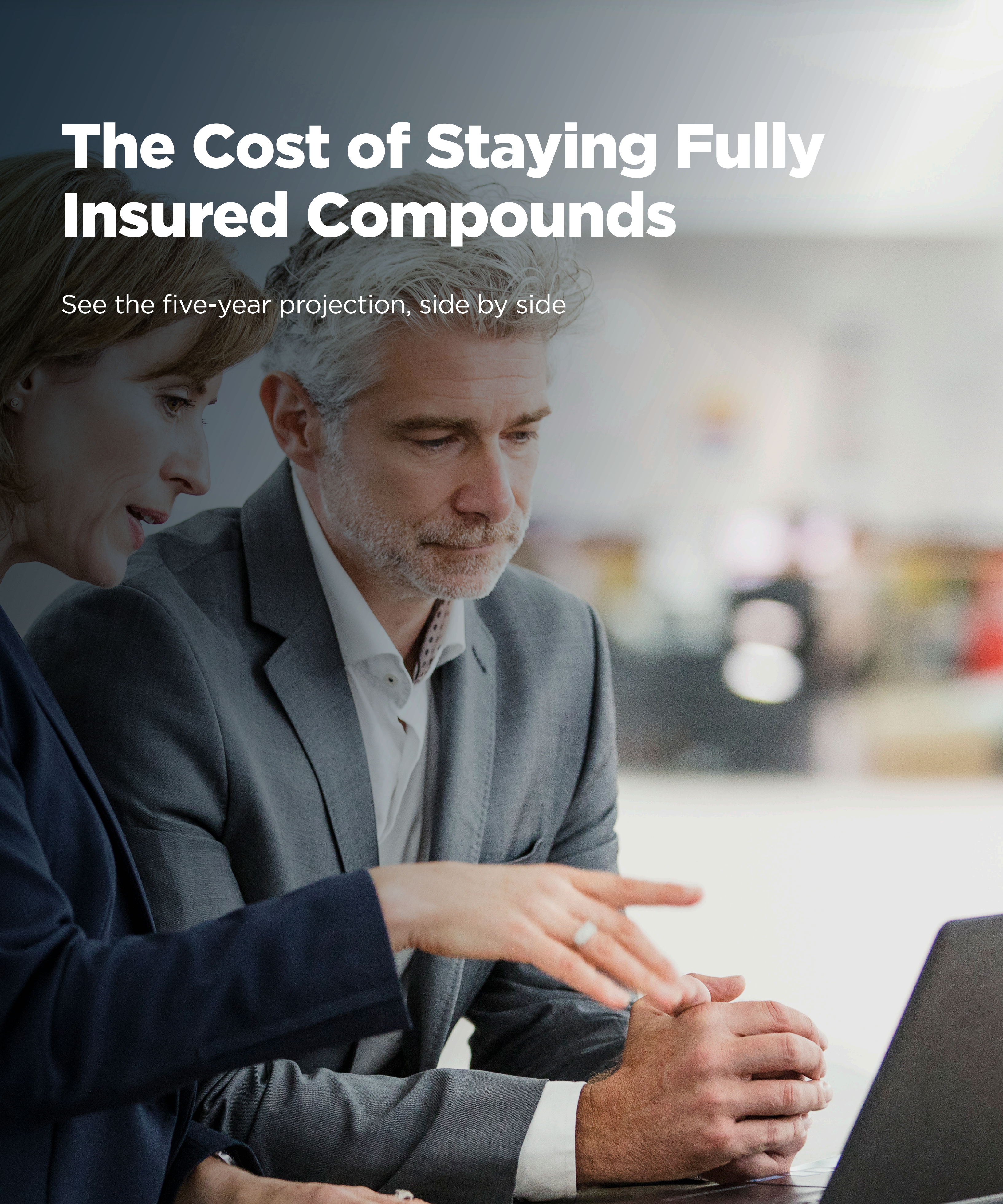
The Cost of Staying Fully Insured Compounds

See the five-year projection, side by side



HUB

The Cost of Staying Fully Insured Compounds

Here is the five-year projection, side by side

Same size. Same starting premium. The employer who moved to alternative funding is paying $1.1 million less by year five.

Two companies start the year at the same premium. One renews fully insured. One moves to alternative funding. In the first year, the difference is real but manageable. By the fifth year, the employer who stayed fully insured is paying $1.1 million (15%) more annually and that gap becomes the baseline carriers price every future renewal against.

That gap exists because of how the two arrangements compound. Alternative funding grows at a structurally lower rate, approximately 3% lower year over year than a fully insured renewal, because employers who own their claims data can actively manage trend rather than absorb it. The result is a compounding gap between the two paths, and it grows with each renewal cycle.

SCENARIO A

300
employees

$5,249,000
Starting Premium

	Stay fully insured	Alternative funding	Annual savings
Renewal Increase	10%	7%	-
Starting premium	$5,249,000	$5,249,000	-
Year 1	$5,774,000	$5,616,000	$158,000
Year 2	$6,351,000	$6,009,000	$342,000
Year 3	$6,986,000	$6,430,000	$556,000
Year 4	$7,685,000	$6,880,000	$805,000
Year 5	$8,454,000	$7,362,000	$1,092,000
Years 1 to 5 total	**$35,250,000**	**$32,297,000**	**$2,953,000**

$3.0 Million
five-year savings

$1.1 million
annual gap by year five

46%
cumulative fully insured increase

A group with 300 employees on their plan that waits three years has already spent approximately $1 million more than the alternative path would have required and starts any future transition from a higher cost base.

SCENARIO B

800
employees

$13,997,000
Starting Premium

Larger groups carry lower claims volatility than smaller ones, which is why the fully insured trend assumption is 9% in this chart rather than the 10% presented earlier. The 3% differential between fully insured and alternative funding holds. The savings ramp more gradually in the early years and accelerate as the gap compounds.

	Stay fully insured	Alternative funding	Annual savings
Renewal Increase	9%	6%	-
Starting premium	$13,997,000	$13,997,000	-
Year 1	$15,257,000	$14,837,000	$420,000
Year 2	$16,630,000	$15,727,000	$903,000
Year 3	$18,127,000	$16,671,000	$1,456,000
Year 4	$19,758,000	$17,671,000	$2,087,000
Year 5	$21,536,000	$18,731,000	$2,805,000
Years 1 to 5 total	**$91,308,000**	**$83,637,000**	**$7,671,000**

$7.7 Million
five-year savings

$2.8 million
annual gap by year five

41%
cumulative fully insured increase

A group with 800 employees on their plan on this trajectory reaches a $2.8 million annual funding gap by year five. Waiting three years to act produces a separate $2.8 million in cumulative excess spend before the gap even peaks.

What does your trajectory look like?

The Funding Strategy Assessment models your actual premium against both a fully insured and an alternatively funded trajectory, year by year, so you can see your fully insured cost path, your alternative funding path and where the gap between them opens up, against your own numbers, before you make any decision.

That includes a direct look at transition considerations specific to your group, so the question in front of you is not just what the savings could be, but what the path to get there actually looks like for your situation.

Request your funding strategy assessment

Contact a HUB Advisor at hubinternational.com

All figures are illustrative and depend on group-specific factors including industry, claims experience, geography and workforce demographics. This is not an actuarial projection. The Funding Strategy Assessment models these figures against your actual data.