ART GALLERY FOR NOVEMBER

Taking the Sting Out of Obamacare

By Dick Goff

Potential good news for employer benefit plans under Obamacare came at the SIIA annual conference last month during the pre-conference panel titled "ART Program Opportunities in the New Healthcare Regulatory Environment." For those early-arriving attendees who didn't find our breakout room, I'll try to hit some highlights here.

To identify the players, our panel consisted of:

Tess Ferrera, recognized as a leading expert on benefits law as a former Labor Department attorney now practicing with Miller & Chevalier in Washington, DC. Tess never leaves her audience in doubt as to her meaning, and once described Obamacare as "an absolute freakin' mess."

Richard Bray, executive vice president of Trean Corp. of Minneapolis, a highly regarded independent reinsurance intermediary. His firm could play a key role in the plan design and funding of ART programs serving employee benefits.

Rod Kastelitz, vice president-marketing of Employee Benefit Management Services, Inc., a Billings, Montana, TPA that has established a captive (EBMS Re) to reinsure excess benefit losses of some of its clients as a variation of stop-loss insurance. He told the audience, "We have a clean piece of paper, and we get to write the story."

Kevin Doherty, chair of SIIA's Alternative Risk Transfer Committee and partner of law firm Burr & Forman in Nashville. Kevin provided a high-altitude view of where employers find themselves as Obamacare begins to kick in.

"I compare this to the workers' compensation situation back in the early 1990s when nobody could obtain affordable coverage and group workers' compensation funds blossomed as a result. Now that health insurance will be mandatory just as it is for workers' compensation, there will be significant opportunities for ART solutions," he said.

"Employers will continue to have the incentive of providing good health benefits because they will still use that as a recruiting tool," he said. "Their choices will be traditional fully insured plans, self-insured plans or some combination or form of ART. Of those, the commercial fully insured plans may be most restricted in coverage and price."

Doherty said he believed there would be opportunities for employers to establish alternative plans in groups as long as they comply with all the coverage requirements of Obamacare. "People will be able to design their own plans," he said.

A federal mandate for everyone to purchase health insurance could strengthen alternative plans, he said: "That will force younger and healthier people into the program," he said. "The basis for any workable insurance program, including good alternative plans, is to build the largest possible diverse pool of people to spread the risk."

Kevin admitted that no one now can accurately predict what the state healthcare exchanges will look like when they go into operation in 2014. "Many states are politically in flux right now because of the elections," he observed. "And the more proactive the alternative industry can be, the better the chances that ART can do well in this new environment."

Rod Kastelitz of EBMS said that EBMS Re would likely evolve from today's captive-based stop-loss model to a program that would resemble a cooperative with segregated cells within the captive structure. Coverage could vary from first-dollar self-insurance to various retentions by the employer or the captive along with traditional reinsurance.

"A cooperative program would give us the ability to go to the market with something that looks like a fully-funded program for a variety of sized groups," he said. "This would certainly help take the sting out of Obamacare for employers because it will bring solutions for both coverage and cost."

While the kind of program Kastelitz envisions is not available today, he projected that it will be introduced at some point before Obamacare becomes fully operational in 2014.

To all these ideas, I can only add: Amen.

PAC Challenge

SIIA issued an appeal for members to support the Self-Insurance PAC with their personal contributions (no corporate donations allowed). I don't have to restate here all the reasons that it's important for SIIA to support its friends in Washington through the PAC and that we are starting from the tail-end spot in PAC power compared to our industry competitors.

What I will state here is a challenge on behalf of the ART Division to members of SIIA's healthcare, workers compensation and international divisions to see which group is most supportive of the PAC. If PAC management agrees, donations can be recorded by SIIA membership divisions and we'll see which groups support our political goals, and which don't.

So, if you haven't already, roll out your checkbooks or credit cards and earn your bragging rights. All you need to know about contributing is on www.siia.org.

Dick Goff is managing member of The Taft Companies LLC, a captive insurance management firm and Bermuda broker at dick@taftcos.com.