
TML Health
Benefits Pool
The Power of the Pool

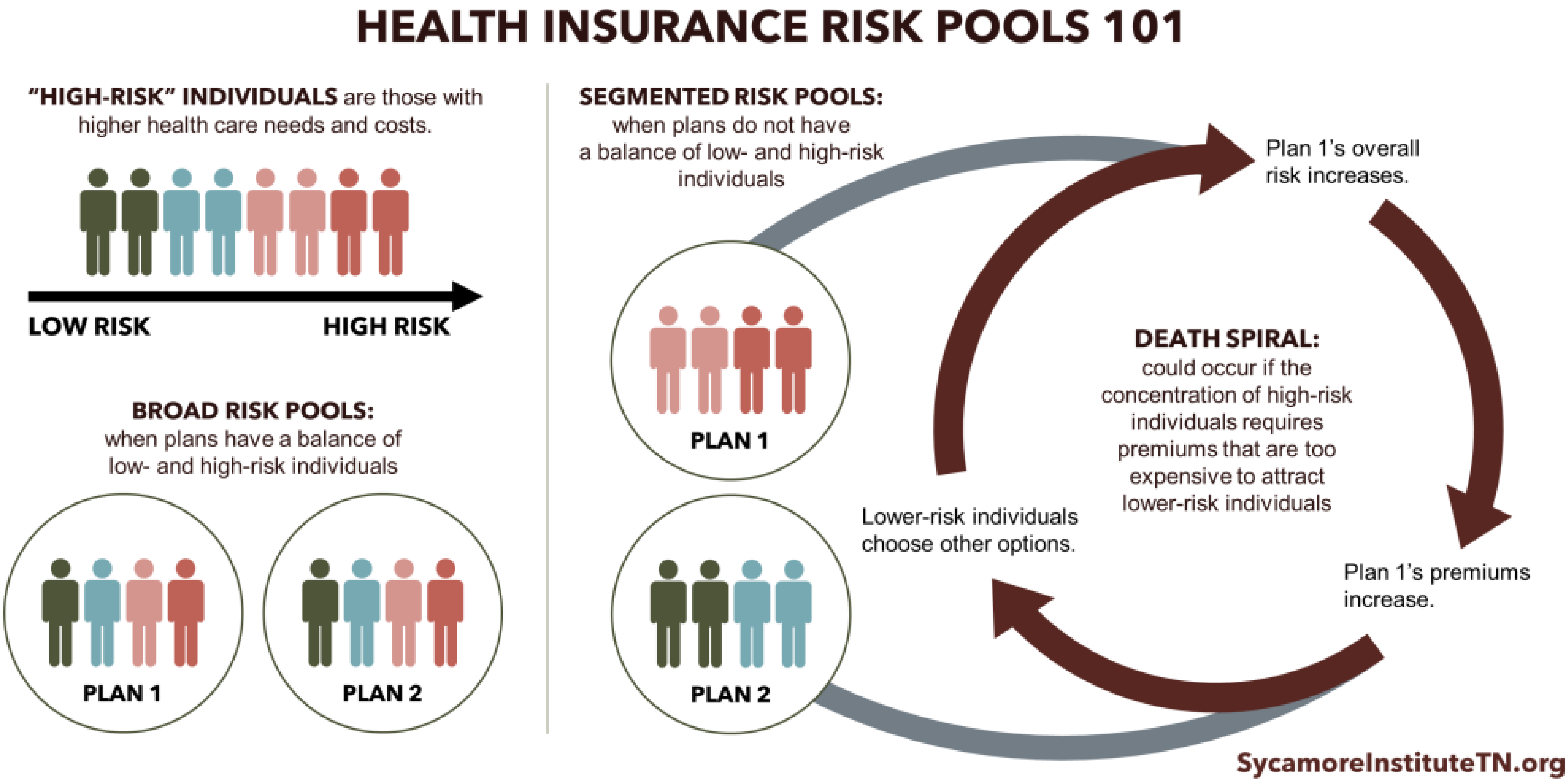
The Power of the Pool

- Fully-Funded vs. Self-Funded
- Underwriting and Rating Practices
- Who is TML Health?

Fully-Funded vs. Self-Funded

Fully Funded (TML Health Pool)

- **A fully-funded health plan is the traditional route of offering employee health benefits**
  - Employers pay a fixed annual contribution based on the number of enrolled employees in the plan each month and will only change if the number of employees changes
  - The health plan pays claims based on the benefit outline and employees must pay any deductibles or copays required for covered services under the policy
  - Fully-funded plans provide great benefits to their employees while helping to increase retention
  - They are popular because they eliminate the administrative duties and expenses related to a self-funded health plan
  - Your risk is lowered because the health plan processes all employee claims


HEALTH INSURANCE RISK POOLS 101
"HIGH-RISK" INDIVIDUALS are those with higher health care needs and costs.
LOW RISK
HIGH RISK
BROAD RISK POOLS: when plans have a balance of low- and high-risk individuals
PLAN 1
PLAN 2
SEGMENTED RISK POOLS: when plans do not have a balance of low- and high-risk individuals
PLAN 1
PLAN 2
Plan 1's overall risk increases.
Plan 1's premiums increase.
Lower-risk individuals choose other options.
DEATH SPIRAL: could occur if the concentration of high-risk individuals requires premiums that are too expensive to attract lower-risk individuals
SycamoreInstituteTN.org

Potential Risks of Self-Funding for Small Groups

Pharmacy

- New and very expensive prescribed medications are not covered under a traditional Pharmacy programs.
- Financial risks of ongoing $1 million claims (premature babies, hemophilia, hereditary angioedema, etc.)
- Stop loss carrier would likely "laser" high-claim employees, so the Group might not have coverage and must pay the full claim.
- The risk becomes the Group's!

Stop loss carrier – contract changes at annual renewal can make the Group vulnerable.

- Stop loss carrier can "laser" out high-cost claimants with ongoing illnesses.
- Leaves the Group with no or limited coverage.
- **Example**: In 2020, a member took a drug costing $90,000 per month. After 2 fills of the medication, the member was notified that the stop loss carrier would not cover this medication on the next renewal.

Potential Compliance Risks for Self-Funded Groups

Responsibilities Under HIPAA

- Additional administrative work for self-funded group health plans (“**GHPs**”).
- HIPAA considers the GHP to be separate from the Employer of record.
- The GHP is considered the Covered Entity under **Health Insurance Portability and Accountability Act (HIPAA)**, 45 C.F.R. 160.
- The GHP is responsible for compliance with **HIPAA**.
- HIPAA requires a Business Associate Agreement (“**BAA**”) with the GHP or other vendors that might receive access to **Protected Health Information (PHI).**
- The GHP is required to appoint a **Privacy Officer and a Security Officer**, ***as well as train all employees at least annually***.
- If there is a breach of PHI, the GHP is responsible for notifying the affected individuals, the TX Attorney General, the media, potentially the HHS Office of Civil Rights, and paying any associated costs for credit monitoring, attorneys’ fees, incident management, reputation management or statutory fines.

Potential Risks for Self-Insuring – example

Lastly, pooling protects against volatility and gives you a more stable cost over the long term. The pool currently covers about 20,000 employee lives. Consider what happens if there is a $1 million claim in your group. When you spread that million dollars across the entire pool, it comes out to $4.16 per employee per month.

	Pool	Sample – Group
Current EE count	20,000	74
$1 million claimant impact to claims cost per employee per month (PEPM)	$4.16	$1,126.13 PEPM
Assuming City of Burkburnett can get a $35,000 Stop Loss specific deductible policy		$1086.71 PEPM

Now if you are self-insured, you can only spread that across your current 74 employees. That same million-dollar claim would impact the City by **$1,126.13 per employee per month (PEPM)**. Assuming the City does obtain stop loss coverage at $35,000 and everything above that is reimbursed by your carrier, you would still have to increase your benefits funding by **$1086.71 per employee per month (PEPM)** to fund that one claim. ***Claims costs might quickly go south if you have a few bad claims.***

Who is TML Health?

Mission Driven, Public Focused

As a risk pool, our top priority is providing our groups and their employees, and families the best healthcare for the best price.

40+ Years of experience helping local Texan governments

In the last three years, we provided our members:

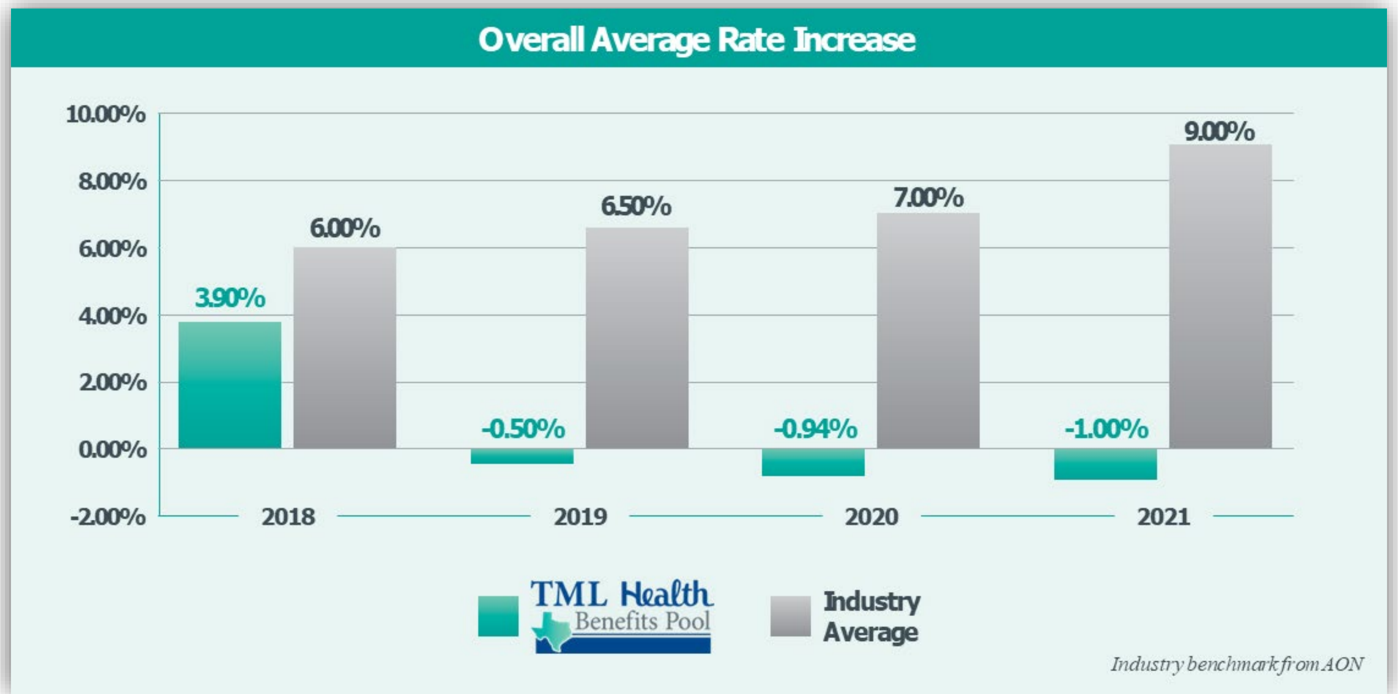
$18M in renewal credits

$15M+ in COVID claims removed from claims experience

$1M+ in free weight loss programs

Why do groups join the TML Health Pool?

- Non-Profit Governmental Entity of Political Subdivisions
- Chapter 172 of TX Local Government Code
- Chapter 791 of TX Government Code
- Texas Trust Act
- A +35,800-member risk pool
- A 99% retention rate
- Governed by a Board of Trustees



TML Health Benefits Pool

Trustees at Large

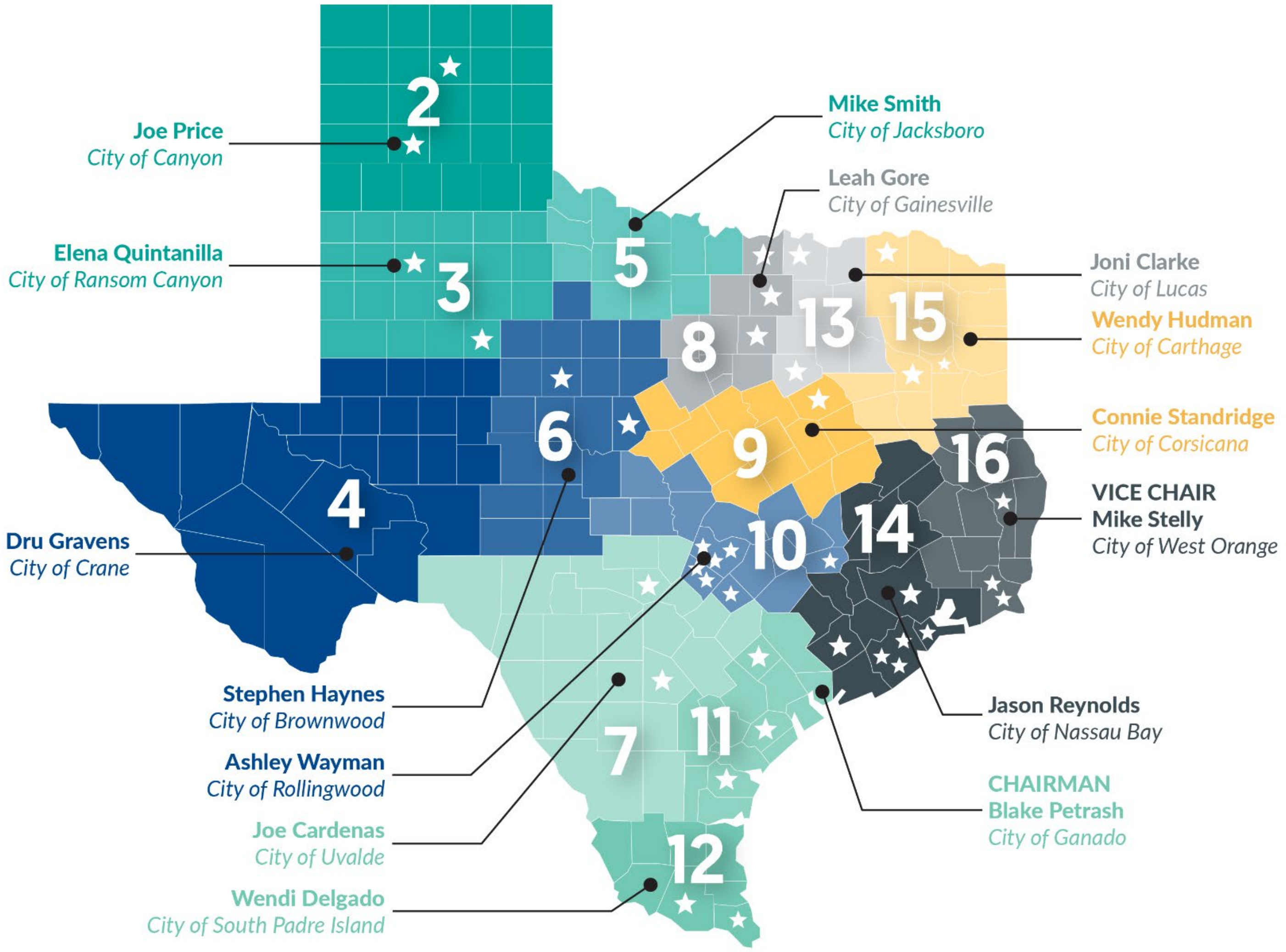
Appointed by Chair

- Dr. Lew White, Chair Region 10
- Larry Fields, Region 5
- Glen Metcalf, Region 8
- Gayle Sims, Region 13
- Mike Slye, Region 13
- Jay Stokes, Region 14

Ex-Officio Trustees

- Terry Henley
- John "Buzz" Fullen
- Bennett Sandlin

★ Mini Pool Members



Then and Now

1979

117
Texas Cities

6,500
Employees

as of May 1979

2021

965
Texas Employers

516
Texas Cities

23,176
Employees

36,712
Members

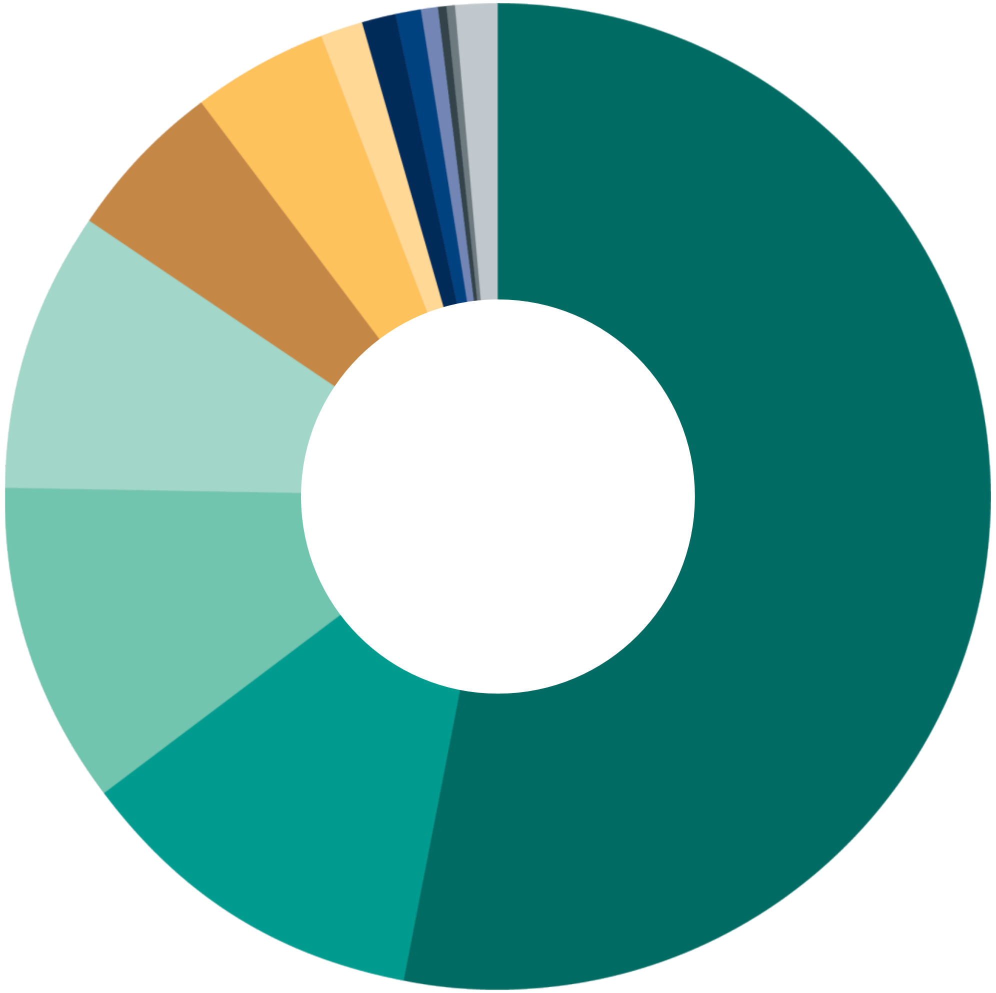
13.7M
Paid COVID-19 Claims

850
Groups with COVID-19 Claims

10,556
Members with COVID-19 Claims

36,216
Total COVID-19 Claims

Our Members – Types of Entities Covered



- **514** City
- **115** Housing Authority
- **101** Water
- **90** CAD
- **51** Utility
- **42** Emergency
- **14** COG RPC
- **11** Development & Improvement
- **7** Health District
- **6** Transportation
- **3** Risk Pool
- **2** Police Department
- **12** Misc

Power of the Pool

Stable Pool Rating

- An average net cost increase of less than 1% over 4 years
- Rate caps set by the Board every year

Pool financial strength: $85M in reserves

Renewal Credits

- As a nonprofit, when the Pool has a good financial year, we pass the savings on to our groups.
  - 2019PY = $ 4 million
  - 2020PY = $ 6 million
  - 2021PY = $ 8 million
  - Total $18 million
- Renewal credits, The longer a group is a member, the greater their renewal credit.
  - 10 years of longevity
  - 5 years of loss ratio

COVID-19 Claims

- Covered 100% of in-network COVID-19 claims for 12 months
- $15.8 Million in COVID-19 claims removed through 8/31/2021.

Committed to Wellness

- $150 TML Well reward
- Weight loss support through Naturally Slim
- Comprehensive disease management program
- 24/7 Nurse Line
- Catapult onsite/virtual screening with at-home kits
- Telemedicine provides access to a doctor anytime, anywhere

What Makes the Pool Different?

- Governance
- Strength in numbers
- Affordable plan design
- Predictable & budget-able rates
- Rate caps each year
- Not-for-profit
- COVID-19 coverage
- Focus on service

Self-Funded (TML Health ASOs)

- **Administrative Services Only ("ASO") Groups are self-funded plans which are more flexible than traditional fully-funded plans**
  - Self-funded plans are less regulated than fully-funded plans and give employers the opportunity to design a healthcare plan to meet the unique needs of their employees.
  - Self-funded health plans help employers may save significantly on contribution costs.
  - The employer calculates the fixed and variable costs for the plan. These costs may include;
    - Administrative fees, Stop-loss premiums, and any other set fees.
    - Which can also include staff management fees, third-party administrator fees, or software administration fees.
    - Other costs might include healthcare claim payouts which vary from month-to-month depending on submissions from employees and their dependents.
  - To reduce the risk that comes with self-insured plans an employer may implement a separate Stop-Loss or Excess-Loss insurance. This protects against catastrophic, unforeseen medical expenses.

What is TML Health's pricing philosophy?

- Primary goal is for long-term rate stability
- We do not "buy down" rates or set artificially low rates to win business
- Rates are set based on expected claims and expenses
- High-cost claims are removed from a group's loss ratio and spread across the entire Pool
- When claims and expenses are better than expected, Trustees can return the savings to members through renewal credits
- Protect the current Pool members from poor risks

How much discretion does the Pool allow its underwriters?

Board

- Sets the average renewal rate change
- Sets floor and ceiling for annual rate changes
- Sets maximum admin fee (% of total rate)
- Adopts general rating formula

Underwriting

- Sets individual group renewal rates within board parameters
- Evaluates new business and can decline poor risks
- Sets rates for new business

How much risk of loss do members maintain vs. pass to the Pool?

- **Entities within the Pool have maximum liability** equal to the contributions (no claims liability)
- **ASO members retain 100% of liability** for administrative fees + all claims liability
- **Covered employees and dependents are responsible for cost-sharing** within the plan design (e.g. deductible, copays, out-of-pocket, and out-of-network costs above reasonable and customary)

How does the Pool allocate costs and risks among Members?

- **Base rates include factors such as:**
  - Plan design
  - Demographic factors (age/gender mix of group)
  - Geographic area factors
  - Effective date
- **Base rates are adjusted for**
  - Loss history
  - Credibility
  - Overall size and composition of group

What is the Board's role in establishing member rates and allocation of risks?

- **Pooling Point: currently $275,000**
  - Claims over this amount are spread over entire pool
  - Mitigates the impact of high claims on a group's loss ratio
- **Pooling Charge**
  - A per employee amount that is added back into all groups' rates
  - An estimate of all claims that exceeded the pooling point
- **Renewal Underwriting is based on:**
  - 24 months of contributions and paid losses (after any adjustments)

COVID – 19 Coverage

Addressing the Pandemic

- $15.8 Million in COVID-19 claims removed from the underwriting for renewals
- 100% Coverage of the In-Network COVID-19 Claims Extended for in-network testing and treatment claims related to COVID-19 through August 31, 2021
- Provided frequent updates to our Benefit Coordinators and Members on the various changes based on Federal Legislation, including:
  - Families First Coronavirus Response Act (FFCRA)
  - Coronavirus Aid, Relief and Economic Security Act (CARES Act)
  - Paycheck Protection Program and Healthcare Enhancement Act
  - IRS guidance and notices on changes to FSAs, HRAs, HSAs
- Made changes to our communications to our Benefit Coordinators and Members based in a virtual world. Examples: Open Enrollment by Phone, added benefits for telehealth and Dental Infection Control Fees

RENEWAL CREDITS

TML Health Board of Trustees commitment to Renewal Credits

As a nonprofit, member-led health plan, TML Health Benefits Pool operates differently than a commercial insurance company. One great advantage to this type of plan is that when the Pool has a good financial year, we pass the savings on to our groups.

The renewal credit is based on each employer's 5-year loss ratio with the Pool, and 10 years of longevity with the Pool. The longer you're a member the greater your renewal credit.

"We have seen a drop in medical claims recently because of the suspension of elective surgeries due to COVID-19. The Pool is conservatively managed, and our equity level is strong. It just makes good sense to return those savings back to the members to help them through these times," said Mike Slye, Kaufman City Manager and Chair of the Finance Committee for TML Health.

- 2019 = $ 4 million
- 2020 = $ 6 million
- 2021 = $ 8 million

Total $18 million

Thank you.