

APPENDIX G – INSURANCE DATA REVIEW

Overview of preliminary study of review of insurance models and possible costs savings.

Information we have received from Tris Felix, Cornerstone.

PLAN

The Commission has received feedback from the county and township representatives and would like to move forward to explore group buy opportunities in both Health and Liability coverage lines. Of the two, there is a greater need and interest for a health insurance solution.

Cornerstone's process for feasibility and formation is a three-phased approach. Our approach is designed to allow clients to be able to gain confidence in viability of the project during Phase 1, at relatively low cost, before committing to a more expensive and elongated Feasibility Study.

1. Proof of Concept:

- Data gather, e.g., census data and summary plan descriptions including in-force rates
- Financial modeling of a multi-year pro forma for an AHP or group captive structure
- Executive Summary of contractual, regulatory, underwriting, and governance structures, etc.
- Estimated budget and timeframe for Phase 2 and a formal feasibility study
- "GO – "NO GO" decision: The Commission or its constituents.

Information that we need to request to complete the Proof of Concept:

- **Name of Employer**
- **City/town and zip code of employer**
- **Current broker/consultant**
- **Number of medical eligible employees**
- **Medical insurance information**
 - **Indicate if plan(s) are fully insured, level-funded or self-funded**
 - **Insurance carrier (or TPA if self-funded)**
 - **If self-funded, also list stop-loss insurance carrier and pharmacy benefit manager**
 - **List each plan offered and included the following**
 - **Indicate PPO/POS, HAS/QHDHP, or HMO**
 - **Network**
 - **Enrollment county by election tier (EE only EE + spouse, EE + child(ren), Family or other if not listed here)**
 - **Fully insured premium or premium equivalent (COBRA rates) by each election tier**
 - **SBC or summary of plan benefits**
- **Provide copy of benefit guide if available**

2. Feasibility Study and Business Plan:

- Contract with service providers, e.g., Cornerstone, actuary, legal counsel etc.
- Data gathering
- Actuarial analysis and financial modeling (pro forma financial statements)
- Draft legal agreements, participation agreements (may include intergovernmental agreements or articles of association)
- Draft Business Plan
- “GO – “NO GO” decision: The Commission or its constituents

3. Formation and Implementation:

- Finalize legal structure (state filings, banking agreements, stop-loss or reinsurance, captive certificate of authority, etc.)
- Capitalization (TBD)
- Launch

As the next step:

- Tris will consult with Cornerstone’s benefit staff to determine capacity and timeframe to work on Phase 1. I will get back to you with more information by 3/19/25.
- Please give thought to data gathering and/or a survey on your side of things. At a bare minimum, we will want to gather census and SPDs from each entity wishing to participate. We would probably recommend a few other survey questions to include with the request for documents. An online survey can be set up for us through Cornerstone or in-take the requested information directly from the groups **(See information noted in red above)**
- Please give thought on the optics of how this will look to your constituents. We would encourage you to set appropriate expectations with your constituents. We do not want to appear to over-promise and then under-deliver. Once you have momentum in an initiative like this, a perceived failure could make it impossible to generate this kind of momentum again in the near future. Something to think about.

Less Risk, More Reward

Captive Strategies for People-Driven Companies

Introduction

In the ever-evolving landscape of healthcare, businesses are continuously seeking effective ways to manage and mitigate the risks associated with providing health benefits to their employees. One powerful tool that has gained significant traction with smaller to medium size employers in recent years is the medical stop loss captive. This white paper explores how this approach can contribute to a more sustainable and controlled healthcare cost management strategy.

Captive insurance has long been recognized as a powerful tool for employers seeking cost control and risk stability. However, traditional large captives often fail to meet the needs of smaller, tightly aligned employer groups with shared business goals. Cornerstone specializes in designing and managing **smaller, highly cohesive captives**, offering employers a strategic path to enhanced cost predictability, governance flexibility, and long-term financial gains. This white paper explores how Cornerstone's customized approach to smaller captives is reshaping the industry by prioritizing employer alignment, operational transparency, and proactive risk management.

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The Current Landscape

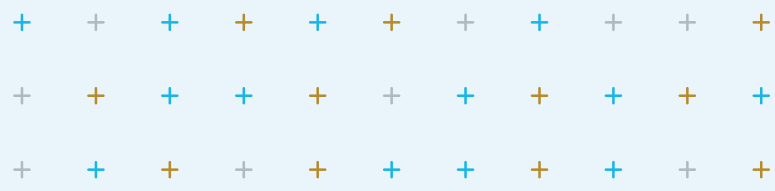
In 2025, medical plan cost trends are projected to increase by 8% and 11.4% for prescription drugs, both are an increase from 2024. There are a number of factors driving these increases—medical price inflation, consolidation and private equity ownership in healthcare, rising rates of chronic conditions, high-cost treatments due to advances in new treatments, and more effective and expensive new drug therapies replacing less costly alternatives for individuals with chronic conditions like diabetes and GLP-1s that treat it¹.

Employers looking to address these issues are generally divided by size. In 2023, larger employers saw an increase in their average health benefit cost per employee that was almost half the increase as smaller employers—7.8% vs 4.2%. In addition, historically stable plans like HMOs saw an average increase of nearly 20% for smaller employers². A typical response to address this rising cost by small to medium size employers has been to dilute coverage for members or market to different insurance carriers with a greater frequency. Those approaches are not strategic and wind up causing disruption to employees and disincentivizing engagement in high value care to manage or prevent chronic and costly conditions.

Larger employers on the other hand have more significantly embraced the strategy of unbundled self-funding for their employee healthcare coverage and untethering themselves from the traditional carrier based, fully insured product offerings. In doing so, they create customized employee health benefits by utilizing specialized vendors to manage individual components of their health plan administration while purchasing stop-loss insurance coverage for protection against larger claims.

Smaller to medium size employers often avoid this approach for several reasons—a lack of understanding or exposure (or collaborating with a consultant who is not well versed in the strategy), perceived administrative complexity, and the cost uncertainty associated with providing protection from catastrophic level claims and the impact on insurance premiums. Employers are not wrong in worrying about large, catastrophic claims. From 2020 to 2023 the frequency of million-dollar claims per million covered employees increased by 50%³. The severity of claims has primarily been driven by advances in medical treatments and medications.

Individuals facing life altering or threatening conditions now have more options for treatment than ever before but the cost to deliver this care is growing exponentially. Employers are wise to consider the cost impact of these treatments on their plans.



Unlike broad-based captives, which often pool employers with differing financial objectives and risk tolerances, Cornerstone's employer-aligned captives bring together organizations with a **shared philosophy, similar risk profiles, and aligned benefit goals.**

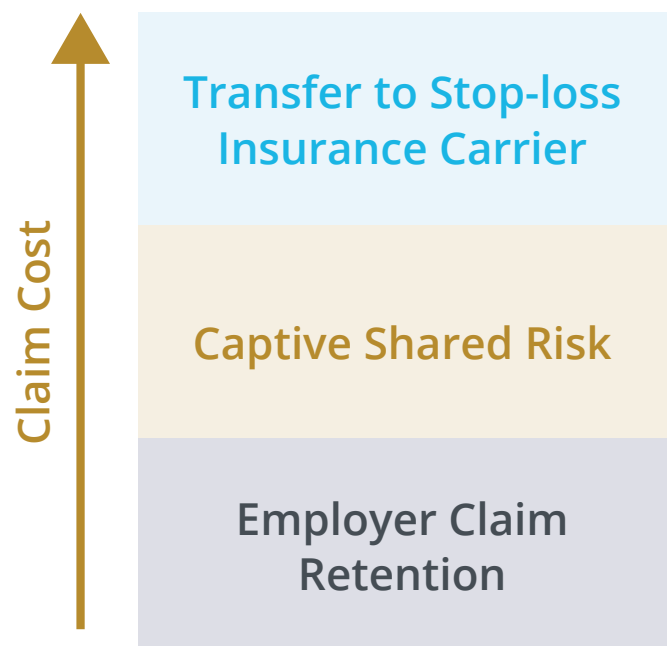
This structure results in:

- + **More predictable financial outcomes** through aligned underwriting and risk-sharing agreements.
- + **Stronger engagement and long-term retention** due to strategic group participation.
- + **Customized cost control measures** that reflect the unique needs of the employer group.
- + **Enhanced governance and decision-making transparency** with Cornerstone's captive management expertise.

Using a Captive to Optimize Risk Financing

A medical stop-loss captive is an alternative-risk financing structure that allows individual participating companies the ability to share in the funding of high-cost medical claims. The goal of any alternative-risk financing arrangement is to find the appropriate level of balance between risk retention and risk transfer. Smaller and medium size employers within a captive seek to distance themselves from the reliance on the more cyclical and volatile standard insurance market. By spreading large claim risk financing over multiple employers, any single employer does not bear the full weight of an adverse loss year. In addition, in positive loss years, any surplus funds in the captive are retained and distributed to participating member companies—eliminating profit retention usually held by insurance carriers.

Transferring Risk in a Captive



Developing a Comprehensive Strategy

While joining a captive can optimize insurance financing for a company’s health plan, the development of an effective risk mitigation strategy is paramount for the employer. Employers within a captive control their health plan operations – including the selection of third-party administrators, pharmacy benefit manager, medical network, and cost share provisions with employees (copays, deductibles, and out of pocket maximums). This precision alignment of specific vendors allows employers to build a health plan that is unique to their organizational objectives and population needs.

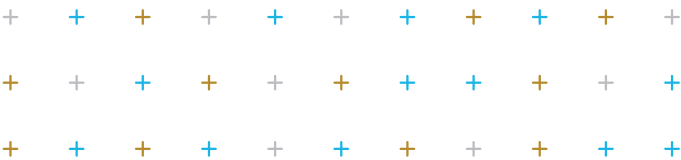
The most successful of health plan programs contain key elements:

- + Medical network management and direct contracting where feasible.
- + Cost transparency tools and education to steer members toward high quality and cost-efficient medical services and engagement with primary care.
- + Value based plan structure designed to incentivize utilization of screenings and early intervention services.
- + Support for members with chronic conditions to ensure care compliance.
- + Increase access to mental health providers and resources.
- + Pharmacy cost management strategies.
- + Robust data analytics to identify trends in a specific population and measure the effectiveness of implemented solutions and strategies.

Cornerstone’s program management expertise provides a seamless experience for employers seeking to establish and manage captives. From **pre-feasibility assessments** and **actuarial-driven loss projections** to **ongoing governance and risk management**, Cornerstone offers **end-to-end captive consulting and administration** to ensure each captive is structured for **long-term financial success and stability**.

Cornerstone’s Captive Practice

Our team is comprised of experienced individuals with deep knowledge of self-funding within captives. We specialize in the placement of individual employers within existing captives and the creation and management of homogenous, member owned captives. Whether partnering with a prospective client or developing strategy for an existing client, our collaborative approach allows us to work closely with employers to understand their unique needs to ensure captive placement and developed solutions are tailored and effective.



Cornerstone's Integrated Expertise in Captive Insurance Management

A successful captive insurance strategy requires more than just financial structuring—it demands **expert oversight in medical plan administration, pharmacy management, and health risk management** to ensure cost containment and long-term sustainability.

At Cornerstone, our Captive Practice collaborates with **internal subject matter experts** across multiple disciplines to provide a comprehensive, end-to-end approach to captive management:

- + **Medical Plan Administration** – Ensuring plan design efficiency, claims oversight, and seamless member experience.
- + **Pharmacy Management** – Optimizing prescription drug costs, evaluating formulary effectiveness, and mitigating price volatility.
- + **Health Risk Management** – Implementing proactive strategies that improve employee health outcomes while reducing long-term financial risks.

The Results

We have helped hundreds of employers develop a comprehensive, self-funded strategy aligning with a medical stop-loss captive. These programs have the potential for significant level of savings and the establishment of improved and sustainable health plans.

The following results reflect real-world impact from employer groups that have implemented Cornerstone's captive insurance strategies. While every organization's financial and risk profile is unique, these data points highlight the **consistent trends and measurable improvements** seen by businesses across industries. These results are not isolated but instead represent what organizations can achieve when leveraging a well-structured, employer-aligned captive with Cornerstone's expertise.



Captive Success

- + Saved \$310 in per employee per month health plan costs compared to fully insured projections.
- + Stop-loss insurance premium stability. Over thirteen renewal cycles, captive averaged 3.2% increases in premium vs market trend of 12%.
- + Through the development of value-based plan designs and removal of financial barriers to care employers saw:
 - Routine/preventive PCP visits increased by 8.3%
 - Mammogram utilization increased by 32.7%
 - Colonoscopies increased by 25.4%
 - Inpatient days decreased by 36%
 - ER visits decreased by 6.6%
 - Rx cost per script 42.5% below benchmark
 - Year over year medical cost trend increase of 0.7% vs. the 5.5% national average
 - Risk score of member population (predictive indicator of future population claim cost) improved by 24%

If your organization is ready to take control of healthcare costs with a **strategically designed captive insurance program**, Cornerstone's Captive Practice is here to help. Contact our team today for a **customized feasibility assessment** and discover how a Cornerstone-led captive can transform your benefits strategy.

SOURCES:

- 1) 2025 Segal Health Plan Cost Trend Survey
- 2) 2023 Mercer National Survey of Employer Sponsored Health Plans
- 3) SunLife 2024 High-cost claims and injectable drug trends analysis



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