

Service Reference Guide

# Actuarial Consulting

*for Self-Insured Employee Health Benefits*



Continually increasing health care costs have recently led many corporations of varying size to consider self-insuring their employee benefits. While self-insurance provides many benefits to employers, including reduced costs, the ability to create a custom designed benefit plan, insulation from recent health care reform provisions such as those contained in the Patient Protection and Affordable Care Act (PPACA), and a facility for more targeted cost containment, it also introduces many unique challenges.



Now, more than ever before, employers must understand the specific financial and regulatory requirements associated with self-insurance. Employers must also make important decisions regarding what coverage and limits to self-insure, and then properly fund and reserve for future costs. Perr&Knight's actuarial consultants can help meet these unique challenges. Perr&Knight's actuarial consultants provide our clients with:

- A comprehensive array of actuarial services
- Extensive industry knowledge and expertise
- Accomplished project management and consulting skills
- Excellent communication skills

Since our founding in 1994, Perr&Knight has worked with hundreds of clients across multiple industries and of varying size who engage in alternative risk financing, including self-insurance. A number of our alternative risk financing clients self-insure their employee benefits. Perr&Knight provides a complete array of actuarial services for companies who self-insure their employee benefits, including:

## ▶ **Budget Rate Development**

Our actuaries can project future health benefit claim cost levels and administration expenses based on historical company and/or industry data to calculate the necessary budget funding rates for an upcoming plan year that align with the company's desired coverage tier structure. In addition, COBRA rates calculated in "good faith compliance and a reasonable interpretation of COBRA" can easily be developed from these budget rates.

## ▶ **IBNR Valuations**

Perr&Knight's health actuarial consultants have extensive experience calculating accurate incurred, but not reported claims reserves for companies who self-insure their employee benefits. We work with our clients' claims administrators to obtain the necessary data and use generally accepted actuarial methods to produce reserve estimates as frequently as needed by our clients' financial departments during the plan year.

## ► **Analysis of the Impact of Stop-Loss Reinsurance**

Perr&Knight assists companies in the evaluation of the right level of medical stop loss with a third party or a captive insurer. We analyze quotes from stop loss carriers to help our clients understand what is the best value for the company based upon cost and the desired level of risk tolerance.

## ► **Plan Design Change Impact Analyses**

As companies look to balance attractive benefits and affordable costs, our actuarial consultants can calculate the cost impact, to both the company and the employees, of introducing Health Spending Accounts and/or changing covered benefits, in and out-of-network benefit differences, deductibles, coinsurance, co-payments, out-of-pocket maximums and employee contribution levels. Our analyses are thoughtful and clearly explained to provide employers with the right information to make meaningful, cost effective decisions regarding plan design revisions.

All actuarial analysis is subject to our peer review and technical review processes to ensure that our recommendations and results are based on accurate and thoughtful calculations.

Perr&Knight's accredited consulting actuaries meet the requirements of the American Academy of Actuaries Code of Professional Conduct, in that we annually fulfill the prescribed continuing education requirements and satisfy applicable qualification standards associated with the services we provide. Perr&Knight is committed to the professional education and development of our actuaries, and as a result boasts a team of knowledgeable, well-rounded professionals familiar with cutting edge methods and technologies who are guided by core actuarial standards and principles.

Through our business relationship with S&P Global Market Intelligence, who recently acquired RateFilings.com from Perr&Knight, our actuarial consultants have access to an extensive database containing hundreds of thousands of insurance carrier rate filings. Our actuaries can obtain premiums charged by health insurance carriers and industry loss statistics from these filings in order to make projections for an employer that has no experience, or to supplement an employer's historical data.



## About Perr&Knight

Founded in 1994, Perr&Knight provides insurance consulting and software solutions to the property and casualty and accident and health industries. Services include actuarial consulting, product development, insurance policy and forms consulting, regulatory compliance, state filings, licensing, technology consulting, statistical reporting, data services, and predictive analytics. Software includes StateFilings.com, a leading cloud-based state filings management solution. With offices in Santa Monica, Boca Raton, the New York Metro Area, Fort Worth, and Cincinnati, and more than 100 insurance professionals, Perr&Knight is among the largest independent actuarial and insurance consulting firms in the United States.



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