CASE STUDY

Long-Term Cost Control for a Self-Funded Public Entity

THE CHALLENGE

As a self-funded municipal employer, the client offered multiple medical plan options, including a PPO and an HDHP with HRA. However, the employer lacked a complete picture of how plan design, employer contributions (to HRAs), and employee premium differentials were impacting actual total cost.

Compounding the issue, the PPO plan housed nearly all high-cost claimants despite its higher employee contribution—resulting in continued financial strain.

CLIENT PROFILE

ORGANIZATION:

Mid-size Municipal Government

PLAN TYPE:

Self-Funded | Medical, Rx, Stop-Loss

COVERED LIVES:

650–750 (varied over 6 years)

INITIAL STATE:

Facing typical medical/Rx plan cost increase pressures year-over-year, desiring a solution that improves benefits for employees and controls cost long term

OUR APPROACH

We conducted a comprehensive plan performance review using a multi-layered analysis:

+ Calculated **true cost by plan** incorporating fixed costs, claims, City funded HRA contributions, and employee contributions
+ Leveraged **predictive analytics** to assess underlying risk profile of plans and **actuarial value by plan**, using the client's own demographic and claims experience
+ Identified **misalignment**: The HRA plan was priced with lower employee contributions and a high employer HRA funding which created a situation where the HDHP/HRA cost the employer as much as the PPO, while structured to drastically incentivize employees to the HDHP
+ Noted that **high-cost claimants** were concentrated in the PPO, despite financial incentives to migrate elsewhere

+ Vetted an **Accountable Care Organization (ACO)** model – identified that over 45% of all facility claims went through the hospital system (1 of 5 systems in the geographic area) that serves as anchor for the ACO
+ Collaborated with leadership to introduce the **ACO** model to replace the PPO, taking advantage of favorable facility pricing – improving plan pricing for the 45% of claims organically running through the anchor hospital system
+ Restructured contributions to **create a truly aligned differential** between plan options—lowering ACO contributions while modestly increasing HDHP employee contributions

RESULTS THAT MATTER

Despite market pressures, this client saw:

+ A projected **10% total plan cost savings** in year one, with no benefit reductions
+ Enhanced plan design in the ACO plan: $0 cost for PCP, virtual, and several outpatient services
+ A better-aligned contribution strategy that more equitably reflects member cost to the plan
+ Improved ability to manage high-cost claimants within a coordinated care environment

WHAT THIS MEANS FOR CLIENTS LIKE YOU

+ Stop-loss and claims volatility can be managed with data-driven insight and intentional benefit design
+ Perceived "lower-cost" plans may not always be the most cost-effective once employer contributions to HRA or HSA are factored in
+ Re-balancing plan incentives and network structures can generate savings without shifting cost to employees
+ Collaborative, long-term planning builds internal buy-in and supports sustainable reform

POWER METRICS

+ 10% projected savings with no takeaways
+ 45% of facility spend historically redirected into lower-cost ACO network
+ Contribution differential narrowed by 10% across HDHP/HRA vs PPO replacement
+ Copay-based plan members retained access while improving cost control mechanisms increasing HDHP employee contributions
+ After 3 full years, client has saved $6.5 million

SUMMARY

This case highlights the power of actuarial modeling, cost alignment, and network strategy in reshaping a self-funded plan's financial trajectory. By identifying hidden cost drivers and taking a surgical approach to plan design, we helped this municipal client implement a more sustainable benefits structure—one that aligns with member behavior, optimizes plan value, and sets the foundation for future savings.

CONTACT

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