

Creating Solutions To Address Healthcare Liabilities

Using Data to Reduce Cost

Pre-Funding Model brings together Financing Tools, Data Integrity, Data Centric Prevention and "Healthy Care Advocacy" programs to significantly drive quality reductions in your healthcare costs.

Pre-Funding Model is strategically designed to address the liabilities found in

- Fully Insured Benefit Plans
- Self Funded Entities (private, Taft-Hartley and public)
- Worker's Compensation Programs
- Other Post Employment Benefits (OPEB)
- Pensions

Benefits of the Pre-Funding Model:

- Establishes a fixed healthcare budget for three years...not thirty days
 - Measured savings in both the variable and fixed cost environments
 - Establishes a level fixed monthly remittance/premium equivalent that best fits your cash flow needs
 - Use of the capital market to pre-fund healthcare and workers' compensation expenditures in three-year increments
 - Unlike "letters or lines of credit" the Pre-Funding Model does not put your assets at risk
 - Investment income earned inside of Trust
 - The reserve will grow over time providing additional security
 - Recoveries and the quality of medical care delivery is enhanced
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"This program will NOT effect or CHANGE healthcare coverage's or policies Currently In Place"

"THIS IS A HEALTHCARE FUNDING SOLUTION"

**Pre-Fund Financing Model Is Designed To
Fix & Stabilize Healthcare Liabilities for 36 Months
(It's Budgetable – It's Predictable)**

How Does it Work?

Through the analysis of the clients past 3 years of claims data or premium rates we are able to predict rates moving forward for 36 months accurately

How is This Achieved?

Through the formation of a GRANTOR TRUST

What is a Grantor Trust?

A special purpose depository of funds designated for a specific purpose. A Grantor Trust is the sole obligor to all debt incurred.

Always Fully Collateralized

The balances in the trust always exceed what is owed to the bank.

How Does The Grantor Trust Get Funding?

Through the capital markets.

**The Grantor Trust is the SOLE OBLIGOR of all financial obligations
and NOT the entity considering this solution**

Accelerated Wellness & Audit

- Claims Audit
- Wellness Advocate
- Zoe Consulting, Analyzed Two and a Half Years Medical Claims; 300 Employer Groups, Nationally
- Employers using Claims Audit Experienced 54% lower Medical Trend during the period Compared to Groups that did not use this program
- Using a Wellness Advocacy Program, those groups experienced a 65% lower medical Trend

Zoe Consulting was chosen because of their extensive expertise in health and productivity management programs and their accomplished body of work in their industry. Zoe Consulting is a past winner of two C Everett Koop Awards for outcomes achieved in maternity and disease management.

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Advance Funding Model (Fully Insured)

Aaa rated Grantor Trust
Day 1 Trust wires all funds to Carrier

- Identified Savings
- Budgetability
- Non Balance Sheet Item

Employer

Advantages for Employer

- Remits Fixed Premium into the Trust for 36 Months
- Negotiates Discounted Premium
- Better Business Planning Environment

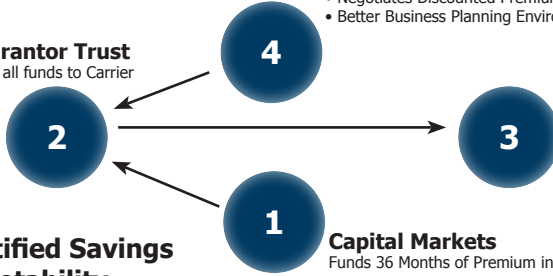
Insurance Carrier

Advantages for Insurance Carrier

- Day 1 receives all funds from Trust
- Ability to Invest 36 Months of Premium
- Client Retention for 36 Months
- No Remarketing Costs

Capital Markets

Funds 36 Months of Premium into Trust



Flow of Funds Diagram Trust Certificates (Self Insured)



Case Study:

County In Pennsylvania Current Has a Healthcare Liability for the Next 3 years of \$54,880,175

Prior 36 Month Spend	\$41,586,277	
Inflation Factor	11.50%	
Year 1	\$16,299,412	
Year 2	\$18,275,098	
Year 3	\$20,305,665	
3 Year Projection Total	\$54,880,175	
Pre-Funding Model 3 Year Total (Remittance Payments)	\$52,096,680	
Difference	(\$2,783,495)	
Reserve	(\$3,697,412)	-6.74%
Plus Wellness and Audit Savings	(\$1,744,640)	-3.23%
Total Returned to the Trust	(\$5,472,052)	-9.97%
Net 36 Month Spending	\$46,624,628	
Prior Period 36 Month Spending	\$41,586,277	
Increase/(Decrease) Over Prior Period	\$5,038,351	
Percentage Increase Over Prior Period	10.81%	
Net Trend	3.24%	

Advanced Funding Model Self Insured

