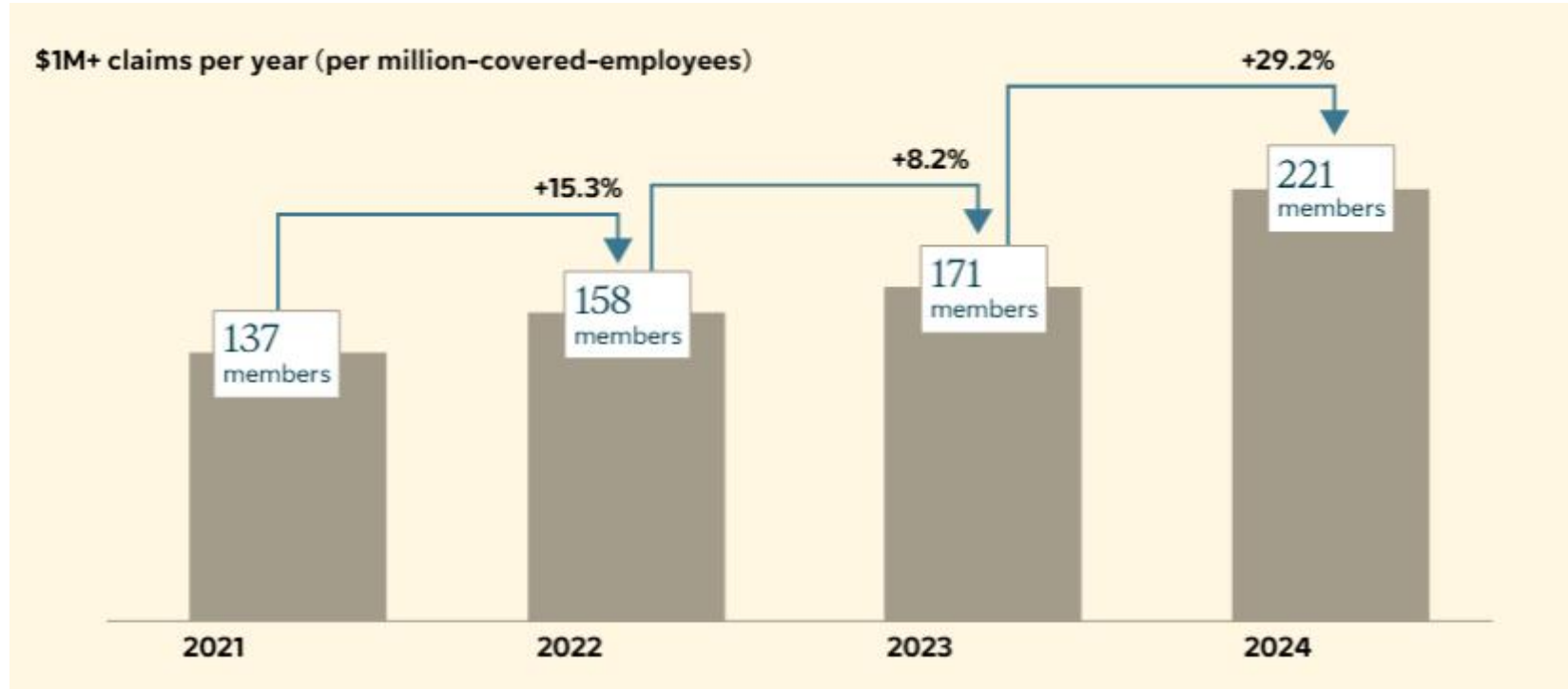


The singular question on everybody's mind right now...

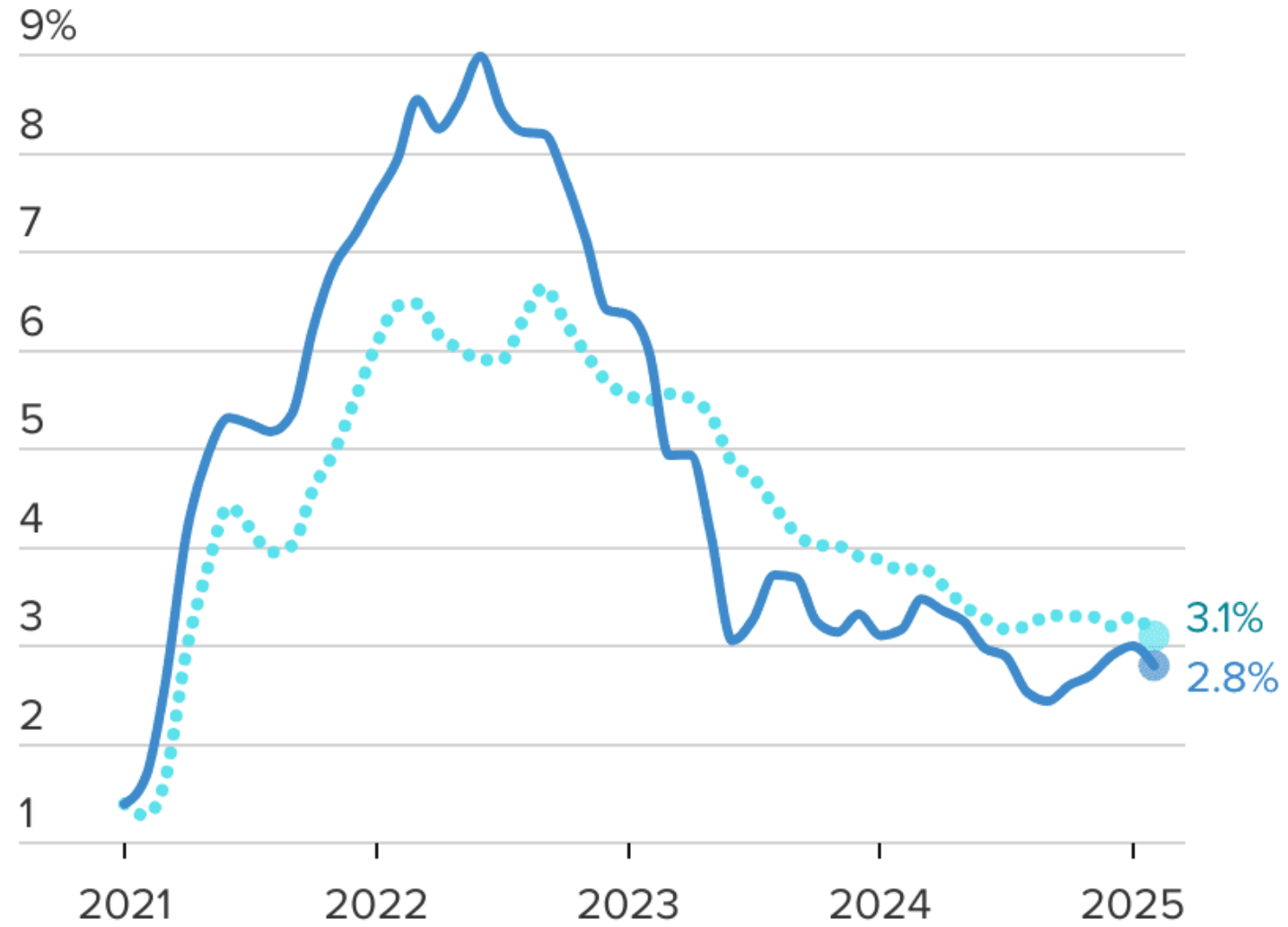
Why should I pay attention to you?

- Health insurance increases are outpacing revenue increases
- Health insurance increases are demanding a larger portion of the total compensation budget
- Normal Colorado insurance trend: 8%
2026 Colorado insurance trend: 15%

Million Dollar Claimants on the rise



Consumer Price Index



It goes something like this...

2021-2022
High Inflation

Health care providers
experiences heavy
inflation in business cost



2024-2025
Renegotiation

Healthcare providers renegotiate
higher payment contracts with
insurance companies



2026
Higher Premium Increases

Insurance companies
provide renewals, based on
higher contracts + their
profit margin, to clients



So, here we are....

Charter Schools need:

Reduced health plan cost without increasing employee contributions or reducing employee benefits

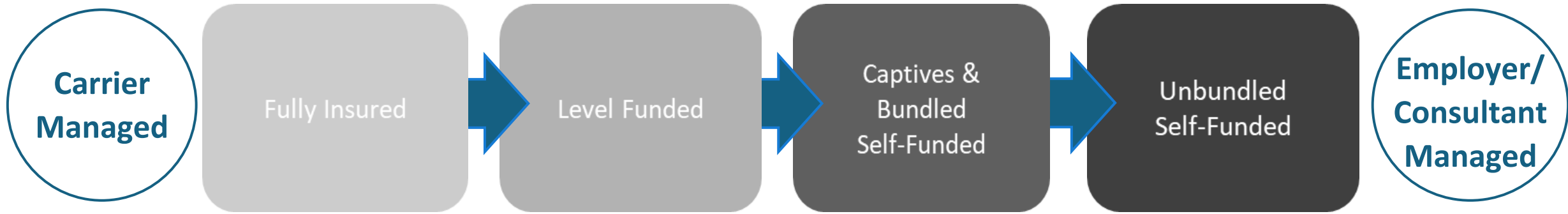
Employees need:

Access to quality health care while keeping their premium contributions and out-of-pocket cost low

Health Insurance Plan Structures

The traditional “fully insured” or “partially self-funded” insurance carrier policies are a closed system:

- Insurance carrier controls what is and isn’t covered
- Insurance carrier determines how services will be received
- Payment for these services are based on confidential contracts between the insurance carrier and healthcare provider
- Insurance carriers generally don’t offer Alternate Delivery/Payment methods
- If you can add them, only the insurance carrier saves money on reduced claims since your premiums are fixed



“Self-funding” is an open system:

- You control what is and isn’t covered
- You determine how services will be received
- You can more easily add Alternate Delivery/Payment methods
 - ❖ Cost of health insurance can be reduced through Alternate Delivery payment agreements
 - ❖ If you add them, you can reduce health plan cost and funnel to salaries and other benefits

Self-funding is a great opportunity but...

- Being self-funded on your own can be risky for smaller employers
 - Smaller employers purchase lower Stop-Loss limit policies which can be expensive
 - Large, ongoing health claimants can quickly and dramatically increase the cost of your plan
-
- The Captive Structure allows smaller employers to join together to self-fund
 - Better alternative for smaller employers vs. self-funding on your own
 - They've become extremely popular over the last five years
 - The HUB Charter School captive is averaging \$175 Per Employee Per Month in savings

Why the Captive structure may be the answer

- Ability to lower long-term cost:
Addresses the needs of both employer and employee
- Complete claims reporting transparency:
Understand where your money is being spent so you can strategically address it
- Earlier cost projections:
Provides you insight to your annual increase vs. waiting for your carrier renewal
- Greater plan control:
Allows you to adjust your plan for your situation and employee needs
- Minimizes the fixed cost of your plan:
More money goes to your claims bucket and less to the pocket of the insurance carrier
- Allows you to implement Alternate Delivery options:
Employer reduces the actual claim cost paid for a service which reduces your total health plan spend

Sounds good. What's the catch?

- In the captive, you are more responsible for your employees' claims, up to a certain limit:
 - If you aren't paying premiums that cover your incurred claims right now, you might see a higher increase in cost versus your renewal to move into a captive structure.
 - When you are considering the captive, if you have large, ongoing claimants among your employees, the captive pricing may not be favorable right now.
 - Once you are in the captive and a large claimant emerges, you may have to pay for that claimant sooner than you would in a different structure.

This is the reason that, in the Captive model, managing claim costs is critical. We will cover the Alternate Delivery/Payment options in our next webinar.

What structural changes will impact you?

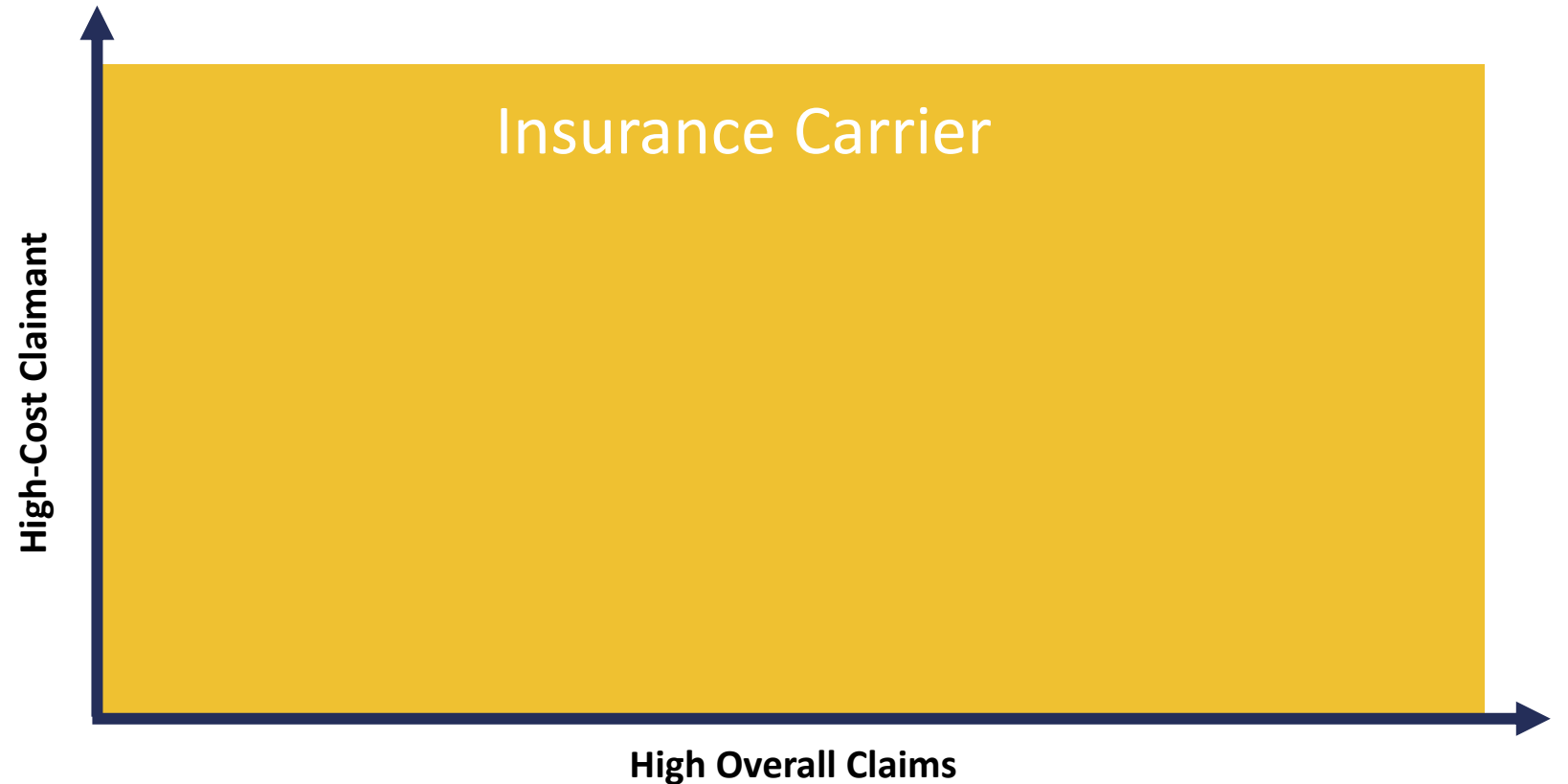
- **More strategy, less quoting:** In the captive, more focus is turned to strategy and claim management at renewal time. This will require Human Resources and Finance to work together at renewal time to determine what changes are desired for the upcoming plan year.
- **Payment process:** The billing process changes slightly. Instead of cutting a single check to the insurance company, you will create a separate account internally into which you will deposit monthly employee and employer contributions. You will receive a monthly invoice for your fixed cost and a weekly charge to your separate account for incurred claims.
- **Day-to-day administration:** Once the renewal is completed, the structure is designed to run without additional periodic work from the Human Resource team. Our captive clients actually report that it is easier to manage a captive program and address employee needs throughout the year because, in most ways, you are the insurance company, and you have the control to make the changes you need in real time instead of arguing with the insurance company.

What structural changes will impact employees?

- **Possible change of provider network at implementation:** It is possible that the provider network you currently use may not be available to you in the first year you move to the captive. However, once inside the captive, an employer rarely needs to change the network again. This is because the network you use is independent from the pricing of your health plan so you don't have to change networks in order to receive lower premiums.
- **Possible change of drug formulary at implementation:** In the captive, you get to choose whichever prescription drug vendor is best for you. However, it is unlikely that the drug list and drug tiers will be identical and you may have employees that see a slight change in the cost of their drugs or their availability on the drug list, just like any insurance company change.
- **No plan design changes:** In the captive, you have complete control of the plan designs you make available to employees. Rarely, do captive clients have to change their plan designs to reduce premium cost. They understand that the key to reducing premium cost is managing claim spend rather than increase out-of-pocket costs to achieve cost relief. In fact, many captive groups are able to enhance their benefit offerings to cover things the traditional carrier didn't cover such as hearing aids or more expansive fertility treatment.

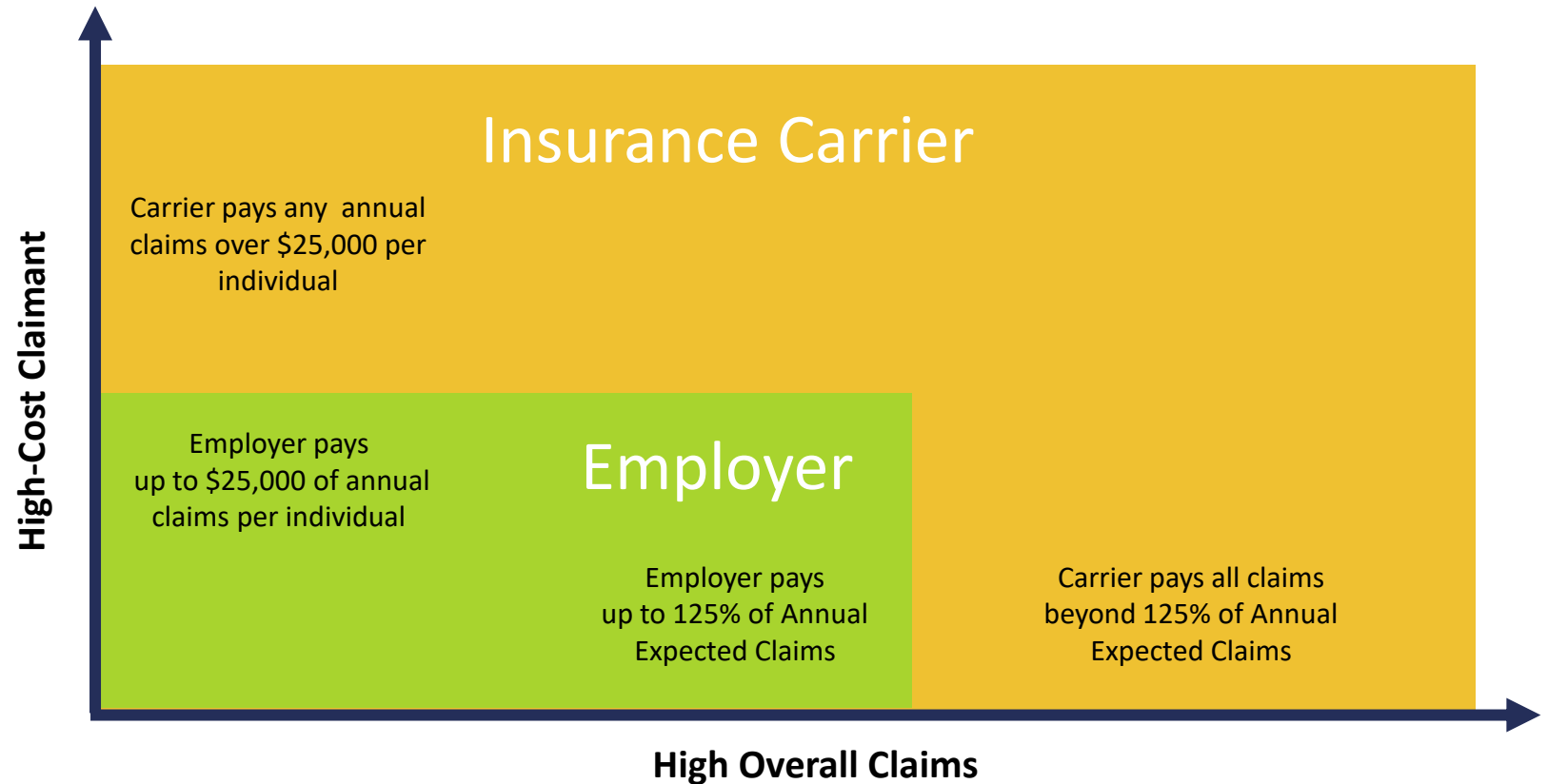
Fully Insured Structure

- Employer selects plans they want to offer employees
- Insurance Carrier sets your premium by estimating what they will pay out for you in claims and adds a profit margin
- Employer pays premium to Insurance Carrier
- Carrier is responsible for all covered claims
- If the Carrier pays out less in claims than they collected in premium, there is a “surplus”
- Any “surplus” becomes Insurance Carrier profit



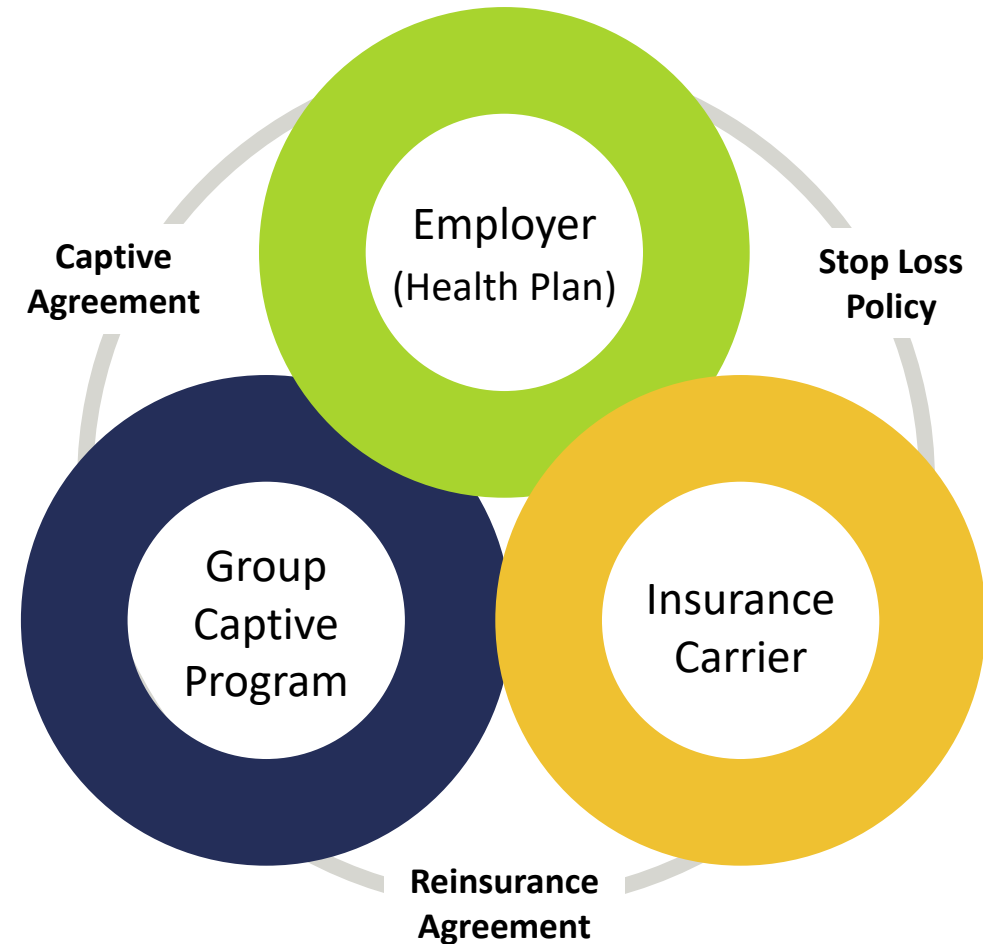
Self-Funded Structure

- Employer selects plan they want to offer employees
- Insurance Carrier sets your stop-loss premium by estimating what they will pay out for you in claims beyond your selected stop-loss limits
- Employer pays stop-loss premium to Insurance Carrier
- Employer is responsible for all claims under stop-loss limits
- Carrier is responsible for all claims over stop-loss limits
- If the Employer pays out less in claims than expected, the employer keeps the surplus



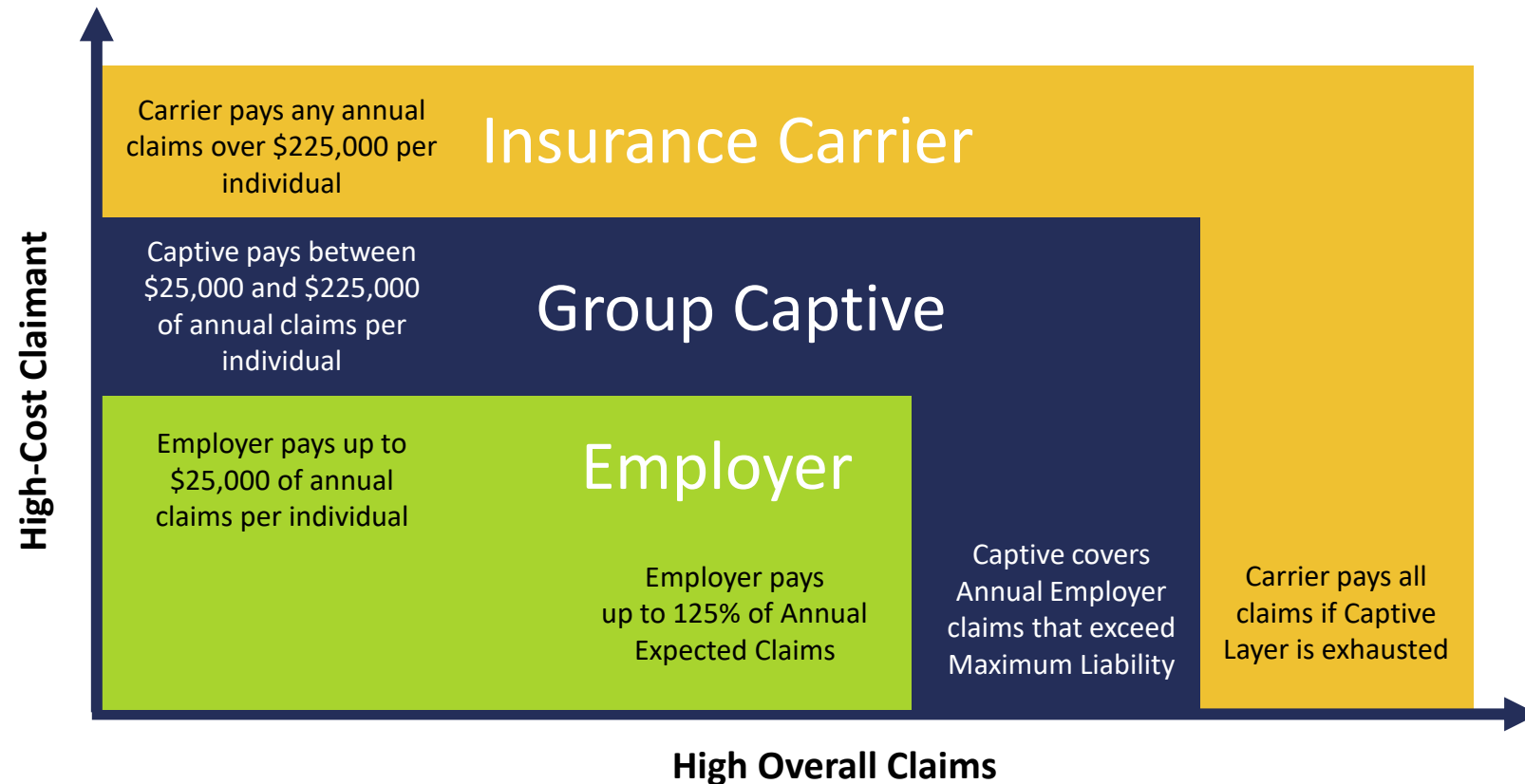
Captive Structure

- Insurance carrier seeds a large amount of their collected Stop-Loss Policy Premium into the Group Captive
- The Group Captive serves as a buffer between the plans of the employers and the Insurance Carrier
- If a health claim exceeds the employer's selected stop-loss limit, the Group Captive covers the claim up to a prescribed amount through the Captive Agreement
- After the Group Captive covers the amount for which it is responsible, the Insurance Carrier covers any remaining claims through the Reinsurance Agreement
- Any unused funds in the Group Captive are distributed to participating members at the end of the year



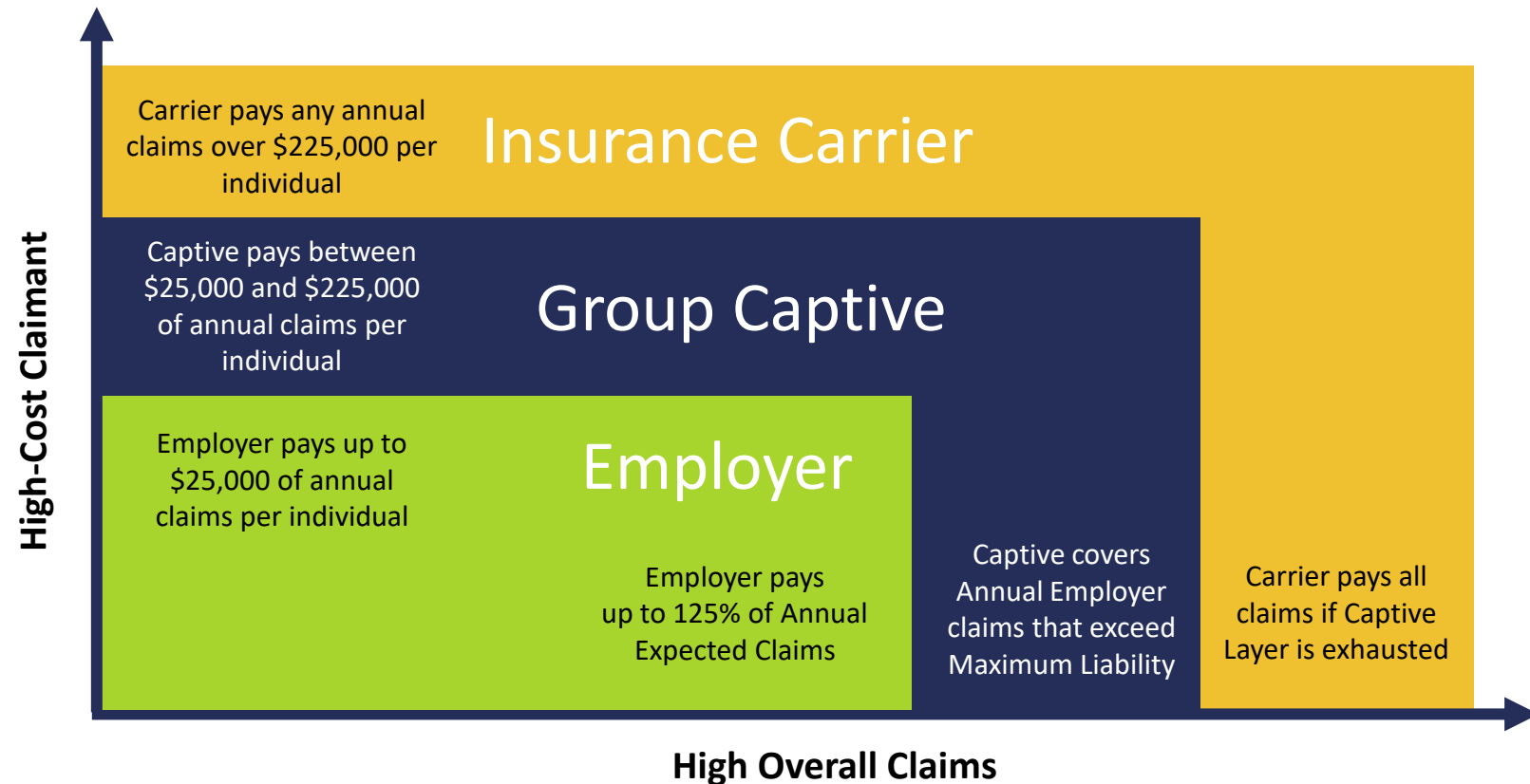
Captive Structure

- Employer selects plan they want to offer employees
- Insurance Carrier sets your stop-loss premium by estimating what they will pay out for you in claims beyond your selected stop-loss limits and seeds a large portion of that premium into the Group Captive, along with the seeded dollars from the other employers
- Employer pays Stop-Loss premium to Insurance Carrier
- Employer is responsible for all claims under Stop-Loss limits
- Group Captive is responsible for claims beyond the employer Stop-Loss limits up to the Group Captive limits
- If the Employer pays out less in claims than expected, the employer keeps the surplus
- If the Group Captive pays out less in claims than expected, surplus is returned to members on a prorated basis



Why it works better

- The Employer is purchasing a higher level of Stop-Loss protection so the premium is lower. Those lower premium savings are pooled among the employers to cover their largest claims. The Group Captive surplus, which would have been Insurance Carrier profit in a normal self-funded arrangement, is returned to the employers.
- The open architecture of the Captive Structure allows employers to implement Alternate Delivery Solutions that can reduce the amount they pay for services received by employees.
- Every dollar that is saved is available to the employer to help sustain the benefit offering they provide.



Summary

- Underlying contracts that dictate what the Insurance Carrier pays the Healthcare Provider are expensive
- The Insurance Carriers don't have a lot of negotiating leverage in these contract negotiations
- There are Alternate Delivery/Payment methods that employers can use to save money for both employee and employer
- These Alternate Delivery/Payment methods are difficult to implement in a Fully-Insured or Partially Self-Funded structure
- The open-architecture structure of Self-Funding allows for implementation of for these claim management tools
- Self-Funding can be fiscally risky for smaller employers
- Captives offer small employers the control and flexibility of Self-Funding with reduced long-term risk