ART GALLERY FOR SEPTEMBER

How ART can sooth employers' PPACA pains

In HHC example TPAs would have access to their own captive cells

By Dick Goff

Put your ear to the ground as if you were sprawled on a 19th century western prairie and that thrumming sound won't be a herd of bison coming to trample you but the beginning of a stampede by employers toward self-insurance and ART.

Following the rule of thumb that by the time news media notes a trend it's already well advanced (or, in the likes of teen culture or social media, already passé), the employer migration to self-insurance is gaining currency in the press.

The lofty *Business Insurance*, published in a Chicago tower, posed a common quandary: "Employers stung repeatedly by sizable increases in their insured health programs should be asking their brokers why they haven't suggested self-funding." Well, you can imagine all the reasons that doesn't happen, beginning and ending with the self-interest of the brokers and traditional insurers.

BI's Associate Editor Joanne Wojcik further noted in her recent article, "By self-insuring, small and midsize companies could get a better handle on health care costs because they would have access to aggregated claims data – something insurers rarely share with insured employers."

Ms. Wojcik concluded: "To run a successful operation, small and midsize employers need full control over all aspects of their business. Self-insuring health benefits will put them in the driver's seat."

She also tips her bonnet toward the ways self-insurance can counter the effects of federal healthcare reform: "Their health plans no longer would be subject to state premium taxes, which will increase under federal health care reform."

Practitioners of the arts of alternative risk transfer have accelerated formation of captive insurance companies and other ART structures to help employers deal with risk in a rational way, not to mention circumventing much of federal intrusion (I can't dignify PPACA by referring to it as "reform").

ART first appeared among ERISA plans with captives that would provide the stop-loss benefit of covering excess claims. More recently we have espied ART deals crafted to provide even first-dollar coverage through fronted captives.

One example has been proposed by the large Maryland health insurance consultant H.H.C. Group (HHC) that serves a national client list of 500 employers. Up until now HHC has built its business on services such as negotiating/repricing medical claims as well as case management utilization review, disease management and operation of PPOs and other networks.

Now HHC is proposing to form a captive insurance company that will offer incorporated cells to TPAs to leverage up their services to clients and participate themselves in the risks and rewards.

Adding captive insurance services seemed to me to be quite a leap for HHC but its president Bruce Roffe explained why it makes perfect sense: "Our focus has always been on helping clients save money. If they can fund their claims in a different way than through traditional insurers, we see that as being an extension of our basic mission," he said.

Roffe has been testing the idea among TPA groups in states such as Texas, which he describes as being entrepreneurial in health insurance and where his company already has a strong presence.

"Once established, we can take this concept around the country as a template for future growth," Roffe said. His captive structure will allow for coverage of excess losses of existing ERISA plans or even first-dollar coverage reinsured from a fronting carrier. Either way the plans can provide advantages against health reform.

From feedback HHC has received from TPA clients, their advantages could include creating new profit centers, enhancing services to put them ahead of their competitors and stimulate employer client loyalty, and to show clients how they can take control of their destinies despite Obamacare.

HHC also presents the ART solution as a way to smooth out price volatility that results from the constant swing between hard and soft markets.

I find this concept very refreshing as a way to bring the employer-based health care system a needed dose of efficiency and to begin to restrain costs – one important objective that Mr. Obama's law skipped right past. But don't get me started on that.

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