

Health Plan Financing

House Health Care Regulation Committee

March 23, 2005

Rich Robleto, Deputy Commissioner

Florida Office of Insurance Regulation



**Office of
Insurance
Regulation**

Health Plan Financing

- Fully Insured Plans
 - Manual Rating Plans
 - Prospective Experience Rating Plans
- Partially Insured (Hybrid) Plans
 - Retrospective Experience Rating Plans
 - Minimum Premium Plans
- Self-Insured Plans
 - Administrative Service Only (ASO) Plans
 - Self Administered Plans

Health Plan Financing

- Cost of plan varies inversely with risks assumed

	Cost	vs.	Risk
Fully Insured	Fixed/guaranteed premium		No risk of adverse experience
Partially Insured	Predictable costs but not guaranteed		Plan shares in risk of adverse experience
Self-Insured	Pay as you go		Plan fully responsible for adverse experience

Fully Insured Plans

Manual Rating Plans	Prospective Experience Rating Plans
A rate manual developed by an insurance company determines the cost for a given plan.	Cost is established based at least partially on the past experience of the plan.
The cost is level and guaranteed over the contract term, usually for a one-year period.	
Renewal cost is based on the manual at the time of renewal.	Renewal cost is based on the experience of the plan.

Partially Insured (Hybrid) Plans

Retrospective Experience Rating Plans	Minimum Premium Plans
Cost is established based, at least partially, on the past experience of the plan plus some margin.	Cost is established based, at least partially, on the past experience of the plan minus some margin.
The plan shares in any underwriting gains (and may share losses).	The plan is liable for additional premium in event of losses.

Partially Insured (Hybrid) Plans

Risk Control Mechanisms

- Specific Stop Loss
 - Protects the plan from excessive benefit payments on an individual basis.
- Aggregate Stop Loss
 - Protects the plan from excessive benefit payments on an aggregate basis.
 - Puts an upper limit on the total claim payments made in a year.
- Catastrophic Claim Pooling
- Rate Stabilization Fund

Self-Insured Plans

ASO (Administrative Service Only) Plans	Self Administered Plans
The plan enters into an agreement with a third party administrator.	The plan provides its own benefits.
There is no transfer of risk - service is pure administration.	The risk is fully borne by the plan.
The cost of coverage for the service is usually level (or a level percent of the cost for coverage). This cost may or may not be guaranteed.	
The plan establishes a separate account in which it deposits funds to specifically cover benefits. Payments into this account necessary to cover incurred losses can fluctuate depending on the experience of the plan.	The plan pays for the benefits as the cost is incurred.

Self-Insured Plans

Risk Control Mechanisms

- Specific Stop Loss
 - Protects the plan from excessive benefit payments on an individual basis.
- Aggregate Stop Loss
 - Protects the plan from excessive benefit payments on an aggregate basis.
 - Puts an upper limit on the total claim payments made in a year.
- Catastrophic Claim Pooling

Summary

- Cost of plan varies inversely with risks assumed

	Cost	vs.	Risk
Fully Insured	Fixed/guaranteed premium		No risk of adverse experience
Partially Insured	Predictable premiums but not guaranteed		Plan shares in risk of adverse experience
Self-Insured	Pay as you go		Plan fully responsible for adverse experience

Managed Care Concerns

- 641.19(11), F.S.
 - HMO contracts must be pre-paid
- 641.2017, F.S.
 - HMOs may offer administrative services and stop-loss

Questions

Rich Robleto, Deputy Commissioner

Florida Office of Insurance Regulation

850.413.5104

Rich.Robleto@fldfs.com

