



HEALTHCARE FUNDING REFRESH

FEBRUARY 2020

LESS RISK
LESS CONTROL

MORE RISK
MORE CONTROL

FUNDING OPTIONS

FULLY INSURED

MODIFIED FUNDED

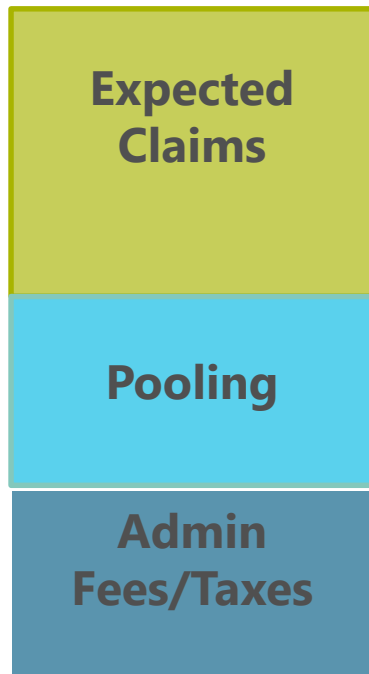
SELF-FUNDED

Financing platform consideration should be periodically evaluated to choose likely best outcome based on risk tolerance and other priorities



Fully-Insured vs. Self-Funded Costs

FULLY INSURED COSTS



SELF-FUNDED COSTS



Variable Costs



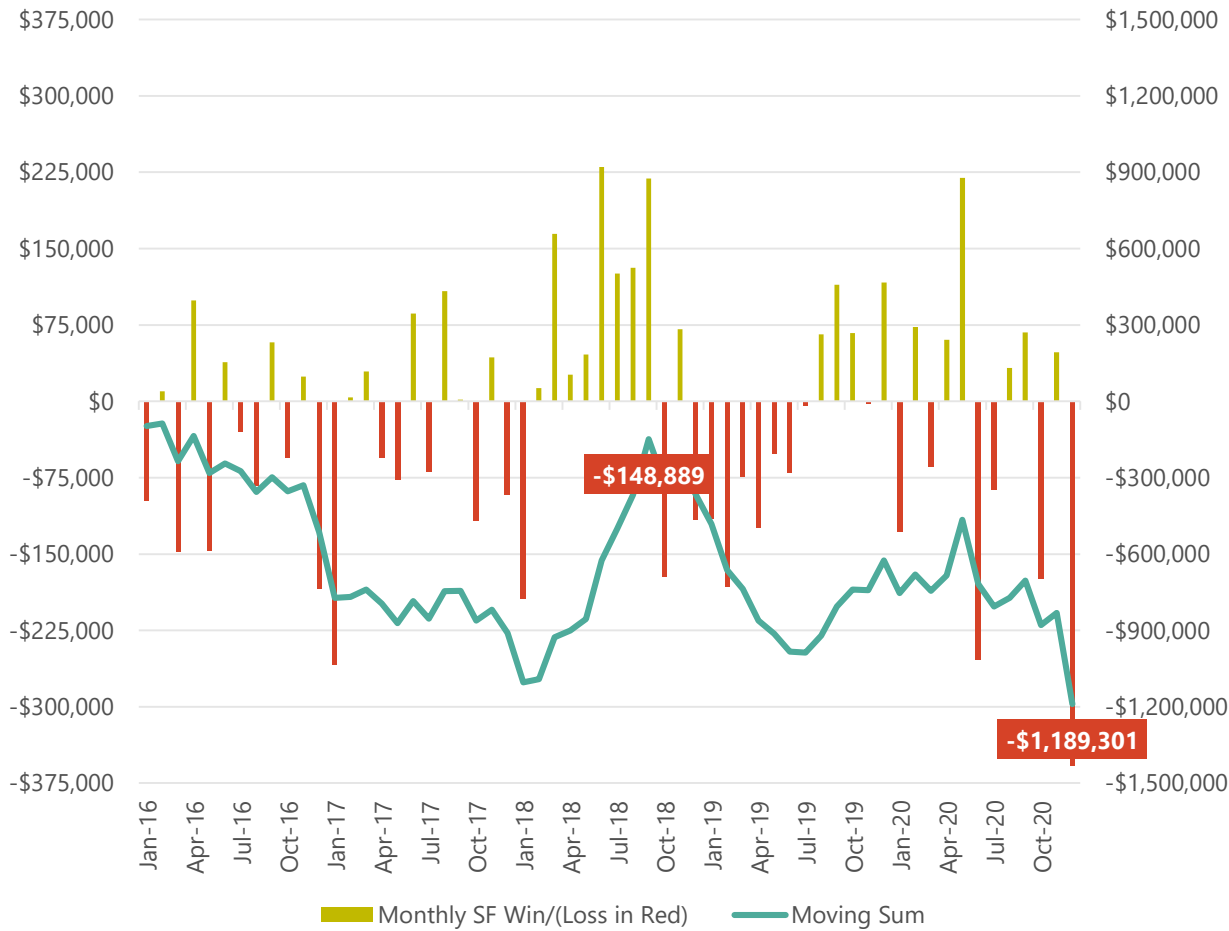
Fixed Costs

Actual claims outcome determines whether self-funding outcome is less than, neutral or greater than fully insured cost



RETROSPECTIVE CITY OF LEE'S SUMMIT OUTCOMES

Monthly Insured Vs Self Funded Outcome



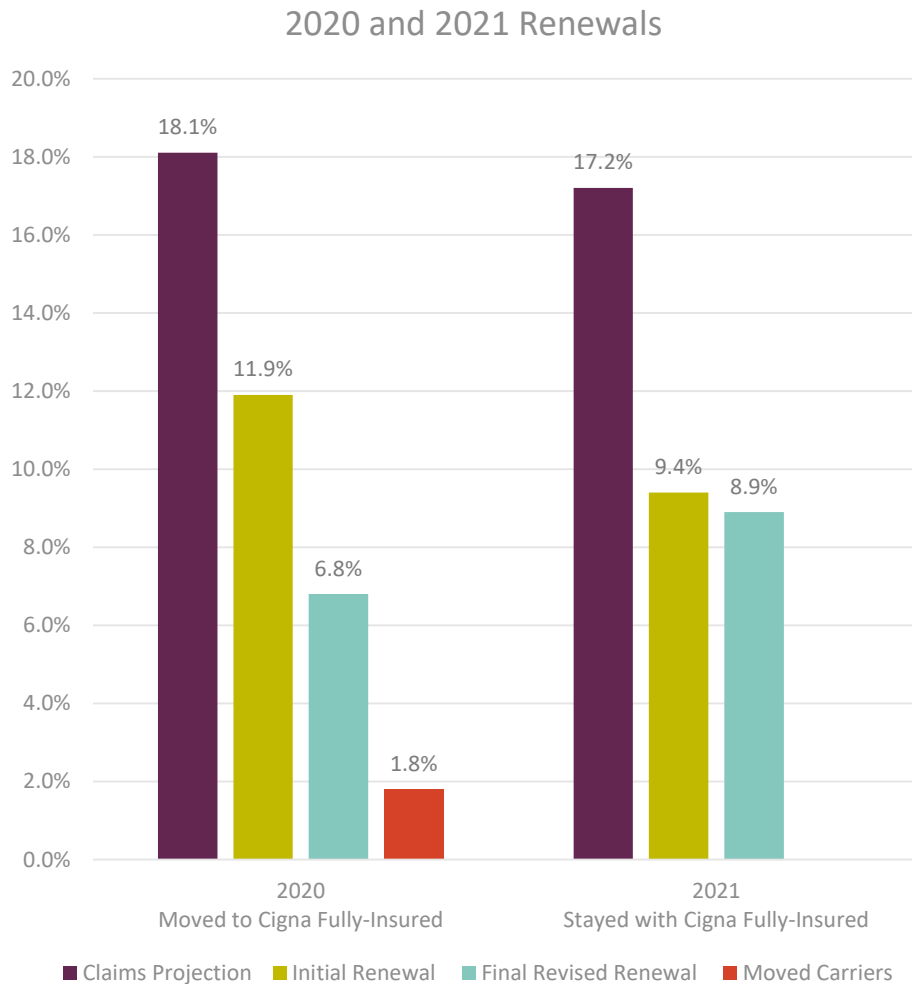
1. Volatility of claims is a reality with a low mark of \$473k and a high of \$1.04M (DEC 2020)
2. Over 60 months, insured held a monthly advantage 50% of the time
3. Over 5 plan years, insured has held the advantage 4 of 5 years
4. Cumulative advantage has been \$1.18M

Gain/(Loss) vs Insured if Self Funded

2016	-\$513,779
2017	-\$396,808
2018	\$544,596
2019	-\$259,070
2020	-\$564,240
Total	-\$1,189,301



INSURED FEASIBILITY IN COMPETITIVE MARKET



1. With competing carriers in a marketplace like Kansas City, insured premiums can yield less cost than claims would indicate due to market pressure and discounting of formulas
2. The retrospective outcome for the City of Lee's Summit demonstrates that the City has benefited over recent history by shifting risk to an insurer
3. **Funding mechanism needs to be evaluated periodically with present circumstances considered (market options, risk tolerance, employer needs, etc.). Funding options for consideration will be gathered for the 2022 renewal.**
4. **Both insured and self-funded financing of healthcare can operate in conjunction with an onsite clinic. In an insured scenario, the value of claims anticipated to be offset by the clinic must be negotiated as a credit to premium in advance.**

