

# The Evolution of MSL In Captives

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# The Evolution of MSL in Captives

- A brief history
- What is changing in the MSL world?
- Why do you need a carrier and what do they look for?



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# The Evolution of MSL in Captives

- Is it third Party?
- Does it make sense for a single parent?
- Why do I need o join a group?
- Success of Pareto, Roundstone and Others
- What makes a good candidate?
- What are pricing strategies?



# Innovations in Group Health Captives



## Verticalization via Homogenous Cells

Continued development of sector-specific risk pools with increasing broadened focus on non-EB benefits.



## Collateralization Strategies <sup>2</sup>

Using alternative sources such as third-parties, Rx rebates, and clinical providers.



## Cross Captive Risk Mutualization

Provide employers group, single parent, and private label captive solutions



## Analytics Turn to Action

“Next Best Action” is becoming expectation more than claims-based to predictability or risk scoring.



## Pharmacy Risk Taking

Increased use of Rx guarantees in the form of underwriting PMPM guarantees.

## Captive Innovation Leading to Value in New (& Old) Services



### Analytics & Business Intelligence

Claims based analytics layered against network pricing data is informing new navigation services that are low-cost to launch and leverage.



### Managed Care Clinical Management Meets Captive Risk

Many of the operating systems that clinical providers use for Total Cost of Care management is transferable to employer risk management.



### Direct Contracting & Narrow Networks Increase Marketability in SMB Employers

SMB employers are proving to be more interested and engaged for utilizing Direct Contracts and see tremendous value in performance networks that often don't represent large scale disruption.



### Alternative Funding Broadens Future Options

Captives generate real, qualified leads into employers who are better as traditionally self-funded cases. This "unearthing" of risk, leads to increased self-funded in the SMB space, especially in pre-fabricated products that are not BUCA ASO.



### Proven Solutions Prove Hard to Find

Validation of services, solutions, and technology seems to be a service line in and of itself with thousands of solutions available.



### Education as a Service (EaaS)

There is a large gap in CE available training, holistic experience, and knowledge. New partnerships born from learning & development.

# Live Case Study: Captive Traction Created Fertile Ground for Increased Alternative Funding in SMB Market.

*ClearPoint Health is transforming the market by providing the first comprehensive “One-Stop Shop” of Alternative Funding Solutions accessible via a single RFP.*



## Level Funded Products

Easily transition employers to captive products with predictable costs with surplus refunds



## Traditional Stop Loss

Protect employers from high-cost claims by leveraging full service MGU capabilities



## Captive Product Suite

Provide employers group, single parent, and private label captive solutions



## Carrier Panels

Grow your business by accessing multiple level funded or stop loss carrier options thru one RFP



## Pharmacy Benefit Manager

Deliver bundled PBM services focused on drug management, cost efficiency, and improved health outcomes



Single RFP Submission Access to All Solutions

# Medical Stop Loss Captives

- Medical Stop Loss Captives have been one of the largest growth segments within the alternative risk industry over the past several years.
- Prior to ACA, stop loss captives represented a negligible segment of the MSL market.
- In 2010 MSL was a \$7-\$8 billion market and stop loss captives represented a very small percentage of market share.
- The traditional stop loss market is now approaching \$35 billion as an industry and stop loss captives are conservatively estimated to represent at least \$4 billion of the MSL market premium; *and quickly growing.*

# Preferred Group Captive Member Profile

## A preferred prospective member profile:

- 50 – 1000 employees (100 – 500 preferred target)
- Currently self-funded or fully-insured with claims experience
- Good claims history / track record
- Financially stable with the ability to assume additional risk
- Committed to actively participating in progressive risk control initiatives



## Critical Mass required for new group captive program inception

- Minimum MSL Premium for inception: ~ \$1,500,000
- Minimum number of employee lives for inception: ~ 2000
- Minimum number of participating employer groups: ~ Four
- Minimum individual member employer size: 100 employees (Fewer by exception)
- Maximum individual member size: Should not exceed 1000 employees. (More by exception)
- Initial membership *should* be comprised of existing self-insurers with credible experience data

## Traits of Success for Group Captives *(and why some may fail)*

- Strong Value Proposition
- Membership Selectivity
- Impactful Cost Reduction
- Strong Partnerships
- Continuous Growth
- Prudent Surplus Strategy

**Prediction #1:** Captive purism will grow into market divide and defined value proposition for some Captives, generating antagonistic counter to large-scale captives that mirror Fully Insured tactics versus Self - Funded strategies.

**Prediction #2:** Group Health Captives that don't scrutinize underwriting and dedicated use and uptake of cost containment techniques will pay the consequences in "renewal revenge" starting in 2026... early rumblings heard for 1/1/25 cases.