



Health Insurance Captives

Many businesses and individual employees are planning to spend more for healthcare this year. According to the 2015 Scott Benefit Services Mid-Market Benefits Benchmarking Survey, 2016 will mark the 10th straight year of healthcare rate increases.

Rising healthcare costs and the added burden of the taxes and fees mandated under the Affordable Care Act, have forced employers to consider alternative strategies for managing these financial increases. Health insurance costs account for the second largest employee-related expense – second only to wages, according to a [recent study by the U.S. Bureau of Labor Statistics](#). To control costs, many businesses have raised employees' premium contributions and increased deductibles or other out-of-pocket expenses. The volatility and unsustainable nature of the traditional healthcare risk model has many employers flustered, fearful and wondering if there is a better way to manage their employees' healthcare benefit needs.

For many businesses, a captive insurance program is a strategy that can have a major impact on controlling rising costs and providing quality healthcare benefits for their employees. Captives, a self-funded alternative risk financing strategy, allow businesses to harness the costs associated with employee healthcare benefits and gain control of their insurance program.

How does captive health insurance work?

Captive programs provide a unique opportunity for organizations to form a high-performing group with ownership and control of its insurance program.

Essentially, by forming an alliance with other organizations that are dedicated to maintaining employee health and wellness, a company's risk pool is stabilized, costs are reduced and profits are returned to the captive owners rather than to the insurance companies in the traditional market.

Additionally, businesses in captive groups are able to be much more agile and responsive than they would on their own. As a collective group, captive members gain access to data and insights that can help steer their employee health insurance programs. Another advantage to the captive group model is the potential for significant savings on administrative services, health management tools and network access fees.

Is a health insurance captive right for my business?

[Employee benefits captives](#) are ideal for companies with 50-500 employees that have strong leadership and that value employee health and wellness. Typically, companies that are a good fit for a captive program have a good claims history and above average demographics in their workforce. In the past, only extremely large organizations have had access to the control and results that captives can offer, but in today's insurance environment, captives are an effective solution for many types and sizes of businesses.

Even though we are still in the first quarter of 2016, now is the time for businesses to begin working on strategies, such as a captive, to manage the risks and costs associated with 2017 employee healthcare benefits programs.

Written by

