

What is Spaggregate?

Spaggregate is an innovative self-funding approach that provides all the advantages of an ERISA plan with the payment and annual Guarantee Risk of a fully insured health benefit program.

Spaggregate offers:

- An annual maximum plan cost.
- Fixed monthly payments regardless of claim activity.
- Plan design flexibility.
- Other advantages of an ERISA self-funded program.
- The opportunity to retain dollars if claim experience is exceptionally good.

The maximum plan cost and simple monthly payment approach of **Spaggregate** is guaranteed by the participation of an insurance carrier who provides stop-loss coverage.

During the course of the plan year, the employer's monthly payments are used to fund a claim reserve and to pay premium to the stop-loss carrier. As claims are presented for payment, they are paid first from the claim reserve. If the reserve is inadequate to pay bills presented, the stop-loss carrier makes the payment. This bill payment procedure is seamless and requires no participation by the employer.

At the end of the plan year, if the claim reserve is not depleted by paid claims, any dollars left are retained by the employer. They can be applied to the cost of the next year's **Spaggregate** Health Benefit Plan or used in any way to pay for or fund medical insurance programs or expenses for employees.

Spaggregate is calculated as a Self-Funded Plan but guaranteed for twelve months like an insured plan. There is no-stop-loss attachment point but the Carrier uses an internal pooling level just like in a fully insured quote. This operates like an Aggregate only and no stop loss per individual.

The contracts are typically a 12/12 with a terminal liability option or a 12/18.

Spaggregate works just as a fully insured program will work. The Employer funds the full billed premium amount monthly and that is his/her only exposure. If the group runs very well and at the end of the contract term there are monies left to pay claims in the Trust that money belongs to the Plan and not the Carrier, as it would in a fully insured funding method.

Advantages of Spaggregate:

- **Elimination of Most Premium Tax:**
There is no premium tax for the self-insured claim fund. Premium tax is applied only to the Stop-Loss premium, which is significantly less than a fully insured plan.
- **Lower Cost of Operation:**
Employers frequently find that administrative costs for a self-insured program administered through a TPA are lower than those charged by a full-service insurance carrier.
- **Carrier Profit Margin and Risk Charge Eliminated:**
The profit margin and risk charge of an insurance carrier are eliminated for the bulk of the plan.

- **Effective Claim Management:**
TPAs are evaluated on their ability to provide fast, efficient claims service as well as appropriate management of claims to reduce the employer's cost. Aegis Administrative Services, Inc. accomplishes this with its modern up to date systems.
- **Control of Plan Design:**
The employer has complete flexibility in determining the appropriate plan design to meet the needs of the employees. The employer can design the plan to eliminate plan abuses if they are encountered.
- **Mandatory Benefits are Avoided:**
State regulations mandating costly benefits are avoided because self-funding is regulated by federal legislation.
- **Administration Tailored to the Employer's Needs**
With Aegis, the Employer has the flexibility to dictate the services needed for their program.
- **Risk Management Effectiveness Through Stop Loss Insurance:**
The Employer may choose the amount of risk to retain and the amount to be covered by Stop Loss coverage.

CLAIM FUNDING AND PAYMENT

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BREAKDOWN OF MONTHLY PREMIUM PAID BY EMPLOYER

Monthly premium paid by Employer (Example) \$25,000.00 is paid into a Trust Account and it is distributed as follows:

- \$12,000.00 is set a side for claim funding each month.
- \$8,000.00 is premium to Stop-Loss Carrier
- \$5,000.00 is paid to TPA, PPO, UR, and all other Vendors.

First month there are \$10,000.00 of claims presented. This amount is taken out of the Claim Funding account leaving a balance of \$2,000.00.

Second month same distribution and claims presented are \$20,000.00. \$12,000.00 is put into the Claim Funding account plus the \$2,000.00 carry over with a deficiency of \$6,000.00. The Stop-Loss Carrier pays the \$6,000.00.