Insurance Bid Definitions

Self-funded versus Fully Insured: In a nutshell, self-funding one's health plan, as the name suggests, involves paying the health claims of the employees as they occur. With a fully-insured health plan, the employer pays a certain amount each month (the premium) to the health insurance company. In return, the insurance company covers the costs of the employees' healthcare. With a fully-insured plan, there is no additional risk to the employer. The employer knows exactly what their plan is going to cost each year. The downside is if the employees are healthy and don't use much health care, the employer has spent a significant sum and doesn't get any of the money back.

Third Party Administrator - TPA
A third-party administrator is a company that provides operational services such as claims processing and employee benefits management under contract to another company. Insurance companies and self-insured companies often outsource their claims processing to third parties. Thus, such companies are often called third-party claims administrators.

Aggregate Attachment Point: The maximum claim liability the District would be responsible for in total. The aggregate attachment point is 125% of total claims, or rather 25% more than what the expected claims were projected at. After that point, the aggregate stop-loss insurance will pay the remaining claims.

Specific Deductible: The maximum claim liability the District would be responsible for on a single individual. The specific deductible (also called Individual Stop Loss limit) is set at $250,000. When an individual exceeds $250,000 in claims, the specific stop loss will pay the remaining claims for that individual.

Claims Administration: This is the portion of fees that an insurance carrier or TPA will assess to facilitate their services including payment of claims and network access. The administrative fees are what a carrier or TPA can use to pay salaries, technology costs and other overhead expenditures related to their services. This is assessed as a Per Employee Per Month (PEPM) fixed cost and the total cost throughout the year will only fluctuate with changes in enrollment.

Utilization Review: This is the process in which services and claims are reviewed for medical necessity and, if applicable, recommendations on alternative services with better outcomes. Usually, the cost of this service is included within the general administration fee.

PPO Access / Administration: If applicable, this would be an additional fee to access a network if the responding party does not have their own proprietary network. Generally, this would only be seen from independent Third-Party Administrators (TPA) who have to contract with another company to offer a network.

Specific Premium: This is the portion of fees that an insurance company or TPA will assess to facilitate the specific stop loss. This is assessed as a Per Employee Per Month (PEPM) fixed cost and the total cost throughout the year would only fluctuate with changes in enrollment.

Aggregate Premium (ANN): This is the portion of fees that an insurance company or TPA will assess to facilitate the aggregate stop loss. This can be assessed as a Per Employee Per Month (PEPM) fixed cost or it can be assessed as a one-time fixed fee.

Laser: This is when an insurance company or TPA will exclude or assign a greater specific deductible to a single individual. This is at the discretion of the company offering the specific stop loss coverage and usually occurs when an individual is likely to incur high claims that will substantially exceed the specific deductible. An example of this is that the specific deductible for all members is $250,000, however for a high claimant that could be increased to $600,000 before the insurance company starts paying their claims. Stop loss insurance carriers assess lasers because the specific stop loss premium would be considerably higher and this way the client is only paying additional money if the individual actually achieves those high claims.

Stop Loss: Stop-loss insurance (also known as excess insurance) is a product that provides protection against catastrophic or unpredictable losses. It is purchased by employers who have decided to self-fund their employee benefit plans, but do not want to assume 100% of the liability for losses arising from the plans. Under a stop-loss policy, the insurance company becomes liable for losses that exceed certain limits called deductibles.

Fixed Cost A cost or fee that is predetermined and constant throughout the plan year. A fixed cost can be a total integer or it can be fixed based on a specified enrollment.

ASO Administrative Services Only - This applies to self-insured groups as a carrier or TPA is only administering the health plan, but not actually paying the claims.

Administrative Fees - ADPs This is the portion of fees that an insurance carrier or TPA will assess to facilitate their services including payment of claims and network access. The administrative fees are what a carrier or TPA can use to pay salaries, technology costs and other overhead expenditures related to their services. This is assessed as a Per Employee Per Month (PEPM) fixed cost and the total cost throughout the year will only fluctuate with changes in enrollment. ADP or Average Discount Percentage is the percentage discount that is applied to a provider's eligible charge based on a contractual agreement between the carrier/network and the provider.

RX Rebate A rebate provided by a PBM when certain medications (generally higher cost, brand medications) are utilized.

Underwriter A representative of an insurance company that uses pertinent data to assess risk level. The underwriter(s) then estimate potential claim exposure and will also assist in setting premium levels.

First Health Wrap (Health Alliance) If a primary network has reduced coverage in certain locations, a wrap network is an additional network that can be acquired and layed on top of the primary network to assist in access. Generally, the wrap network will have lower discounts.

PBM The Pharmacy Benefit Manager is the entity that processes prescriptions based on the PDL

PDL The Prescription Drug List (also known as a formulary) highlights what medications are covered, how they are covered and if there are any special rules for coverage. The PDL is managed by a PBM and can be offered with different levels of restriction.

What is our Core Formulary This is the name of a drug list or formulary offered by Southern Scripts.

Voya Stop Loss Voya is the name of a stop loss insurance company. They underwrite and provide stop loss quotes, but do not actually facilitate claim payment.

Contract: It means that the individual stop loss will cover 3 months prior to the effective date and then the 12 months after the effective date. 24/12 will cover 12 months prior to the effective date and then 12 months after effective date. This is done because BCBS stop loss would cancel effective 6/1/22, so this provides stop loss protection for any incurred claims that have not been processed yet. In saying that, BCBS will continue to process the actual claims that incurred during 6/1/21-5/31/22, they simply will not have the applicable stop loss coverage.