Keystone Benefits tailors self-insurance for smaller groups

BY KRIS B. MAMULA

It's evolutionary rather than revolutionary, cobbling together old and new health insurance tools to take advantage of a self-funded plan design for smaller groups without all the risk.

Call it self-insured lite.

Greensburg-based Keystone Benefits Group Inc. has been marrying a conventional, fully insured health insurance plan with a higher deductible and pairing it with a Health Reimbursement Account to bring the advantages of self-insurance to groups with as few as 20 members. The new wrinkle: Independent advice for members about doctors and hospitals that provide the lowest cost and highest quality care, regardless of where you live.

Savings of 15 percent and 20 percent have been the result when compared to fully insured plans, according to President Kris Geary. The concept is being rolled out to community ambulance services.

"You'll spend more time buying a TV than deciding who will do a knee replacement because you don't have the information," he said. "We're trying to steer people to the best provider.

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> **Kris Geary**, president, Keystone Benefits Group Inc.

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In a typical self-funded plan, the employer assumes the risk for paying employees' health care claims as they arise, and the plans are most common among big employers.

Stop-loss coverage is used to prevent excessive claims, typically when they reach 125 percent of the group's anticipated annual claims.

Classic self-funded health insurance plans work best at companies with good cash flow and have been most popular with larger employers with a stable workforce, according to Mike Ferguson, COO of the Self-Insurance Institute of America Inc., a Simpsonville, S.C.-based trade group. But the model has been catching on in smaller groups.

"Because of rising rates, there has been a growing interest in self-funding, especially among small groups," he said. "As a general rule, the bigger the employer the better because they can spread risk and have money to pay claims, but there are exceptions to the rule."

In Geary's model, the full-insurance component provides the backstop against excessive claims, so stop-loss isn't needed. Also, plan sponsors realize savings from a high-deductible product and an independent third party steering members to the lowest cost, highest quality providers. A high out-of-pocket deductible helps make members smarter, more careful health care consumers, Geary said.

The vast majority of medical claims in any given year will fall below a $5,000 deductible in such an arrangement, according to Lorin Lacey, principal at the Downtown offices of human resources adviser Buck Consultants. Fewer claims also help hold down future premium hikes for the employer.

However, steering members to the highest quality, lowest cost providers can be a tricky matter because of the lack of uniformity in quality metrics for medical care, Lacey said.

"The concept has been around a long time and it's the holy grail of cost control," he said. "But there's no universal agreement what quality measurements should be or how they should be interpreted.

"We have much better data than we had in the past, and it's going to be better going forward."

HOW HE DOES IT

Geary begins by shopping carriers for the best price for a group plan with a bigger deductible, say $5,000, which pushes down the premium. The employer decides how to carve up the deductible, with 80-20 a common split with employees. Then, he sets up a health reimbursement account, which is serviced by a third-party and funded by the employer.

FILE PHOTO BY JOE WOJCIK

Kris Geary, president of Keystone Benefits Group Inc., said his company's self-funded plan is designed to give people more information so they can be steered to the best provider of care.

Typical high-deductible plans provide full coverage after reaching the limit, but members have skin in the game from the start under Geary's design, prompting them to be smarter consumers. Plan sponsors now also use Delphi of Florida LLC to guide members' health care decisions and hold down costs.

The St. Petersburg-based company is independent, not owned by a health care provider or insurer, and provides a range of services, including guiding members to nearby doctors and hospitals that offer the lowest cost, highest quality care.

Employers can decide whether to require employees to use the service, which boosts savings.

Companies that have used Delphi for at least a year see a 9 percent decrease in health care costs, according to the company. Geary put the savings at 10 percent to 12 percent, providing that members are required to follow Delphi's advice.

Delphi's fee is $3.50 per employee per month, paid by the employer.

And the design has been getting traction in the five or six years Geary has offered it. He estimated that at least half of his clients use some variation of the self-funded arrangement. No client has opted out of the plan design after choosing it, he said.

"We have found it to be a successful, sustainable design," Geary said. "We think it's a game-changer."

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