

## ART GALLERY COLUMN FOR JANUARY

**By Dick Goff**

Over the last few decades employer-sponsored health plans have settled at opposite ends of a narrow spectrum: mainly either traditionally funded through commercial health insurance companies or self-funded through ERISA plans by employers who want to cover their employees across state lines with federal preemption of state regulation.

Along the way, many of us in the ART world have longed for other options that would better fit some employers' strategic needs. SIIA has been working for nearly two decades on federal legislation that would enable professional or trade associations to provide health plans for their members' employees across state lines, but so far this concept has eluded the wisdom of Congress.

Another ART structure would be simpler: setting up captive insurance companies to serve employers in given states without the need for ERISA preemption or further Congressional action.

Come to find out, this structure has been in place for eight years and has successfully provided coverage to employers. Say hello to the Association Mutual Health Insurance Company (AMHIC) licensed in the District of Columbia and serving not-for-profit education, research and public service-related associations in DC. It currently has 50-some association members.

The fact of AMHIC's existence could be educational for many in our industry, and that's my point in relaying it to readers of the *Self-Insurer*. Large TPAs or MGUs with homogeneous instate books of business could emulate the model as a service to their clients and a profitable opportunity for themselves.

While AMHIC serves not-for-profit association members, it is a for-profit company that evolved from a 501(c)(9) trust dating to 1989. In 2002 it was licensed by the District of Columbia as a direct-writing for-profit captive.

This structure could be applied in the approximately 30 states that have captive insurance laws. In other states such a captive could operate with a fronting company and appear as a traditional health insurer.

As national health care reform continues to evolve, insurers will soon begin to measure themselves against the state health care exchanges that will presumably appear by 2014. “Most of our members with fewer than 100 employees will likely be eligible for a state exchange,” says Chris Bartnik, senior vice president and east region benefits leaders of Wells Fargo Insurance Services USA, Inc., captive manager of AMHIC.

He poses the question, “Will we be more viable than a public exchange? That’s how we judge ourselves now and into the future in terms of value and member service. We will either lose groups to some aspects of health care reform or we may be the solution to the problem.”

Bartnik says there is no other captive insurer like AMHIC in the District of Columbia and I would add that I know of no other in any captive jurisdiction.

Self-governance by a board comprised of member insureds is an important element of the captive’s success, according to Rhona Byer, executive director of the AMHIC Select Benefit Plan Administrators. “People in our plan know we’re governed by a board that is looking out for their interests,” she says. “Any CEO of a member association can be on the board.”

The AMHIC board rules on all rate changes, plan design changes and medical management strategies. Ms. Byer says that process results in management transparency and financial stability:

“Stable premiums are our most important value to members,” she says. “These are nonprofits working on a budget and they don’t want premium volatility. Financial stability is crucial to their business.”

Mr. Bartnik says that AMHIC is a for-profit company that doesn’t focus on maximizing profits. “It’s more about service to members and providing good value,” he says.

AMHIC operates with all the expected professional service providers including a TPA, auditing firm, actuaries, attorneys, a liability insurer covering both members and the captive, and an investment advisor.

Ms. Byers says the AMHIC board has been proactive in such matters as allowing member retirees to stay in the plan with no restrictions on prescription coverage, and in extending coverage to domestic partners as long as ten years ago.

AMHIC leaders say that the company remains committed to the core values of the plan when it was first established in its earlier structure in 1989:

- Provide access to affordable medical and dental coverage through group purchasing power.
- Offer benefit design flexibility not normally available to small groups.
- Deliver the value of individualized professional advice and administrative assistance.
- Achieve cost stability through increased spread of risk.

That's a good list for anyone in the health benefits business, and could be a good start on a mission statement for those who would emulate this unique captive elsewhere.

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