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Reducing Partial Self-Funding Risks

Employers are often concerned about potential risks from a spike in **health insurance** claims or a large catastrophic claim. For example, a hemophiliac is a very expensive claim expenditure that is very rare but could happen. To protect the employer, we would purchase reinsurance on a specific basis. It is called specific stop-loss insurance. It is a deductible for the employer on any specific individual in the plan. If an individual gets to a certain point wherein the cost of his or her claims exceeds the risk set point, the reinsurer would pay the rest of the claims on behalf of the employer for the balance of that plan year. We would also protect the employer with aggregate reinsurance and aggregate protection, which look at total claims that the group incurs, and if the total claims exceed a certain point within a month or on an annual basis, we would have insurance to basically cap the risk that that employer would have on that plan year. We would identify that point right up front in the beginning of the year so that we would know the worst-case scenario.