Self-Insured Employee Benefits: Frequently Asked Questions

Managing rising health insurance premiums doesn't have to have a negative impact on your faculty and staff, the quality of care they have access to, or the ability to customize your health benefits—there's a better way!

A **self-insured employee benefits plan through ISM Insurance** levels the playing field by **mitigating the risks** commonly associated with self-insurance so you can deliver exceptional benefits at a lower cost.

Here are answers to some of the most frequently asked questions.

What is a "self-insurance captive community"?

A self-insurance captive community is a group of organizations and schools that have come together as one insurance entity to mitigate the risks of self-funding on an individual basis. Members are protected from catastrophic claims, and, due to the community's size, gain power to negotiate terms and rates.

With transparency about their claims, members can focus on cost management and wellness efforts that are most relevant to their employees.

When does it make sense for a school to pursue self-funding?

A school's ability to self-insure is an individual conversation. Connect with ISM Insurance Benefits & Risk Consultants to determine if self-insurance makes sense for your school.

What differentiates a self-insured captive community from fully insured programs or stand-alone self-insurance?

	Fully Insured	**Self-Insured**	**Captive Community**
Cost	The price of your annual premium likely increases, whether your claims are high or low.	Employer only pays for claims filed.	Employer only pays for claims filed.
Volatility	Catastrophic claim coverage is governed by annual plan limits.	High-risk—The employer is responsible for the	Low risk—The cost of catastrophic claims is absorbed by the

		full cost of catastrophic claims.	captive.
Savings	Non-existent, even during a minimal claims year. The provider takes any profit after administrative costs.	Savings are only possible during years when there are minimal claims.	Creates multiple savings opportunities. The remaining funds are distributed back to the captive.

How would a school compare one captive community to another?

Self-insurance captive communities differ in structure and philosophy. Here are some questions to consider.

- When evaluating a community, look at its size and scale—how many other schools are in the program with you?
- What security measures are in place to protect a school that has a bad claims year, such as no lasers or a rate cap to the stop loss premium?
- Determine if the community views your school as an owner or just a policyholder.
- What is the community doing to ensure a “clean risk pool”?
- Are community members analyzing and applying data provided by the community organizers, and making strategic decisions to help their employees mitigate risk?

The ISM self-insurance community has over 2,300 members, no new lasers, the strongest stop-loss policy in the industry, and a 97% member retention rate.

Where are participating schools located? How do you adjust your approach from state to state?

Our captive community has members across 48 states. In each state, we work with stop-loss carrier partners who are familiar with regulations and policies in that state.

Do the first-year savings include the claims lag?

82% of members saved an average of 10% in their first year. These savings do include the claims lag.

What does level funding look like? What should I be avoiding?

Be wary of fixed costs—a significantly higher portion of a level funding plan expenditure is fixed costs (50% or higher). In level funded plans, there isn’t a choice in plan designs and pharmacy carve-outs. There is no claim transparency, which is a disadvantage to assisting you in implementing any cost savings.

At the time of renewal, you will receive either a deficit which will turn into an increase, or possibly a surplus—of which the carriers will typically retain 50%. In addition, if you decide to move to another carrier, you would be penalized by voiding the potential surplus owed to you.

Under a captive plan, where is the money for claims housed? Is it with my school or does it go into a general account to pay claims?

The claims funds are kept with your school in a separate account until the claim is paid.

Gain greater control, robust protection, and predictable costs—risk-free. Email our insurance team at insurance@isminsuranceinc.com to learn more.