

# Benefit Innovators

Health Benefits and Actuarial Consulting

PO Box 82  
Stevens PA 17538

bvernon@benefitinnovators.com

## Actuarial Services

Let us be your “Expert Partner”

**Benefit Innovators offers Actuarial Services for health and welfare plans including the following:**

### **HRA AND MERP COST MODELING**

Employers can save a significant amount on their health benefits cost by partially self funding through an HRA or MERP. However, it is difficult from the employer’s standpoint to know how much of the HRA funds will be used by employees and their dependents. Benefit Innovators can model the costs based on selected design service to show how much an employer can expect to save. This savings expectation is based on actuarially expected utilization of the HRA/MERP funds. We can model multiple designs for you to review and compare, or provide a few options to meet your target costs.

### **COBRA RATE CERTIFICATION**

It is important for employers to have actuarially sound COBRA continuance rates calculated for their self funded plans, HRAs and MERPs. Benefit Innovators will calculate COBRA rates and provide an actuarial certification of those rates. These rates can also be used as a tool in the setting of employee contribution strategy.

### **ACTUARIAL VALUE CALCULATION**

One aspect of healthcare reform under the PPACA is the requirement for employers to offer coverage that is affordable or else face the possibilities of penalties being imposed. The first requirement for coverage to be deemed affordable is that the actuarial value of the offered plan must be 60% or greater. The actuarial value is the percentage of claims that are paid by the plan, taking into consideration cost sharing aspects including deductibles, coinsurance, and copays. Through the Benefit Innovators plan pricing tools we can calculate the actuarial value for any plan design in the market.

### **PAY OR PLAY MODELING**

Pay or play refers to an employer’s decision to pay penalties or “play” by the rules and offer employees affordable group coverage. Benefit Innovators’ pay or play analysis will show an employer the aggregate cost to them and their employees under the options available once state run health exchanges are available and penalties start to be imposed in 2014. Our analysis will also show the effect to individual employees so that the impact to key employees in addition to overall costs is understood.

The Benefit Innovators pay or play model takes the following into consideration for each strategy option modeled:

- Subsidies that employees will qualify for
- Employer penalties
- Cost of insurance to employer and employees
- Out of pocket costs to employees
- Effect on federal income and FICA tax burden to employer and employees

### **IBNR RESERVE CALCULATION**

When an employer purchases a plan from a carrier it covers all expenses that are incurred during the year. However, when an employer sponsors a self-funded plan, expenses are paid as they come in and are processed. This means there is, at all times, an amount of claims that have been incurred, and that the employer is liable for, but that have not yet been paid. Benefit Innovators calculates the IBNR reserve, also known as a terminal liability reserve, for self funded employers.

There are a few reasons why having the IBNR reserve calculated is important. The first is that an employer should know what unpaid liability they have for financial reporting and planning purposes. Secondly, to accurately compare reinsurance policies and funding

arrangements an employer should consider the IBNR reserve. For example, when comparing fully insured premiums to self-funded costs, it is important to factor in the IBNR reserve. Lastly, it is important in benchmarking and tracking plan performance to attribute costs to the correct plan year, and this can only be done if a proper IBNR reserve is calculated.

### **Carrier Renewal Review for Fully Insured Plans**

Insurance carriers can at times make mistakes, use poor assumptions or simply miss something in a fully insured employer's situation. By having Benefit Innovators perform a review of the renewal calculations done by the current carrier, we can often find reasons to support negotiation of those renewals down. Our review might find that the renewal calculations are fair and reasonable, but in instances where that is not the case our review by a qualified actuary will give the broker and his client more leverage at the negotiation table.

### **FUNDING ANALYSIS**

Whether a fully insured employer is considering self funding, or an employer is already self funded, the Benefit Innovators funding analysis is a powerful tool in the strategy and decision making process. Our analysis involves a review of experience and trend, a projection of future claims cost, modeling of multiple stop-loss programs for comparison between programs and to stop-loss quotes received, as well as Monte Carlo simulation modeling of those programs. Our modeling provides more sophisticated and useful information than what is provided by TPAs or stop-loss carriers. We are also an unbiased third party as opposed to a risk taker, meaning our projections are without prejudice as the stop-loss carrier's may be.

Our funding analysis serves to help employers make decisions about how to fund their benefits and if they do self insure, what stop loss program best matches up with their risk tolerance. It also serves as a budgeting and planning tool and as a valuable independent cost projection to be compared to stop-loss quotes. Our modeling provides statistics such as probability of hitting the max liability, standard deviations and confidence intervals that help show the tradeoff in savings and volatility of cost associated with self funding. We believe our funding analysis is a valuable tool to all groups that self fund their health benefits or are considering doing so.



### **EXPERT PARTNER SERVICE MODEL**

Benefit Innovators works with licensed producers and brokers, human resources consultants and third party administrators as their behind the scenes subject matter expert. Under this model, you can use our services as needed to support your business model or make us part of your overall team. We can work directly with your clients or provide you with the information and reports that your clients need.

Our Expert Partner Pricing can be a la carte or on a retainer basis. With the retainer model, hourly and document fees are reduced if you contract with us for more hours. We offer flexible and affordable compensation arrangements to fulfill your needs.

Retainer arrangements are adjusted regularly so that you are paying only for the hours and services that you need.

Email us with any questions or for a Proposal that will include our fees and more details of this service.

Benefit Innovators also provides Compliance Services as your Expert Partner