

Control the Costs. Keep the Care.

A Guide to Captive Health Plans

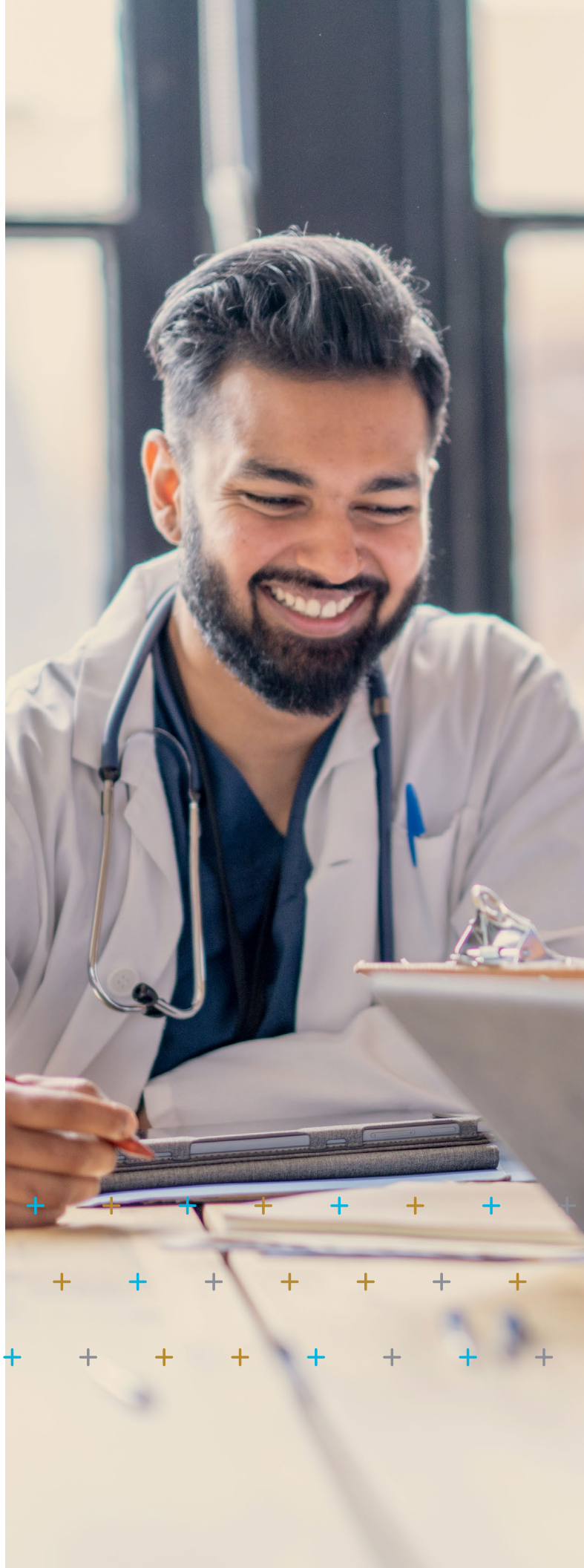
Introduction

In the ever-evolving landscape of healthcare, businesses are continuously seeking effective ways to manage and mitigate the risks associated with providing health benefits to their employees. One powerful tool that has gained significant traction with smaller to medium size employers in recent years is the medical stop loss captive. This white paper explores how this approach can contribute to a more sustainable and controlled healthcare cost management strategy.

The Current Landscape

In 2025, medical plan cost trends are projected to increase by 8% and 11.4% for prescription drugs, both are an increase from 2024. There are a number of factors driving these increases – medical price inflation, consolidation and private equity ownership in healthcare, rising rates of chronic conditions, high-cost treatments due to advances in new treatments, and more effective and expensive new drug therapies replacing less costly alternatives for individuals with chronic conditions like diabetes and GLP-1s that treat it¹.

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For most employers, medical stop-loss captives take two forms:

Heterogeneous captive – A program comprised of employers from disparate industries. These types of programs run from smaller captives covering tens of employers to larger, national captive programs that cover hundreds of employers and several hundred million dollars of stop-loss premium. These larger programs usually offer attractive contract and renewal provisions like premium rate caps to help stabilize costs.

Homogeneous captive – A program comprised of similar employers who may all be in the same industry or association. These programs typically cover a smaller number of employers due to their limited opportunities for companies to join. These programs however can generate a higher level of engagement among members which in turn drives more philosophical alignment toward a common purpose and greater level of control over captive operations.

Developing a Comprehensive Strategy

While joining a captive can optimize insurance financing for a company's health plan, the development of an effective risk mitigation strategy is paramount for the employer. Employers within a captive control their health plan operations – including the selection of third-party administrators, pharmacy benefit manager, medical network, and cost share provisions with employees (copays, deductibles, and out of pocket maximums). This precision alignment of specific vendors allows employers to build a health plan that is unique to their organizational objectives and population needs.

The most successful of health plan programs contain key elements:

- + Medical network management and direct contracting where feasible.
- + Cost transparency tools and education to steer members toward high quality and cost-efficient medical services and engagement with primary care.
- + Value based plan structure designed to incentivize utilization of screenings and early intervention services.
- + Support for members with chronic conditions to ensure care compliance.
- + Increase access to mental health providers and resources.
- + Pharmacy cost management strategies.
- + Robust data analytics to identify trends in a specific population and measure the effectiveness of implemented solutions and strategies.



IMA's Captive Practice

Our team is comprised of experienced individuals with deep knowledge of self-funding within captives. We specialize in the placement of individual employers within existing captives and the creation and management of homogenous, member owned captives. Whether partnering with a prospective client or developing strategy for an existing client, our collaborative approach allows us to work closely with employers to understand their unique needs to ensure captive placement and developed solutions are tailored and effective.

IMA's Integrated Expertise in Captive Insurance Management

A successful captive insurance strategy requires more than just financial structuring—it demands **expert oversight in medical plan administration, pharmacy management, and health risk management** to ensure cost containment and long-term sustainability.

At IMA, our Captive Practice collaborates with **internal subject matter experts** across multiple disciplines to provide a comprehensive, end-to-end approach to captive management:

- + **Medical Plan Administration** – Ensuring plan design efficiency, claims oversight, and seamless member experience.
- + **Pharmacy Management** – Optimizing prescription drug costs, evaluating formulary effectiveness, and mitigating price volatility.
- + **Health Risk Management** – Implementing proactive strategies that improve employee health outcomes while reducing long-term financial risks.

The Results

We have helped hundreds of employers develop a comprehensive, self-funded strategy aligning with a medical stop-loss captive. These programs have the potential for significant level of savings and the establishment of improved and sustainable health plans.

If your organization is ready to take control of healthcare costs with a **strategically designed captive insurance program**, IMA's Captive Practice is here to help. Contact our team today for a **customized feasibility assessment** and discover how an IMA-led captive can transform your benefits strategy.

SOURCES:

- 1) 2025 Segal Health Plan Cost Trend Survey
- 2) 2023 Mercer National Survey of Employer Sponsored Health Plans
- 3) SunLife 2024 High-cost claims and injectable drug trends analysis



SAM BURNS | NPN: 17331041

Vice President, Captive Practice Leader, Employee Benefits

sam.burns@imacorp.com

Phone: 303.615.7669

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