

yes and

world-class expertise + individual attention

Creative Employee Benefit Solutions

Prepared for: FEI Madison



Agenda



Market Overview



Cost Drivers In the Market



Data Drives Strategy



Strategies That Have Driven Successful Results



What Can You Do & What Is Coming to Market



Question & Answer

What do you not
like about
insurance?

“It’s too expensive.”
**“I can never get in to
see my doctor.”**
**“Medications that I
need are too pricey.”**



Quote White

**“Change is hard...
but it can't be any worse
than what I'm doing now.”**

The State of Employer Health Care Spend

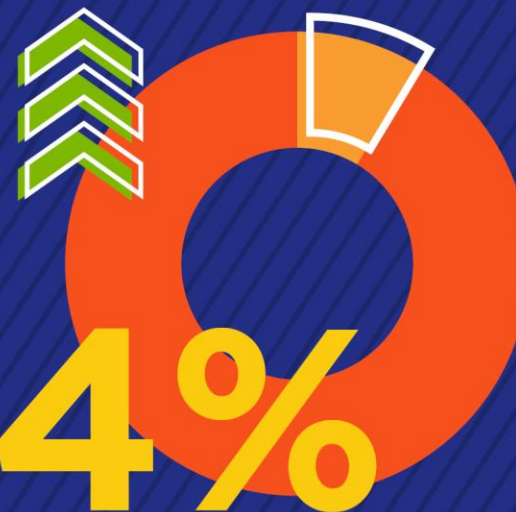


On average, employers are **spending**

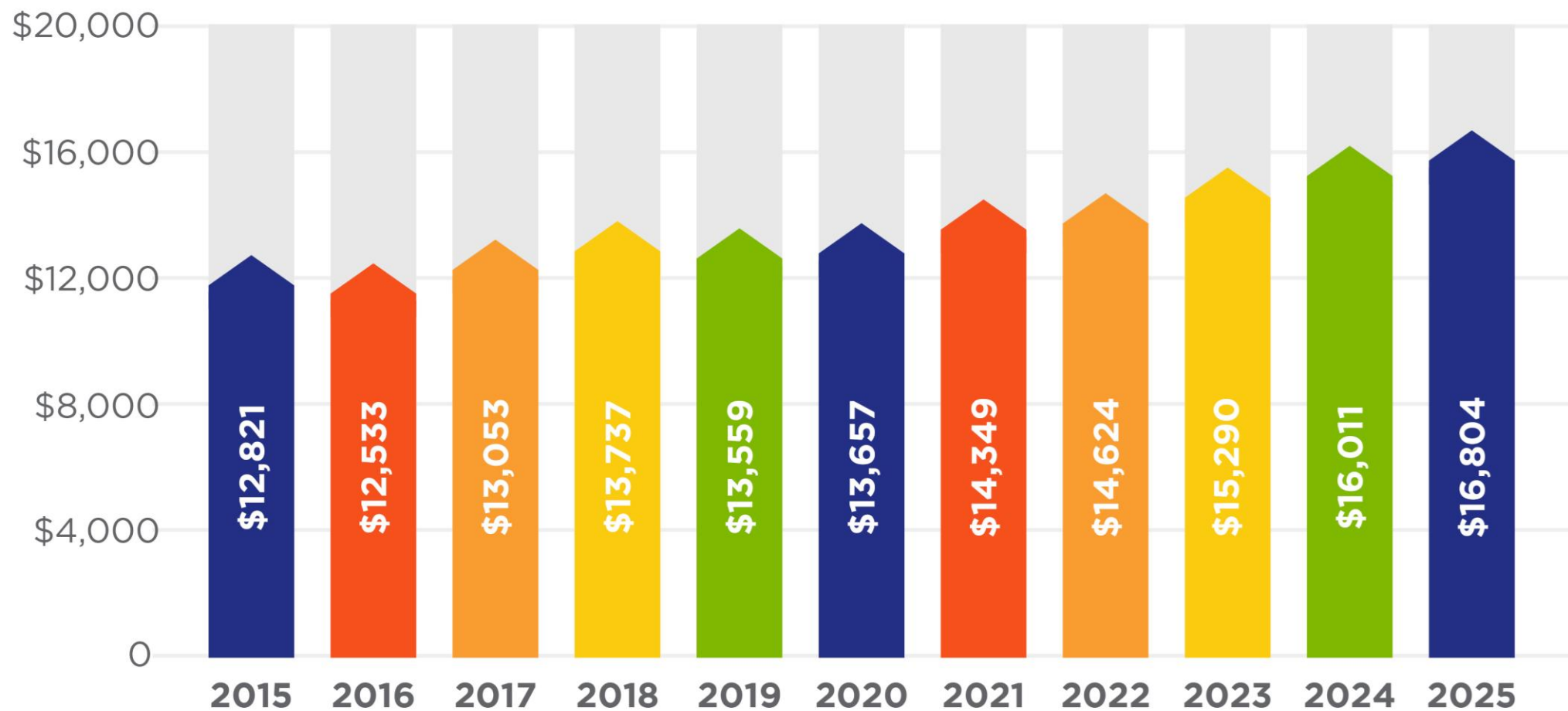
\$16,804

per employee annually on healthcare, with year-over-year increases averaging

8.64%



Average Annual Health Benefit Cost Per Employee

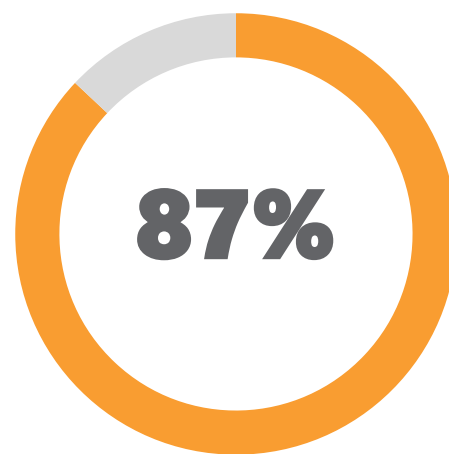


Hardening Stop Loss Market

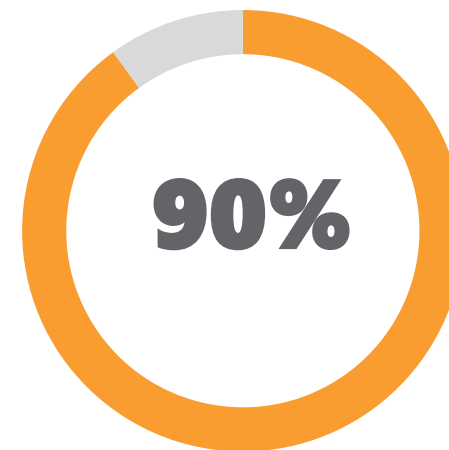
Stop loss claims have jumped significantly

- Increase in \$2m and \$3m claims, happening much more frequently
- Increase in preemies
- Cures for conditions like anemia, hemophilia, etc.

Stop loss is handling regular, catastrophic claimants now when it was originally intended for unknown large claims.



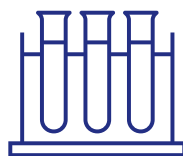
Loss Ratio in Stop Loss (NAIC Filings)



Predicted 2025 Loss Ratio in Stop Loss

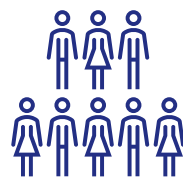
Data Source: QBE

Large Claim Examples



Cancer

- Cancer is the largest claims category
- More frequent, more expensive, and more successful
- 5-year survival rate for cancer is 70%, some cancers closer to 80-90%
- Younger ages getting cancer earlier



MSK

- Surgery + hospital stay
- Implant costs, specialist care, imaging, rehab/PT
- Lost productivity
- Potential repeat procedures



Specialty Drugs

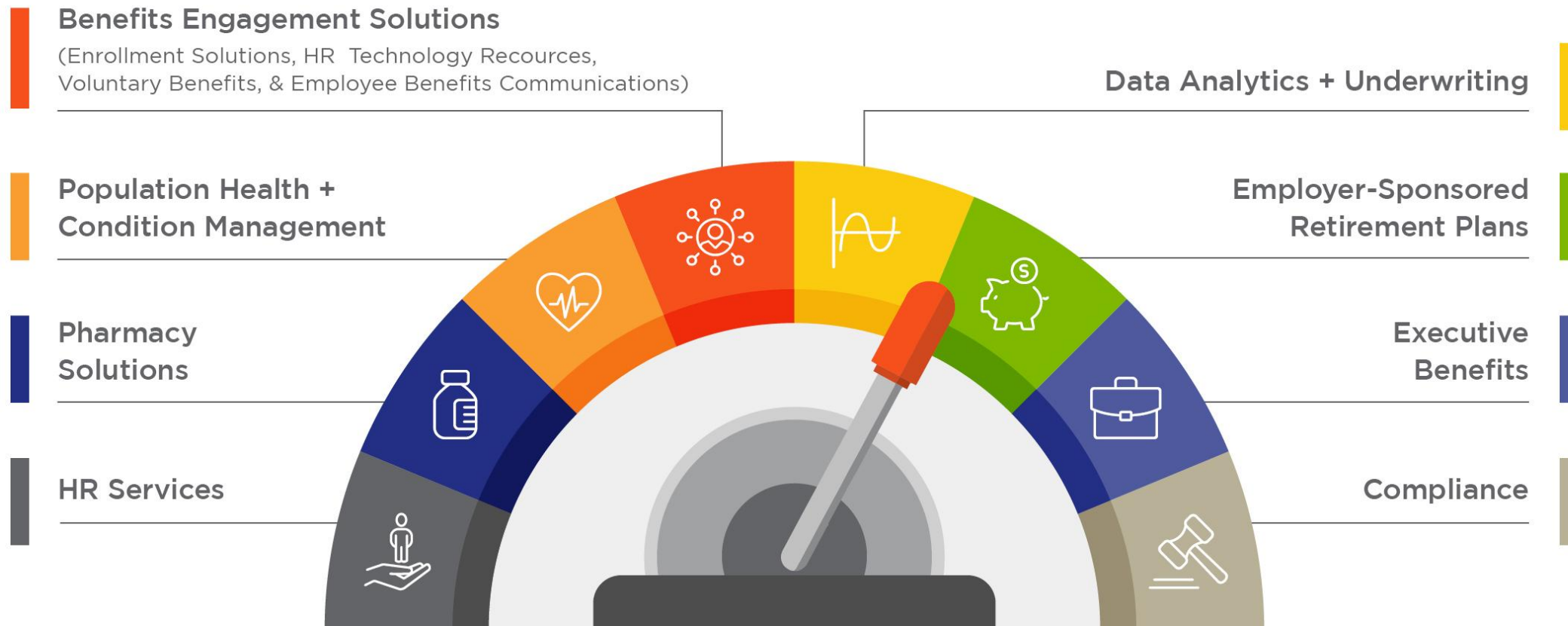
- Infusions
- Subscription model keeps patients going back for regular treatment
- Driving higher loss ratios and driving lasers



Behavioral Health

- Inpatient psychiatric hospitalization
- Detox and substance-use treatment
- Emergency department visits related to crises
- Court-mandated or complex care coordination

M3's Approach: Data Drives the Strategy



Employers that want to innovate to contain costs tend to want to reap the rewards.

Enter: Benefits Captives

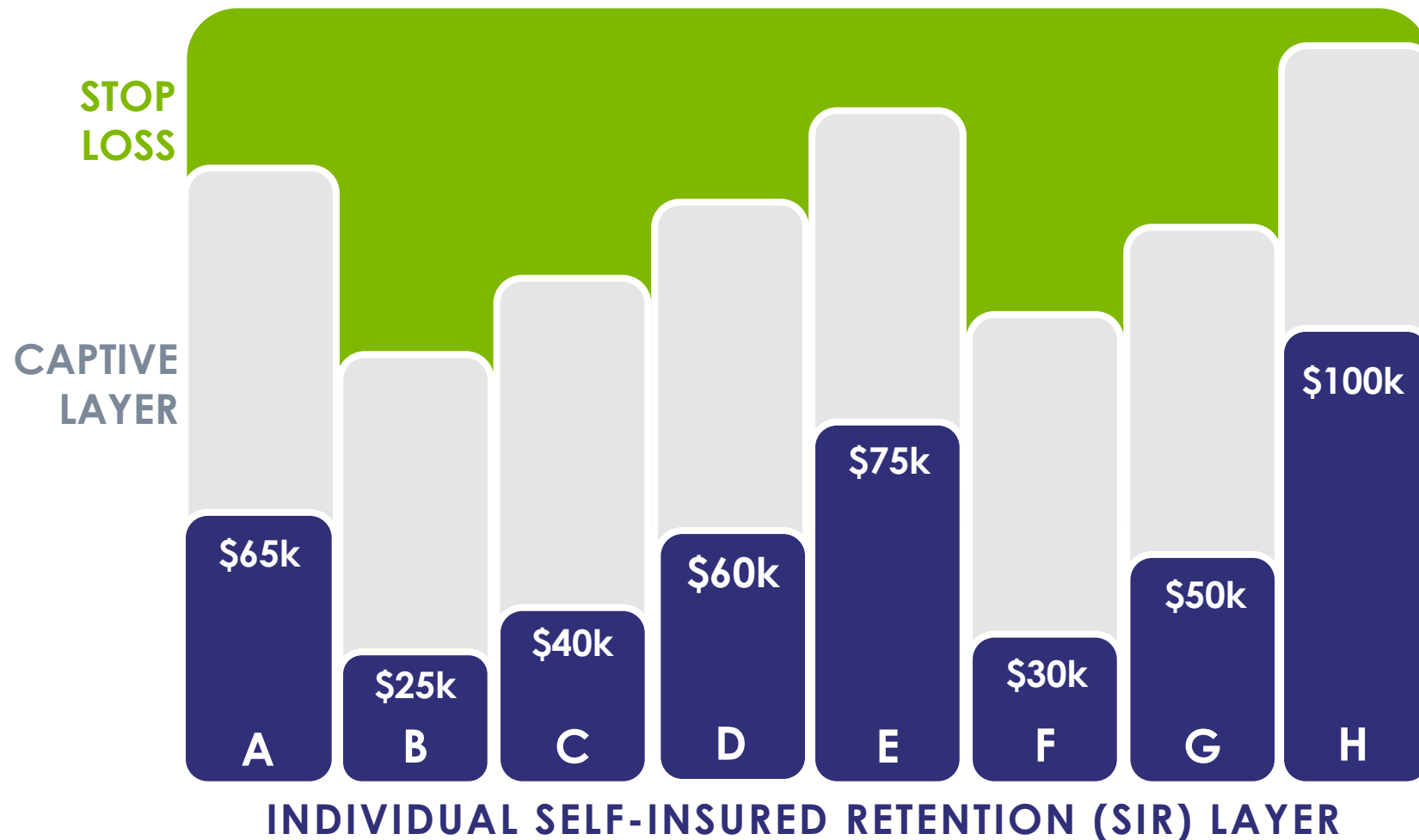
What is a benefits captive?

A group of companies that come together to form their own insurance company.

Comparing Funding Mechanisms

	FULLY INSURED	SELF-FUNDING	CAPTIVE
Available for Smaller Employers	✓	✓	✓
Plan Design Flexibility	-	✓	✓
Claims Information	-	✓	✓
Reward for Performance	-	✓	✓
Manageable Risk Level	-	-	✓
Pricing Stability	-	-	✓
Group Purchasing Power	-	-	✓
Outcome Based Wellness	-	-	✓
Peer Group Support & Sharing	-	-	✓

Captive Structure



Captive Risk Identification & Programming



DISCOVER

- Individual Health Risks
- Biometric Screenings
- Physician Forms
- Data Analytics
- Organizational health trends



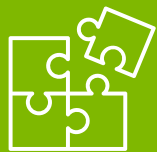
STRATEGIZE

- Cost Containment Strategies
- Price Transparency
- Health Concierge
- Rx Comparisons
- Employee Tools



FEEDBACK

Report findings and discuss steps toward improving your employee population health



IMPLEMENT

- Risk Reduction Strategies
- Targeted Action & Programming
- Environmental Support



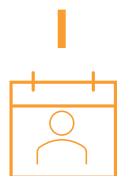
MEASURE

- Productivity ↑
- Healthcare Costs ↓
- Improved Health Outcomes
- Organizational Change (Culture of Health)

2025 Performance Highlights



AVERAGE CLAIMS SAVINGS*



\$1,148

Per Employee Per Year

*to expected claims



CAPTIVE PROFIT



88%

5-Year Captive Loss Ratio



\$7.5M

5-Year Captive Layer Profit



\$55K

Captive Profit Distribution



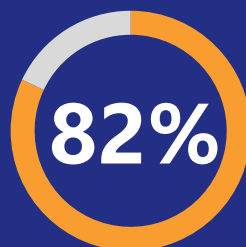
RENEWAL



5% 5-Year Average
Gross Stop Loss Renewal

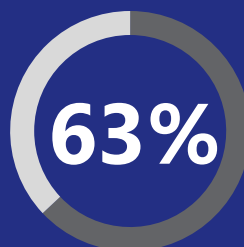


-3% 5-Year Net Stop
Loss Renewal Decrease*
*after profit distribution



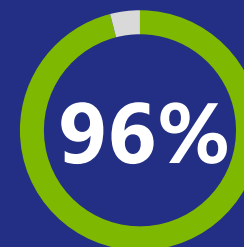
82%

of companies
ran under expected



63%

of members received
captive profit



96%

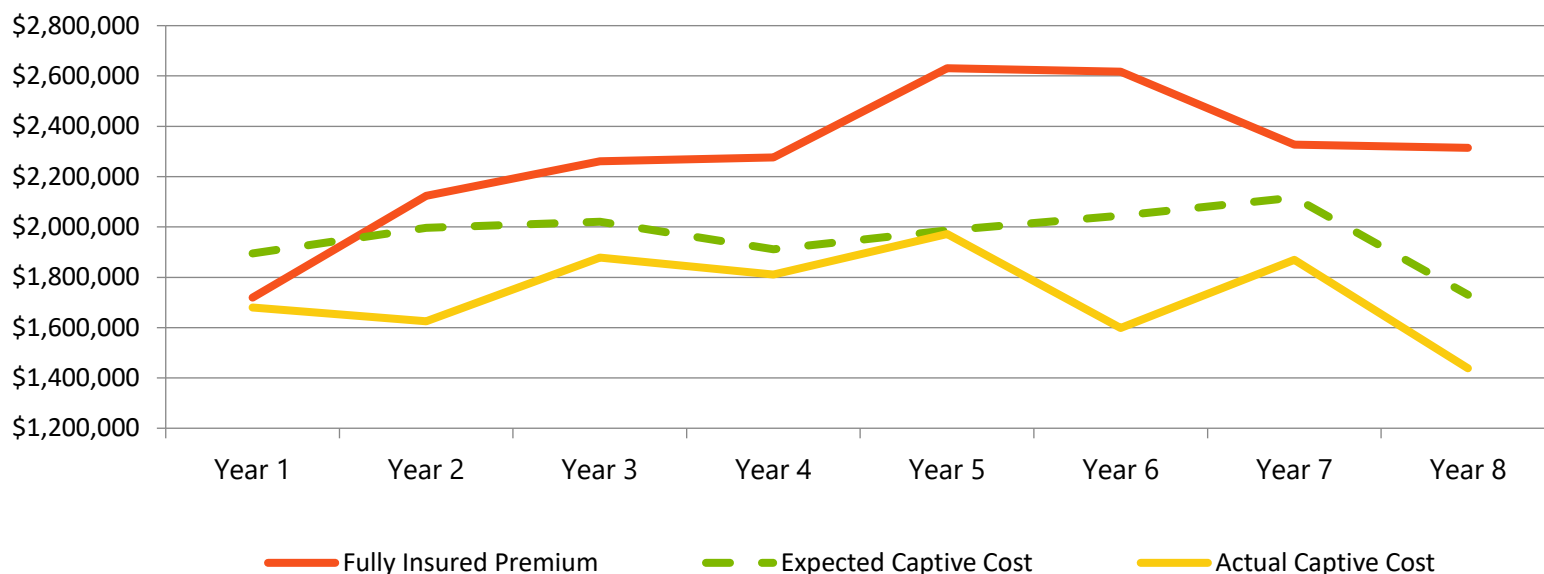
member retention

Member Case Study

Fully Insured vs. Captive

EQUIPMENT SUPPLIER WITH 200 ENROLLED EMPLOYEES AT MULTIPLE LOCATIONS THROUGHOUT THE U.S.

PLAN YEAR	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
FULLY INSURED PREM.	\$1,719,256	\$2,123,959	\$2,260,560	\$2,276,649	\$2,630,812	\$2,616,622	\$2,326,755	\$2,314,248
EXPECTED CAPTIVE COST	\$1,894,348	\$1,996,077	\$2,021,104	\$1,910,651	\$1,986,702	\$2,044,266	\$2,116,730	\$1,730,528
ACTUAL CAPTIVE COST	\$1,680,351	\$1,624,832	\$1,878,304	\$1,810,894	\$1,971,858	\$1,598,044	\$1,869,028	\$1,438,265
SAVINGS	\$38,904	\$499,127	\$382,256	\$465,755	\$658,953	\$1,018,413	\$457,727	\$875,982



CAPTIVE DISTRIBUTIONS

Year 3	Year 4	Year 5
\$6,758	\$25,862	\$31,063
Year 6	Year 7	Year 8
\$30,952	\$75,223	\$21,88

CUMULATIVE SAVINGS:

\$4,588,867

Source:



Momentum Watch: Trends to Track

Rather than waiting for cost pressure to ease, employers are actively reevaluating their benefits strategies, testing new models, fine-tuning existing ones, and stepping away from approaches that no longer deliver value. While no one strategy fits all, several emerging trends are gaining **momentum**, some approaches are holding steady, and others are declining in relevance.

	Direct Contracting Models
	High Performance Networks
	Variable Copay Plans
	Data-Driven Point Solutions
	Pharmacy Optimization
	Advanced Care Navigation & Advocacy
	Social Determinants of Health Strategies
	Onsite & Nearsite Clinics
	Funding Arrangements
	"Check the Box" Wellness Programs
	Standalone High-Deductible Health Plans
	Base Package Telehealth

= Gaining Steam
 = Holding Steady
 = Fading Out

Point Solutions: Healthcare Access Points

1

Direct Contracting

Direct arrangements with specific providers creating lower cost bundled solutions – often more effective using the power of larger groups of employers such as through a captive

2

Direct Primary Care

Lower cost, better access, higher quality – a more personalized approach to care that because of accessibility leads to better long-term results

3

Medical Tourism

Centers of Excellence that are often diagnosis or procedure specific providing lower cost and higher quality results

4

Virtual Care

Providing care as effectively as in-person care, but in a more accessible and low-cost manner – primary care, MSK, mental health are common areas where this is deployed effectively

Point Solutions: Condition-Specific

1

Kidney Disease

Deploying a referenced based pricing/lower cost model to ERSD/Kidney Disease prior to Medicare eligibility at 36 months

2

Musculoskeletal

Centers of Excellence, Direct Contracts, Medical Tourism, Virtual Care

3

Cancer Care

Customized care incorporating specialized expertise guiding patient through options and access to specialized centers of excellence

4

Large Case

Identification and placement of large claimants who are provided options outside of the group medical plan providing the member lower cost options while benefit the group plan

Point Solutions: Pharmacy

1

Carve-Out

Carving out high-cost Rx where alternative lower cost solutions exist – common example in today's landscape are biosimilars

2

Formulary

Modification of formulary to create greater efficiency and performance, lowering costs while maintaining best in class Rx options

3

Sourcing

PAPs, MAPs, sourcing, Rx tourism, condition and Rx specific programs

Where to Start:

A Framework for Prioritizing Benefit Strategies



Group Size & Structure

What to ask yourself: Do I have the scale or concentration to support certain models (e.g., onsite care, direct contracts)?



Workforce Demographics

What to ask yourself: What do my employees value most: access, affordability, virtual care, cultural alignment?



Claims Volatility

What to ask yourself: Are high-cost claims or chronic conditions driving our spend? Or, is trend more consistent and manageable?



Innovative Appetite

What to ask yourself: Are we ready to test new models, or is leadership looking for proven, lower-risk solutions?



Administrative Capacity

What to ask yourself: Do I have internal bandwidth or vendor support to implement and monitor new programs effectively?



Data Maturity

What to ask yourself: Am I using data to inform decisions, and do I have visibility into what's driving costs today?



INTRODUCTIONS

Your M3 Team



Jason Nordby
Director of Employee Benefits
Captive Practice
608.288.2766
jason.nordby@m3ins.com



Landon Vinger
Client Executive
608.327.8921
landon.vinger@m3ins.com



Stacy Werner
Client Executive
608.288.2707
stacy.werner@m3ins.com



Casey FitzRandolph
Senior Client Executive &
Partner
608.288.2803
casey.fitzrandolph@m3ins.com



Thank you.

CONNECT WITH US

800.272.2443

m3ins.com