Frequently Asked Questions

Provided by Independent Captive Associates, LLC

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AS AN EMPLOYER – YOU HAVE CHOICES:

- Do not provide health insurance coverage
- Buy health insurance coverage through a nationalized commercial model – United Health, etc. (Fully insurance plans)
- Utilize an ASO (Administrative Services Only) Program offered through a major insurance program.
- Self-insure your health care program utilizing a Captive Insurance Company.

Initially, employers are introduced to the health insurance market place by an insurance broker or agent. The broker will formally develop a spreadsheet of your employee data and health history. With this information they will then shop the commercial health insurance market place and produce a breakdown of cost and coverage from commercial carriers. This leads to the selection of a commercial carrier to represent your work force. The rates are published and available to the public. Since this is the basic method of providing health insurance to corporations, **it is the most expensive method and offers the least ability by employers to control coverage and premiums.**

Following this model, as the number of employees grows, premiums increase and coverage requirements become clarified, most employers shift to a carrier sponsored ASO program to reduce cost. This is a hybrid plan and is applicable when employer population exceeds 100-150 employees. This is the most common solution offered by brokers as costs grow.

As organizations continue to grow, their next step usually involves the use of a self-funded program utilizing a Captive Insurance program. This is obviously the most effective solution and is the method of choice for major employers in America (see Self-Insurance Institute of America, Inc.)

iCap® vs Administrative Services Only | ASO

Take a closer look at the key differences between ICAP and ASO divisions (wholly-owned subsidiaries) of national health plans.

THE DIFFERENCES MATTER!

Consider This:	Carrier-Owned ASO	iCap
CONFLICT OF INTEREST	Administrator and carrier are the same company	**Administrator and carriers are not affiliated (checks & balances)**
ACCESS TO CARRIERS	Limited due to conflict / ownership	**Access to multiple carriers assures you of the best rates**
ACCESS TO ACTIONABLE DATA	Carrier/administrator owns the data and provides limited reporting	**Your plan receives and owns detailed reporting; giving you the ability to make informed decisions based on plan data**
PLAN FIDUCIARY	Giving up control is like giving up your checkbook	**As plan sponsor, you have the ability to question and confirm legitimacy of claims prior to paying**
STOP LOSS REIMBURSEMENT	Typically offer reimbursable contracts	**Immediate pay contracts are standard (helping with employer's cash flow)**
INDEPENDENCE	Must answer to shareholders	**Only answers to its clients**
BIGGER VS. BETTER	Layers of red tape exist within large carriers	**Independent, flexible and transparent**
CLIENT SERVICE	Deep pockets often translates to shallow service	**Focus on needs of your company and plan members**
COMPENSATION/ BONUS PROGRAM	Administrator/carrier sets compensation amount	**Broker/consultant establishes compensation**

General Overview

What is ICAP (Independent Cost Assurance Program)?

ICAP is an independent third party audit of health insurance costs verses benefits provided. ICAP focuses on ROI utilizing world class actuaries, third party administrators, benefit providers and business principles to develop maximum cost reduction for each participating business. The ICAP comprehensive audit program focuses on premium expenses, coverage, deductibles and co-insurance verses facility, drugs, physicians, stop loss, wellness and administrative expenses.

Is ICAP an untested program?

No! True strength comes from a solid foundation. ICAP was built over the last decade and currently insures tens of thousands of employees. ICAP utilizes the largest physician group network in the United States. ICAP is built around the principle that employees and employers believe their primary care physician is essential in any group benefit program.

Why does ICAP utilize a group captive

Captive insurance companies have been utilized for decades to control cost. 80% of all fortune 500 companies employ captives for risk management and cost control. ICAP utilizes a "Group Captive Insurance Company".

A Group Captive is simply a Captive owned by three or more business owners who have an increased desire to control risk and achieve additional savings beyond traditional fully insured ("standard" market insurance program) and self-funded programs.

Are Captive Insurance Companies a mainstream product?

- As of 2017, approximately 8,000 Captives operated worldwide, responsible for more than $13 billion in annual premiums.
- Since 1980, the number of Captives has grown 600%.
- More than 60% of major U.S. corporations have one or more Captives in place.
- The alternative risk transfer market makes up more than 30% of the commercial risk market.

What is the key difference between a "standard" market insurance program and a Group Captive insurance program?

In the standard market, the insurance carrier assumes all risk and retains all profits. A Group Captive program allows the Captive participant to share in the risk for a potential reward of underwriting profits and investment income.

How does ICAP utilize its group captive?

The ICAP Group Captive adds a medical stop lost to the overall design. Combining this protective layer along with our key elements to success, businesses can realize immediate and long term savings. These key elements include an aggressive claims management program, ICAP prescription benefit management program, ICAP wellness initiative and reduction in distribution / administrative expenses result in cost reduction.

Is an ICAP Captive program the same as a Multiple Employer Welfare Arrangement (MEWA)?

No, each employer group receives its own stop loss policy. The employers do not pool funds together for the direct payment of benefits.

What entity issues the re-insurance (stop loss) policy for ICAP?

The program uses a domestic A.M. Best "A" rated carrier that is an admitted carrier regulated by the Department of Insurance for the state where the policy is issued.

How does a participant share in the risk?

A portion of the reinsurance premium is allocated contractually to the Captive. This amount is subject to claims that exceed the Specific Individual Deductible (SID). It is also subject to the claims of other captive participants once their captive claim fund has been exhausted. The maximum amount of risk is the allocated Captive premium and the collateral that exceed each participant's SID.

What does the ICAP Group Captive cover?

The ICAP Captive reinsures the risk between the participants' SID and the next $100,000 of risk. Claims above the SID, but within the next $100,000, are paid by the Captive's loss fund; claims beyond this $100,000 Captive layer are the responsibility of the (stop loss) re-insurance carrier. This component gives each business the opportunity to capture the profits your fully insured carrier has been enjoying. This changes the status quo where facilities and insurance providers enjoy profits.

What forms of reinsurance have been in place for the last five years under the ICAP initiative?

- Reinsurance (stop loss) beyond each participant's SID
- The Captive serves as a layer of reinsurance for claims for the (stop loss) reinsurance carrier
- Aggregate coverage for the group attaching at 125% of expected losses
- Aggregate coverage for the Captive for claims that exceed the paid in premium

How is the premium determined for a business participating in the ICAP initiative?

Our experienced underwriters determine pricing utilizing a comprehensive medical underwriting process. Although more labor intensive, this detailed underwriting approach better protects each participant. Conservative loss ratios are used to ensure appropriate funding and profitability for the ICAP Captive participant.

What are the charges associated with this program?

All proposals for the ICA Captive Program are all inclusive and fully transparent (*i.e.* includes underwriting and Captive management fees, broker fees, etc.). We believe that you shouldn't have to chooses between the health of your business and your employees health cost.

When do I know the final results of the program?

There is an assured savings initially, however, all activity is reported monthly and final results for each treaty year are available within four months of the conclusion of that plan year for the last employer groups that join he program. This dividend is not shared but paid directly to each employer.

How are the program results conveyed?

You will receive an individual experience statement on a monthly basis for each underwriting year that you are a participant. The experience statements also show the activity of the entire program on a summary basis.

How are the assets in the ICAP Group Captive invested?

Assets held by the Captive are managed consistent with insurance regulations and industry conventions, predominately in conservative fixed income assets.

How are the underwriting profits and investment income reflected?

Each participant receives a 1099 from Segregated Account Company (SAC) when a distribution (underwriting profits and investment income) is made. Monthly, you will receive a financial statement reflecting a snapshot of your performance.

What are the minimum required documents to participate?

- Completed Application
- Current Census
- Copy of Current Plan/Policy (if applicable)
- Three (3) Years Stop Loss Premium and Claims History or Applications for all of the proposed members
- Proposed benefit design

What are the underwriting guidelines?

Our Benefits Group underwrites each employer much like a standard self-insured stop loss submission.

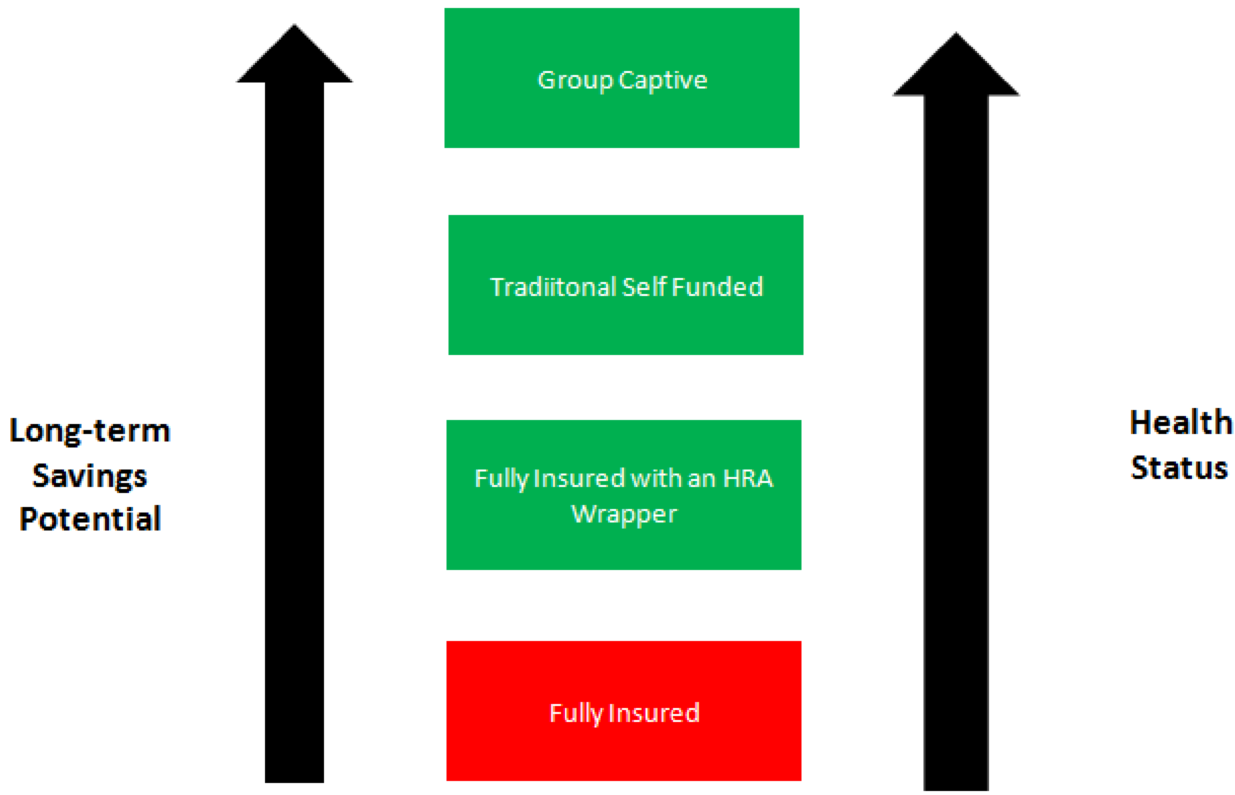
How does the program avoid adverse selection?

Each account is experienced rated using the employer’s claims history if currently self-funded, or if fully insured, each covered employee is medically underwritten via an online individual health application. Participants with higher projected losses and higher risk profiles will pay more “risk” premium, similar to any other medical benefit plan.

Not all applicants are a good fit; our comprehensive medical underwriting process allows us to determine what is the best solution or alternative for the applicant. For some employers with higher projected utilization, this may mean they should participate in a traditional self-funded plan with aggressive population management strategies “before” coming into the ICAP Model. These initiatives are designed to increase member engagement, improve the clinical outcomes of covered conditions and lower over-all claims cost. Once the employer group’s risk profile has been improved, they can “then” be invited into the Captive Model to achieve additional savings and longer term pricing stability.

Our approach to evaluating risk and financing employee medical benefits cost in the most efficient manner possible can best be illustrated by the graph below. The more we can improve the health of an employer’s covered population, the greater the long-term savings potential we can offer. *(See illustration on page 5)*

Purpose of the Underwriting Process



What are the additional benefits of joining our ICAP initiative?

Example Question: “We have the lowest loss ratios in the industry. What additional benefits could you offer us?”

Response: You have the lowest loss ratios and continue to pay premium without any return of money (underwriting profit or investment income) that recognizes your outstanding loss experience. The ICAP initiative offers you the opportunity for a return, in a positive claims year, of your surplus premium dollars that would traditionally be retained by the insurance carrier as profit.

CONCLUSION

The ICAP Initiative provides the same policy form coverage as the standard market and offers the following additional benefits:

- Potential sharing of underwriting profits and investment income
- Reduction of insurance cost
- Stabilization of unpredictable and cyclical insurance market
- Control over your healthcare spending
- Partnership with carrier and participants who share a loss prevention philosophy
- Improve moral of employees

“I mean, I guess we take your insurance, but we don’t, like, take-take your insurance.”

ICA PROVIDES THE MANAGEMENT SOLUTION

- **Alignment.** By utilizing the ICAP Initiative as your benefit plan, plan participants assume the first layer of healthcare risks and are rewarded for controlling costs.
- **Flexibility.** Participants determine the appropriate level of risk retention, offer a customized benefits plan and tailor a health risk management program.
- **Influence.** Participants use their combined purchasing power to leverage discounts from service providers such as stop-loss carriers, third party administrators (TPAs), provider networks and population health risk management vendors.
- **Return of Profits.** Employers participate in the results of the ICAP Initiative. Captive surpluses are distributed to participants rather than an insurance company.
- **Risk Management.** ICA provides a menu of risk management initiatives and wellness programs from which to choose so participants develop or expand a culture of healthy living.
- **Turnkey Program.** ICA includes a turnkey group captive program that provides participants with stability, risk diversification and risk sharing with minimal administrative costs.

CONTROLLING COST IS HANDLED ON MULTIPLE LEVELS

Any organization that is interested in a good risk management program and feels that its' healthcare expense is costing too much, should consider the ICAP alternative. The usual reason for setting up a program is insurance costs are only available at exorbitant rates. If you think your insurance costs are more then you should be paying, it's time to consider the ICAP initiative.

- **The ICAP initiative will allow access to any major facility**
- **The ICAP initiative will pay any subscribing physician without limitation**
- **The ICAP initiative will control facility cost unlike commercial carriers who profit under the current ACA legislation**
- **The ICAP initiative will reduce prescription cost by dealing direct with manufacturers and only paying a dispensing fee to the pharmacies**
- **The ICAP initiative will create stop loss and an employee healthcare for better control**
- **The ICAP initiative will create a superior wellness program**
- **The ICAP initiative will reduce your current premium with the opportunity of a dividend back to your business based on actual claims**

BROKER VS. CONSULTANT

Typical Insurance Broker

Limited Solutions
- Fully insured group major medical plan
- Self-funded plan with traditional PPO network
- Commission vs fee based
- Little transparency

Limited Knowledge
- The ACA has changed the industry
- Reluctant to adapt

ICAP Benefits Group

An A La Carte Solution
- Custom designed plan with captive
- Various mechanisms to control costs and renewal rates
- Full transparency – fee based

Expert Knowledge
- Innovative solutions to combat rising healthcare costs
- ACA compliance from a group of CPAs, attorneys, underwriters and experienced TPAs

"We don't offer a health-care plan. Instead, we have Lou persuade you not to get sick.

ICAP Claims Analysis

Claim Profile	
Provider:	ABC Medical Center
DOS:	11/06/2012 – 11/25/2012
Review Date:	10/24/2013
Billed Charges:	$649,132.73 (10.15 x MAP)
PPO Discount (54.12%)	($351,310.63)
PPO Allowed:	$297,822.10 (4.66 x MAP)
Medicare Allowable Price (MAP):	$63,909.32
Recommended Reimbursement:	$95,863.98 (150% x MAP)
Pricing Differential:	$201,958.12

BCBS Plan Pays

Our Plan Paid

Our Plan Saved

Claim Overview:

This is an ABC contracted facility with a 54.12% discount of $351,310.63. The pricing validation results identified significant pricing differentials that were inflated compared to the geographic region.

Cost Estimate:

The accepted Medicate Allowable Price (MAP) for this specific facility claim is $63,909.32. The average cost for this specific facility is $51,097 with average billed charges of $392,172 and the average reimbursement being $57,188. The average payment is $67,837. The average length of stay is 14 days. Based on DRG 207 this facility managed 18 cases. The Medicare and Cost information is based in DRG 207. The PPO allowed amount of $297,822.10 is 4.66 times the Medicare rates and is excessively inflated rendering the PPO discount insignificant.