Healthcare your way

Healthcare solutions for small and mid-size businesses

capcare

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Take control of healthcare costs

As a result of the Patient Protection and Affordable Care Act (PPACA) community rating rules and mandatory coverages that must be included in a sponsored health care plan, many organizations with fully insured health benefit plans and relatively healthy workforces have seen their premiums go up.

Employers don't know what claims they have or where their premium dollars go. The lack of transparency inherent in a fully insured plan prevents employers from taking control of the cost of providing health benefits. The only thing clear to employers is the annual increases they receive year after year.

Today's market overview

- Healthcare costs rising faster than inflation
- Average health premiums today have doubled since 2002
- Obamacare adding to financial and administrative burdens
- Impact of PPACA: volatility, instability, uncertainty, inflexibility, complexity, morality, and cost of compliance
- Greater focus on wellness programs
- More employers are self-funding their benefit plans to control their costs on a long-term basis

We provide your business with an alternative risk management tool typically used by large employers

Interest in self-funding and captive programs will grow significantly as medical costs continue to rise and the uncertainties related to the PPACA health care reform threaten the amount of control employers are able to maintain within more conventional insurance structures.
This development has, in turn, spurred interest in self-insurance and captive insurance programs.

By using a combination of a self-funded health benefits and stop-loss insurance coverage to manage the cost of providing health care to employees, you too can realize the resources that large corporations have at their disposal, with advantages such as:

- Pay only for the claims incurred by your group
- See where every claim dollar is spent via comprehensive reporting
- Keep unused claim dollars in your claim account

A flexible solution for your business

Introducing CapCare — healthcare your way

As the costs associated with providing healthcare coverage continue to rise, businesses are looking to improve risk management and reduce expenses. Historically, in order to accomplish this, management has increased employee contributions, cut benefits, or worse, a combination of both. However, it is possible to utilize customized risk transfer methods to improve the financial management of an employer sponsored health plan.

With our strategic partners, we have created a type of self-funding arrangement that coordinates plan design, claim processing, risk protection, and data reporting in a single source turn-key package. It provides the advantages of self-funding with the safety of a budgeted maximum cost.

Employers who participate in the CapCare program join a **group captive**. The group captive reinsures, or assumes, risk from each stop-loss policy. Since the group captive reinsures the risk of multiple policies, the risk assumed by the group captive is a larger and more diverse risk, and therefore, more predictable. Reinsuring the working layer of risk from multiple stop-loss policies to a group captive is intended to replicate the experience of a larger single employer. In this way, the CapCare program affords employers the opportunity to reduce the volatility and costs associated with providing health benefits to their employees.

World-class specialty providers

We have assembled a team of nationally recognized specialty firms and packaged their expertise to provide innovative stop-loss solutions, industry leading claim processing and administration, claim auditing and repricing, networks, risk protection, and data reporting.

We will arrange for a rated insurance company to issue a stop-loss insurance contract to protect the employer and self-funded plan from higher than anticipated claims. Our partners' combined services provide a unique cost management service option to provide savings over and above PPO networks at great savings.

The CapCare program

Our program assumes three separate and distinct contractual arrangements:

1. A separate stop-loss policy issued to each employer by a highly rated insurance company
2. A reinsurance agreement between the rated carrier and a group captive
3. An agreement between a group captive and each of the employers that elect to participate in the CapCare program

Advantages of self-funding

Self-funding can provide up to a 15% to 25% savings on health benefit costs annually

- Take control of employee benefits financing
- Avoid PPACA/premium taxes
- Avoid community rating
- Group purchasing strength for services
- Stabilization of rates over multiple years
- Larger population leads to greater predictability
- Lower rates for preferred risks
- Reduced claims volatility through captive layer
- Opportunity to share in underwriting profits

Self-insured plans must only satisfy the PPACA's affordability and minimum value tests, allowing for more flexibility in selecting hospitalization and pharmacy benefits

How does it work?

Medical stop-loss captive insurance

A Captive can provide a number of advantages compared to the commercial insurance market, including: (1) increasing the insured's ability to bear risk through risk pooling; (2) facilitating access to risk transfer markets; and (3) implementing innovative structural solutions to mitigate "problem" risks (i.e. lasering).

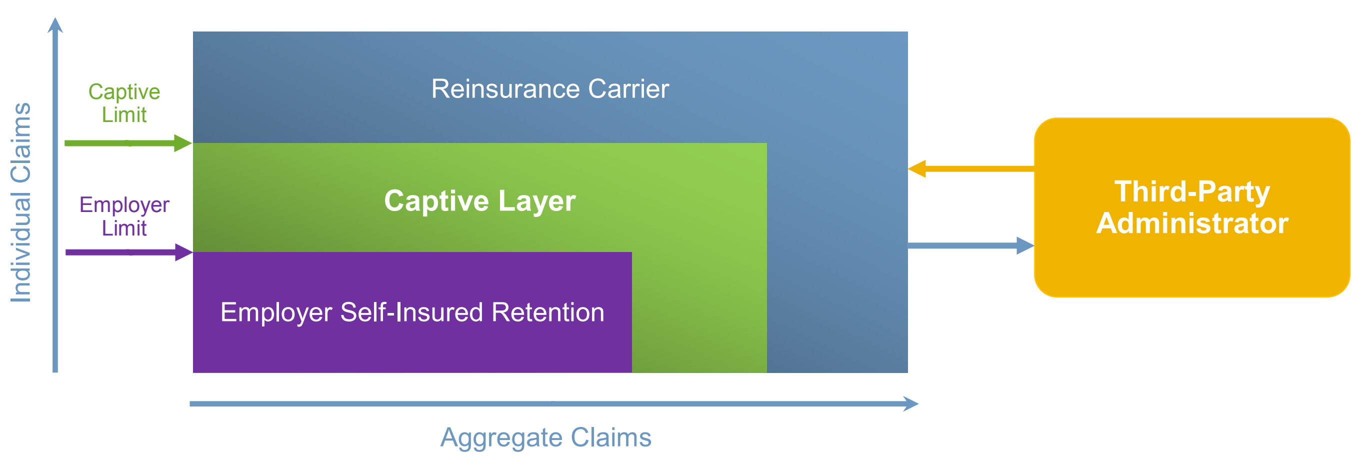
Each employer participating in the CapCare program has the flexibility to design a medical benefits plan that best fits their needs. The stop-loss carrier will cede a portion of the policy premium to the group captive. The premium for the layer between $50,000 and $150,000 per individual is a large portion of the overall stop-loss policy premium. This also means that this layer will likely contain a large portion of any cost savings associated with a self-funded plan.

In addition to the premium, the captive will be funded with collateral provided by the participating employers. The amount of collateral will vary for each individual employer. Typically, it is 10-20% of each employer's comparable fully-insured premium, and can be provided via letter of credit or cash. The collateral is needed if the losses for the overall captive are worse than expected.

A portion of unused funds in the captive may be returned to the employers on a prorated premium basis.

A stop-loss captive will...

- Stabilize costs over multiple plan years for predictable budgeting
- Share risk management best practices for medical plans
- Control and manage benefit exposure and claims data



- Employee deductible is not affected by this program
- Employer carves-out a specific stop-loss and self-insures in a captive
- Excess is insured by commercial insurance carrier arranged by TPA

Redefining healthcare

RBP pricing quotes run 15% to 25% less than a fully insured plan

By negotiating payments to healthcare providers based on the Medicare rate, plan sponsors may be able to cut spending substantially

Cost Plus Reference Based Pricing

Cost Plus RBP is a unique method to reimburse hospital facilities for their services. The RBP plan is designed differently from conventional plans, and is not a PPO plan. With RBP, employers set a pricing cap on the maximum amount that they will cover for certain medical services that have wide cost variations, such as knee and hip replacement surgery.

How does RBP work?

RBP is a claim review and audit program supported by a claim repricing protocol to determine Allowable Claim Limits. The procedures of this program carefully comply with ERISA rules and fiduciary standards and directly challenge the ambiguity of hospital pricing.

The RBP plan is a creative and logical effort to pay health providers a reasonable reimbursement without the use of a PPO contract by establishing limits for the payment of medical claims that correlate to the providers' cost of services. The Physician-Only PPO network applies to physician visits, but there is no PPO network for hospital visits.

Stop-loss options

Medical stop-loss is a layer of coverage that provides insurance protection to employers who choose to self-fund their health benefit plans after a predetermined amount has been paid.

Specific Stop-Loss reimburses the plan sponsor for covered medical expenses in excess of a specific amount (specific deductible) on any one covered individual.

Aggregate Stop-Loss provides risk protection for the total annual claims of the entire group for the amounts “in aggregate” below the specific deductible (if any). It reimburses the plan sponsor in excess of a pre-determined percentage above expected claims. Aggregate stop-loss reimburses up to a stated annual maximum dollar amount.

Fair & transparent

When a claim is initially presented, the service provider begins by employing a forensic approach to auditing the claim which is performed and reviewed by Certified Professional Coders. In fact, the overall repricing review is called an audit. The service provider then determines a reasonable and fair reimbursement rate by establishing an Allowable Claim Limit for hospital facility bills in two ways (facilities include hospitals, imaging centers, and surgery centers).

First, the claim is repriced according to the only national pricing benchmark available in the U.S., namely, Medicare. The Medicare reimbursement rate is increased by 20% to provide reasonable overhead and profit for the facility.

Second, the claim is repriced by determining the average cost for the service from providers in a similar geographic area, and increased by 12% to include overhead and profit for the hospital.

The service provider determines the final facility reimbursement by paying the greater of these two calculations because it views this formula as fair and reasonable.

When a hospital receives a payment less than their billed charge, they do one of three things. Roughly 81% of the time they cash the check with no questions asked. About 15% of the time they question the amount, challenge it, and automatically balance bill the member. About 4% of the time they appeal it. The service provider contacts the hospital, provides further explanation, and most accept the amount at this time.

When a hospital is unwilling to accept the re-priced bill, the service provider assumes certain defense obligations on behalf of the employer in support of this process. Most importantly, they will represent and defend the individual employee with respect to any balance bills. If the provider attempts to balance bill, the service provider will step in and work with the provider to an acceptable solution. This could include establishing a Single Patient Contract. The service providers balance billing customer service provides unique support to plan members never before seen in this industry.

The member is still responsible for the normal copays, deductibles, and out-of-pocket costs. This is important to keep in perspective because they often confuse their normal liability with additional balance billing.

Members and Plans are supported by National Law Firms with expertise in Healthcare, ERISA, and deceptive trade practices. Appeals are supported by nationally recognized and URAC Accredited Independent Review Organizations.

Reference-based pricing saves $150,000 per 100 employees, an average reduction of 15% to 25% compared to a PPO

A member may go to any available hospital facility, as there are no PPO network restrictions

About CapCare

CapCare was founded on the premise of providing a single-source, turn-key employee healthcare solution to businesses seeking innovative alternative risk management solutions for their employee healthcare programs that are affordable and more transparent.

The CapCare team understands the many complexities with the healthcare marketplace, and can expertly guide business owners in understanding the alternatives to fully-insured medical programs.

Strong Leadership

- Senior resources at every stage of the delivery process
- Forging consensus around credible, executable solutions

Ability to Manage Complexity

- Proven track record in managing complex situations
- Delivery through assured leadership and execution

Operational Heritage

- Decades of operational/industry experience in Management drawn from public accounting, tax & health care law, banking, and insurance industries

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