

Becoming a Top Partner Choice for Brokers & Advisors

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Leavitt Group
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Historical Role of a Benefits Broker

- Broker/Agent/Advisor/Consultant
- Intermediary between Carrier & Employer
- Works on behalf of the Employer
- Market insurance products and place coverages

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Evolution of the (Best) Benefits Brokers

- Consultative Approach
- Total Risk Evaluation & Management
- Clinical Outcome Focused
- Collaboration with other Strategic Partners
 - CPAs
 - Legal Counsel
 - Financial & Tax Advisors

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Rising Healthcare Trend

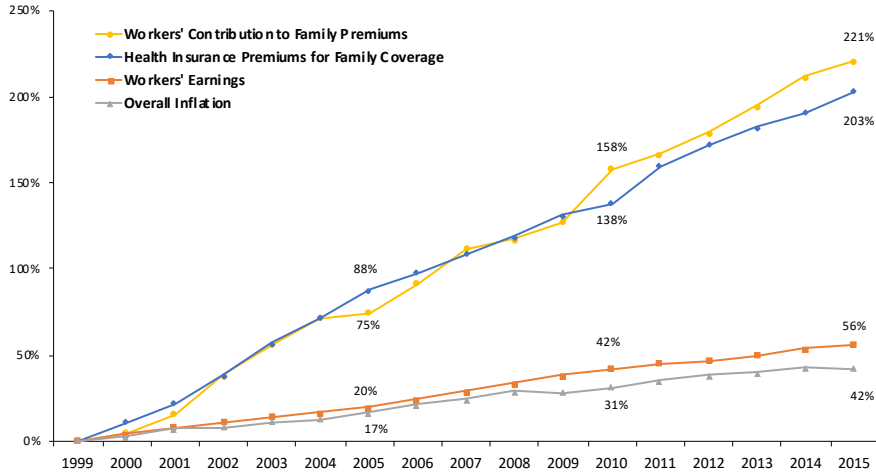
- Health Insurance Costs 2x Inflation
- Traditional Insurers not aligned
- Employers want more control & predictability
- Opportunities for alternative risk transfer

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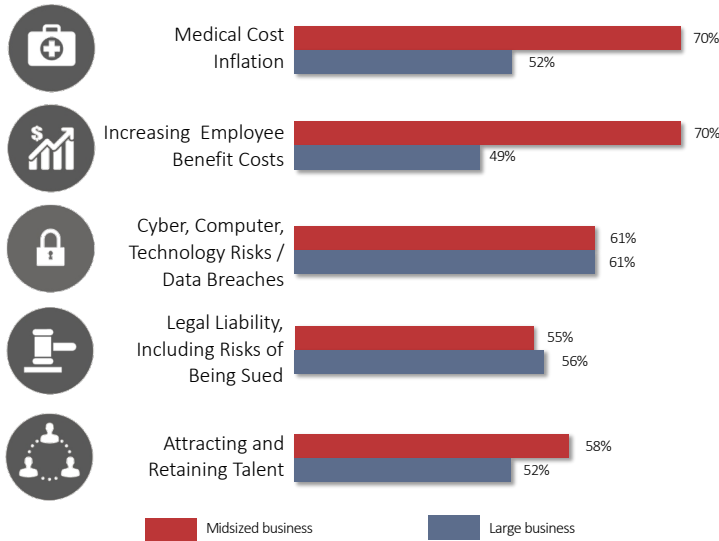
Cost of Health Care



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2015. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2015; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2015 (April to April).

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Top Risk Concerns for U.S. Businesses



2016 Travelers Business Risk Index Survey

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The Fully Insured Illusion

| Stock | 3/23/2010 | 10/5/2018 | Increase | Annual Increase |
|---------|------------|------------|----------|-----------------|
| CIGNA | \$36.04 | \$215.72 | 499% | 59% |
| Aetna | \$34.35 | \$203.72 | 493% | 58% |
| Anthem | \$63.30 | \$275.92 | 336% | 40% |
| UHC | \$32.66 | \$269.20 | 724% | 85% |
| S&P 500 | \$1,267.71 | \$2,885.57 | 128% | 15% |

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Market Conditions

- 61% US Businesses Self-Fund or Partially Self-Fund*
- Benefits of a soft Stop Loss Market
- Increase in Mid-Market Employers' Interest
- Market Changes 2019 – Current
- Increase interest in Captive arrangements

* Kaiser Family Foundation 2019 Benchmark Survey

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Captive Benefits for Employers

- Larger Pooling Opportunities
- Selective Pooling with likeminded partners
- Heightened Control & Predictability of Risk
- Underwriting Transparency
- More Strategic Vendor Relationships

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Captive Benefits for Brokers

- Exclusive Market Solutions
- Transition to more sophisticated client base
- Strengthened Client Relationships
- Integration between coverage lines
- Expanded Geographic Footprint

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Selling vs. Building

- Does broker want to sell an existing captive?
- Does broker want to build a new captive?
- Which broker is more committed to the program?

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Broker Built Advantage

- Broker Owned Core
- Protected Cells, Rental Cells
- Client driven demand for specialized cells
- Reduce barriers for clients to join a captive
- Risk Control
- Operational Control

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Broker Captive Role

- Aggressive Risk Management Program
- Commitment to Cell Growth
- Ensure Alignment & Accountability with:
 - Captive Service Providers
 - Traditional Health Plan Vendors
- Support Underwriting & Reporting
- Health Plan Design, Employee Education, Technology

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Broker Added Value

Who: 100 EE Self-Funded Group

- Intervention: Direct Contract
- Case: Lifelong chemotherapy treatments every 3 weeks
- Original Charges: \$29,185 every 3 weeks
- After Leavitt Intervention: \$19,656 every 3 weeks
- Annual Savings: \$164,851**

Who: 500 EE Self-Funded Group

- Intervention: Redirect to alternative site of care
- Case: Self-Injectable Psoriasis Medication
- Original Charge: \$10,614 per month
- After Leavitt Intervention: \$6,368 per month
- Annual Savings: \$50,952**

Who: 2000 EE Self Funded Trust

- Intervention: Audited Administrator's practices
- Case: Dialysis claims should be paid at 125% of Medicare, identified through data review the TPA was paying incorrectly.
- Total Recovery \$700,000**

Who: 250 EE Self Funded Group

- Intervention: Direct Negotiation with sign-off
- Case: Out of network air ambulance (from Great Falls to Helena)
- Original Cost: \$82,000
- After Leavitt Intervention: \$38,000
- Total Savings: \$44,000**

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Service Provider Selection

- Broker influence on vendor selection
- Each partner, including brokers, play a unique role
- Brokers should remain independent and work on behalf of the insureds

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Captive Managers

- Size & Scale
- Relationships
- Exclusivity
- Diversity of Captive Portfolio
- Dedicated Service Team
- Bundled vs. Non-Bundled Approach

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Actuary

- Size & Scale
- Captive Experience
- Validation frequency
- Program Involvement
- Ability to communicate with insureds effectively

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Legal Counsel

- Captive Experience
- Overall Insurance Background
- Relationship with Regulators
- Thorough Domicile Expertise
- Communicates regulatory changes swiftly
- Regular Program Involvement

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Front Carrier

- Carrier Rating
- Diverse Captive Portfolio
- Efficient Claims Management
- Meticulous Reserve Diligence & Reporting
- Dedicated Underwriting Team
- Captive Specific Service Team
- Collaborative Relationships with all other Service Providers

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Auditing & Tax Firms

- Firm dedicated to captives/insurance
- Service Team's Credentials
- Independent of other Service Providers
- Investment in Analytic Technology
- Sophisticated Regulatory Oversight
- Consultative Commitment

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Clinical Risk Management

- Portfolio of various partners who can address new risk
- Ability to produce ROI (fixed costs vs. per service costs)
- Produce reporting that supports other service providers

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Continued Broker-Captive Growth

- Captives will continue to grow
- Sophisticated Brokers will play an important role
- Service Providers should collaborate with Brokers
- Brokers provide distribution channel for new concepts to emerge

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Questions?

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