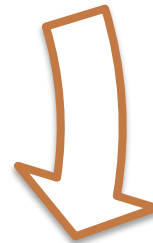
Preventive Care
with no employee
cost sharing
+ 1% to 4% (carrier
renewals) or 1.5%
HHS estimate



Dependents
covered to age 26
+ .5% to 1.6%
(carriers) or .7%
HHS estimate



Restrictions
imposed to
maintain
grandfathered
status \$\$\$\$



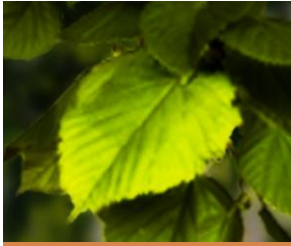
Unlimited
Maximum
+.5%





What's Been Done In the Past





Old Concept – New Approach

Captives have been used for liability programs for years, however, only recently have they been offered for health insurance (AZ, NC, MD, CA).



Provides the benefits of self-insurance while limiting the volatility through a group structure.

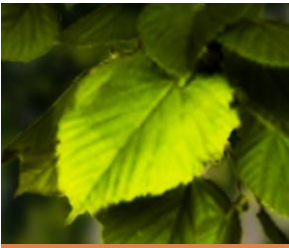


Like minded employers join forces to take control of their health care cost

- Better predictability
- Rewards employers for driving down costs through proactive and aggressive medical management

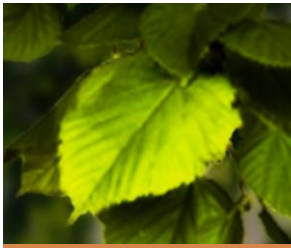


Why self-funding?



- **Stability**
- **Control**
- **Flexibility**
- **Access to data and advanced analytics**
- **Data driven health improvement initiatives**
- **Unbundled services**





How does a Captive work?

Each employer...

- elects to self-insure employee health benefits
- is issued a stop loss policy with both specific and aggregate protection
- pays a premium to the captive for their stop loss policy
- provides capital or collateral to the captive in case the stop loss premiums are insufficient



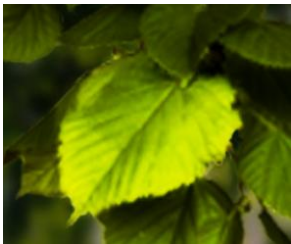


How does a Captive work?

continued...

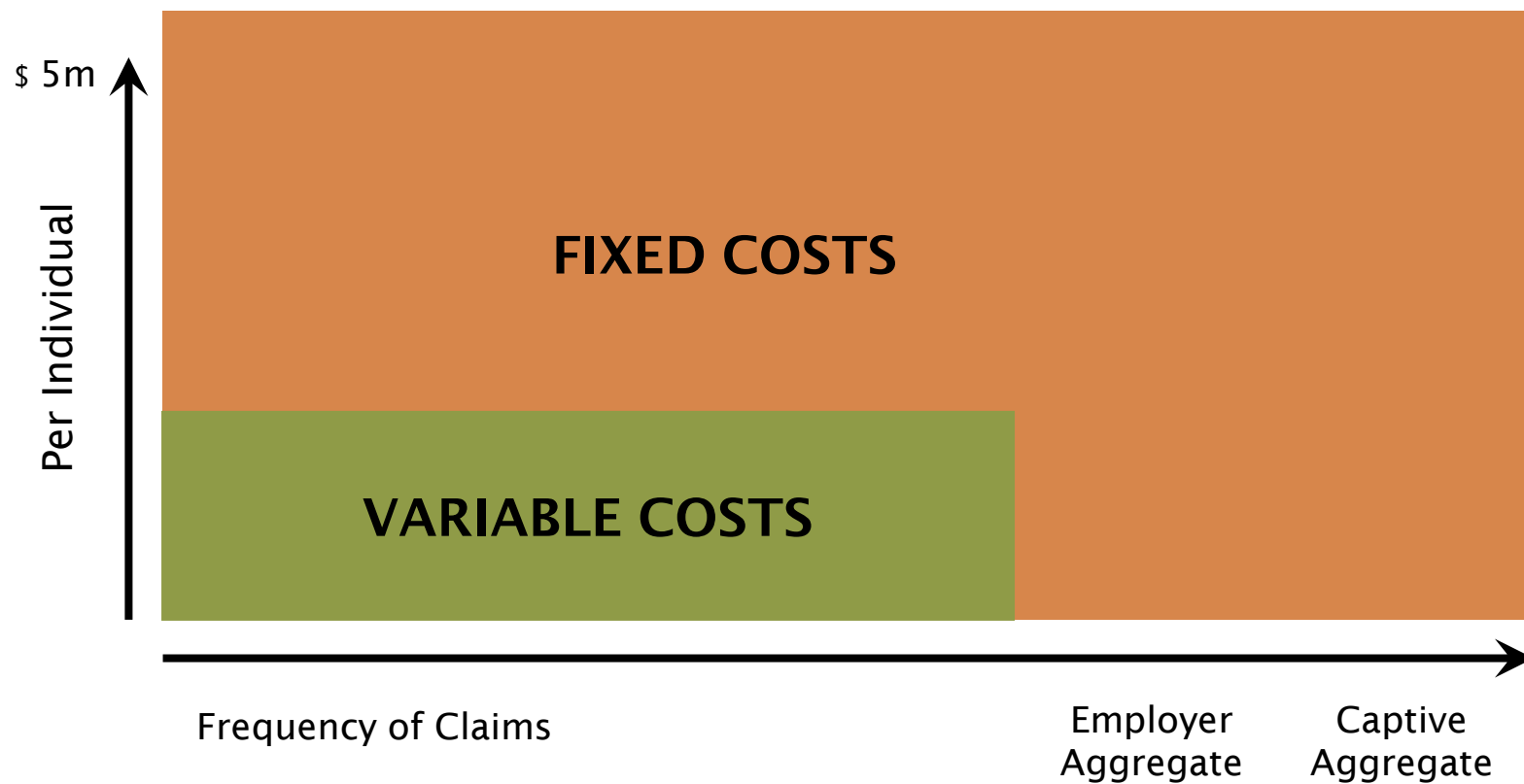
- The stop loss policy reinsures the claims after the employers responsibility level (\$25,000 per member in the following examples)
- The captive's maximum exposure is protected by the group aggregate stop loss
- Unused captive stop loss premium funds are returned to employer's

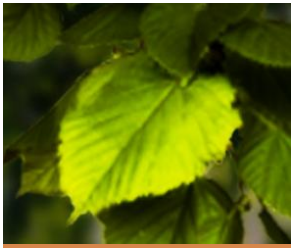




How does a Captive work?

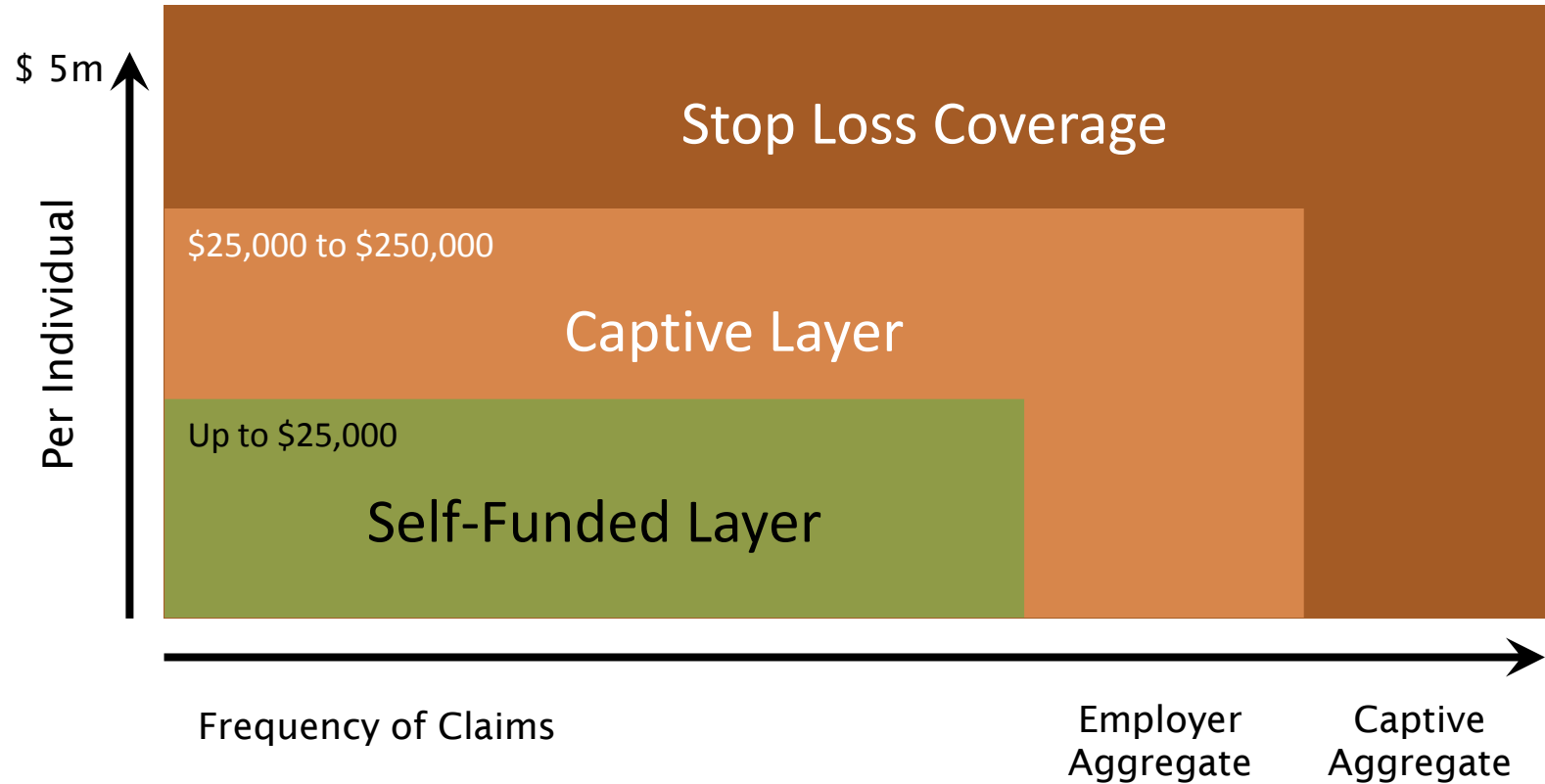
A captive model has a multi-layer approach to minimize employer exposure.





How does a Captive work?

Stop loss insurance is used to cover catastrophic claims and to provide stability to the Captive.

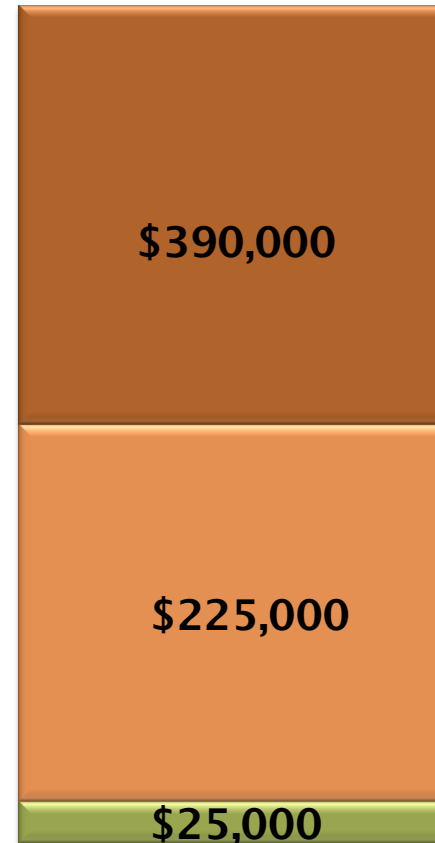




High Cost Claim Example

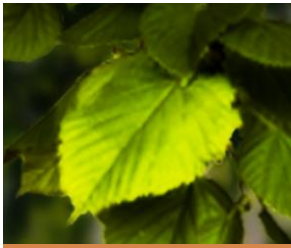
Example: Employer A has a \$640,000 large claim

- Employer A pays the first \$25,000 via its self-funded layer
- The captive pays the next \$225,000
- The Stop Loss carrier pays the remaining \$390,000



Large Claim





Example of Fully Insured vs. Captive Funding

Fully Insured

Fully-Insured
Premiums (Monthly)

Captive

Fixed Expenses (Monthly)

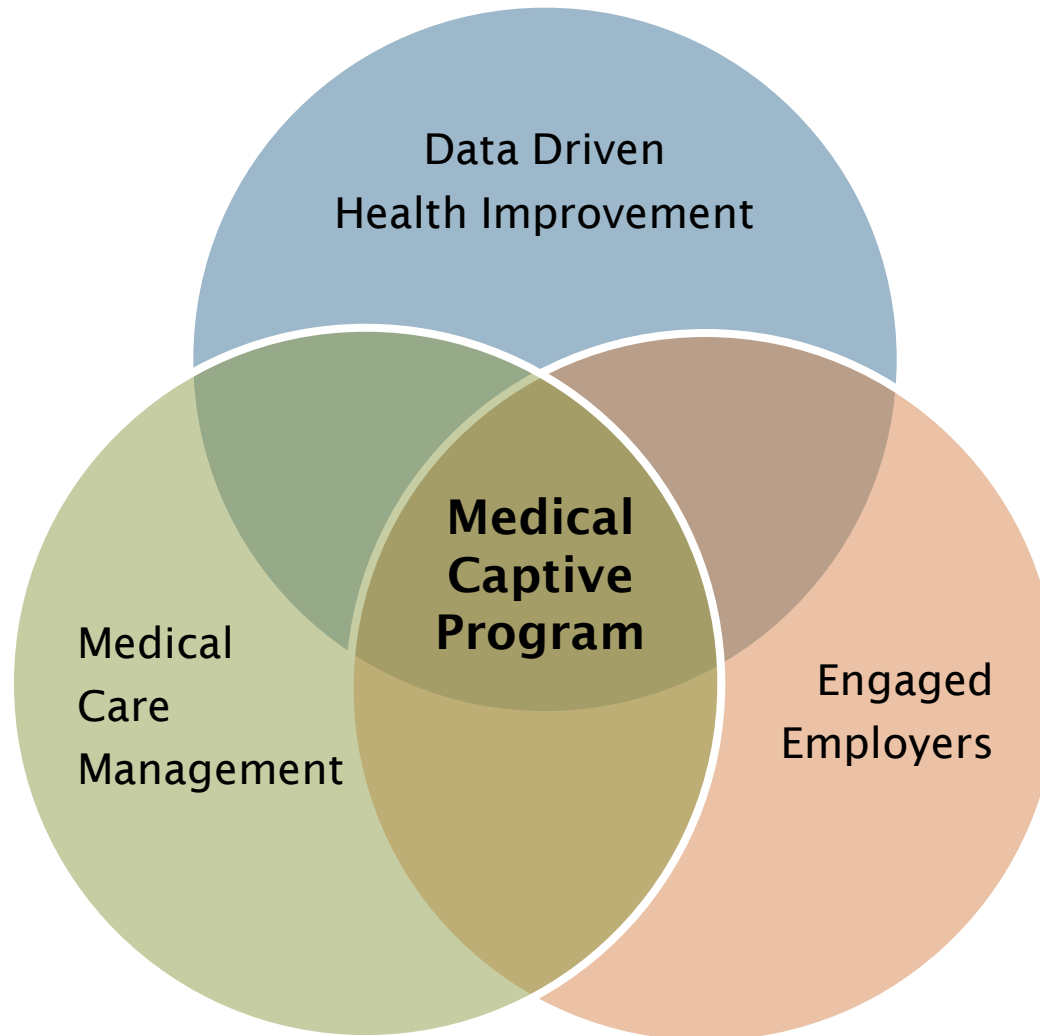
- Captive Funding
- Stop Loss
- Expenses

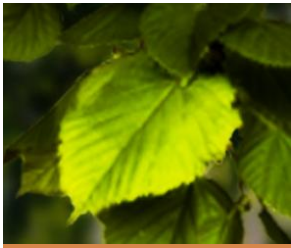
Variable Expenses (Weekly)

- Claims up to \$25,000 per member, per plan year



Critical Components of a Successful Captive





Why Medical Care Management?

	<u>% of People</u>	<u>% say Condition worsened</u>
Postponed Prescribed Treatment	29%	66%
Skipped a Recommended Test	24%	53%
Didn't fill a prescription	23%	62%
Cut Pills or Skipped Doses	19%	62%

Source: Kaiser Health Tracking Survey: Election 2008





Why Data Driven Health Improvement?

How many of your employees who *should* be getting cancer screens are actually getting them?

Compliance with cancer screenings*

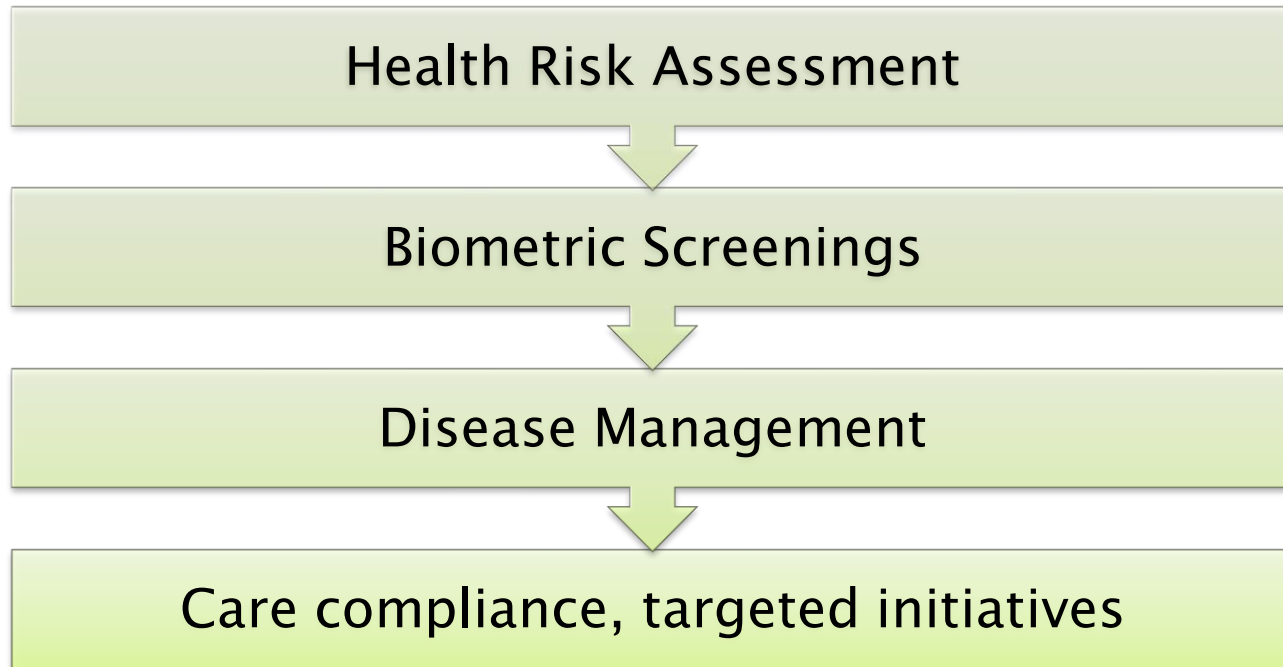
Screening Rate	Percentage
Breast cancer	54.9%
Cervical cancer	79.3%
Colon cancer	42.2%
Prostate cancer	57.6%

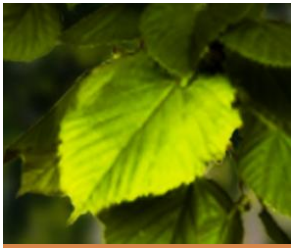




Why Engaged Employers?

Employee Health Management

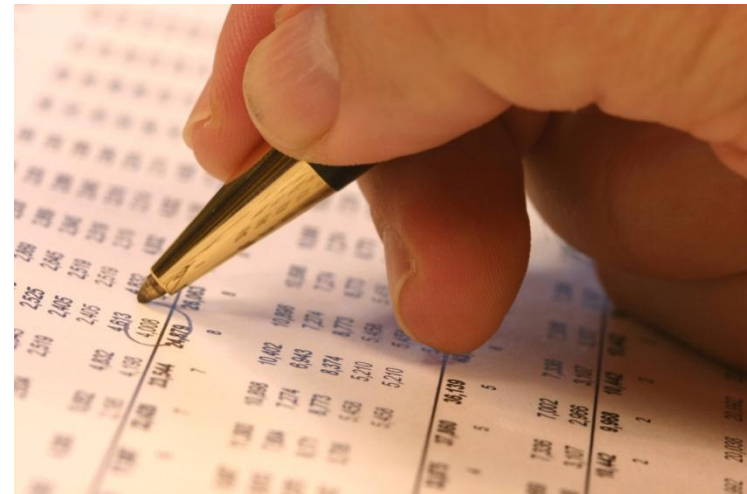




Detailed Claims Analytics

Access to detailed claims data is critical. Full disclosure and analysis should include:

- Financial Impact Studies
- Plan Performance
- Effectiveness of Disease Management Programs
- Care Compliance
- Effectiveness of Health Improvement Initiatives



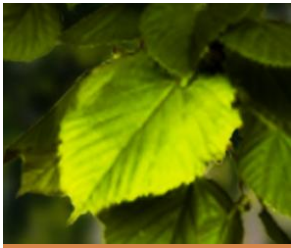


Benefits Administration

Captive administration is automated and will provide:

- Electronic transfer of eligibility data to the insurance carrier
- Electronic data feeds to your payroll system
- Open enrollment
- Monthly TPA enrollment reconciliation
- Management Reports
- Total Compensation Statements

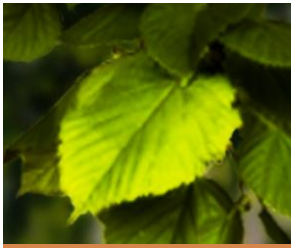




Frequently Asked Questions

- ✓ **Can each employer have its own plan design?**
- ✓ **Who handles enrollment, employee questions, etc.?**
- ✓ **Is there a minimum time commitment?**
- ✓ **Can a wholly owned captive be used?**
- ✓ **What TPAs and networks are used?**





Upcoming Captive Meetings

Thurs., August 26, 2010	9:00 AM	York, PA
Thurs., August 26, 2010	1:00 PM	Harrisburg, PA
Wed., September 1, 2010	9:00 AM	Harrisburg, PA
Wed., September 1, 2010	1:00 PM	Harrisburg, PA
Thurs., September 2, 2010	9:00 AM	Harrisburg, PA
Thurs., September 2, 2010	1:00 PM	York, PA
Also by appointment upon request		



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