



# Veteran Employer Group Insurance Program

*Healthcare Financial Exchange*

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The HFX Veteran Employer Group Insurance Program is an alternative to traditional insurance and provides predictable, manageable, and stable pricing that meets the specific needs of each customer. HFX has developed a method to utilize existing insurance tools to solve insurance problems currently faced by most employers/government agencies in the country. **The HFX Veteran Employer Group Insurance Program is designed to reduce Veteran costs and fill a need to provide Veterans with basic health insurance which is not provided by the VA.**

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## **Risk Pools**

When HFX subsidiaries create an insurance risk pool, HFX is able to evaluate the risks of its subsidiaries, write policies, set premiums and ultimately either return unused funds in the form of profits, or invest them for future claim payouts. This is an alternative form of risk management that is becoming a more practical and popular means through which companies and government agencies can protect themselves financially, while having more control over how they are insured. HFX multi-function financial cards help fund the pools through normal and customary payment card spending.

The Veteran Affairs Agency has an under-served market for Veterans related to the lack of a health insurance plan for Veterans. HFX has decided to supplement this Veteran market by targeting Veteran-owned employer groups.

According to the SBA report entitled "Veteran-Owned Businesses and Their Owners", small business firms owned by veterans employed 5.03 million people, had an annual payroll of \$195 billion and receipts of \$1.14 trillion. More than 2.4 million U.S. businesses are owned by veterans, over 13 percent of all veterans and 26.6% of active veterans are business owners.

## **Valuable Elements**

One of the most valuable elements of the HFX business model is its self-funding relationship with insurers. HFX brokers have 80,000 existing employer/agency customers, representing 3,000,000 employees/Veterans. Colonial Life brokers will be marketing HFX products to their existing customers as an add-on benefit. Adoption rates are expected to exceed industry averages

## **A Private and Government Partnership**

As congress moves to eliminate federal interference in the healthcare industry, our plan leverages its relationship between the private sector with the government, in managing insurance reserves and is able to self-fund with state government to supplement insurance risk pools. The for-profit entity offers insurance, payment cards, and provides financial services in the normal course of business.

HFX provides specialized high level management support. Their executive team has specialized in the integration of advanced technology within the banking Industry, Bank of America, Fidelity Information Services (FIS), etc.

## Card Revenue Profile

The HFX Veteran Employer Group Program utilizes a multi-functional financial card which is designed to be used for general spend purposes in addition to cover insurance payments. For every 2 million Veterans that the card is issued to, as projected in the Veteran contract proposal, the revenue generated will be \$4,300,000,000 annually. That is with a general spend per month at \$179.00 per card. This merchant revenue is not reflected in any of the Veteran contract documents, since it is additional revenue generated at the option of the card holder.

## Risk Pools

Estimated revenue is derived from one monthly deduction which provides pay card/virtual ID card, protective accidental plan and health insurance. \$10/mo. pays insurance, \$15/mo. risk pool contribution, and \$5.00/mo. covers administrative fees. **Notice that these are pre-tax dollars that impact take-home pay** giving employees/Veterans an additional \$50 more per pay period. Also, tax reductions average \$477 per employer/agency and \$277 per employee/Veteran. The 3 million employees/Veterans are currently insured clients of Colonial Life Insurance under a value-added HFX Service Agreement/Section 125.

Monthly Deductions	Annual Payments	Insureds	Revenue
\$15/month	\$180	3,000,000	\$540,000,000
\$10/month	\$120	3,000,000	\$360,000,000
\$5/month	\$60	3,000,000	\$180,000,000
<b>Total</b>			<b>\$1,080,000,000</b>

After 18-month Ramp-Up

## Market Penetration

The HFX strategic plan leverages the HFX-Colonial Life Insurance relationship whereby 1,500 of Colonial general agents will implement HFX/Bank of America financial services (premium payments, HSA account management, and payment/eligibility cards) to their 80,000 Colonial employer/agency groups with 3 million insured employees/Veterans. This represents less than 1% penetration of total market over 3 years. (80,000 employers/agencies upgraded by 1500 agents = 53.3 employers/agencies enrolled per agent i.e. 2.2 employers/agencies per/mo. over first two years.

According to the U.S. Census Bureau, U.S. firms with fewer than 500 workers accounted for 99.% of those businesses, and businesses with less than 20 workers made up 89.6%. Add in the number of non-employer and agency businesses – there were 23.0 million in 2013 – then the share of U.S. businesses with less than 20 workers increases to 97.9%. Less than 15% of small employers/agencies use self-funded plans and those are 100 employees/Veterans or more.

## Payment Cards with Emergency Medical Plan Feature

With healthcare costs rising, it's important to do everything you can to help employees/Veterans prepare for life's sudden turns. While we want to do what's best for our employees and Veterans, we also have to consider costs and managing budgets. Bank of America and HFX are issuing the first multi-function financial card with health insurance features.

Our Patient Freedom Direct™ (PFDirect™) program can help offset the unexpected medical expenses that can result from a fracture, dislocation or other covered accidental injury.

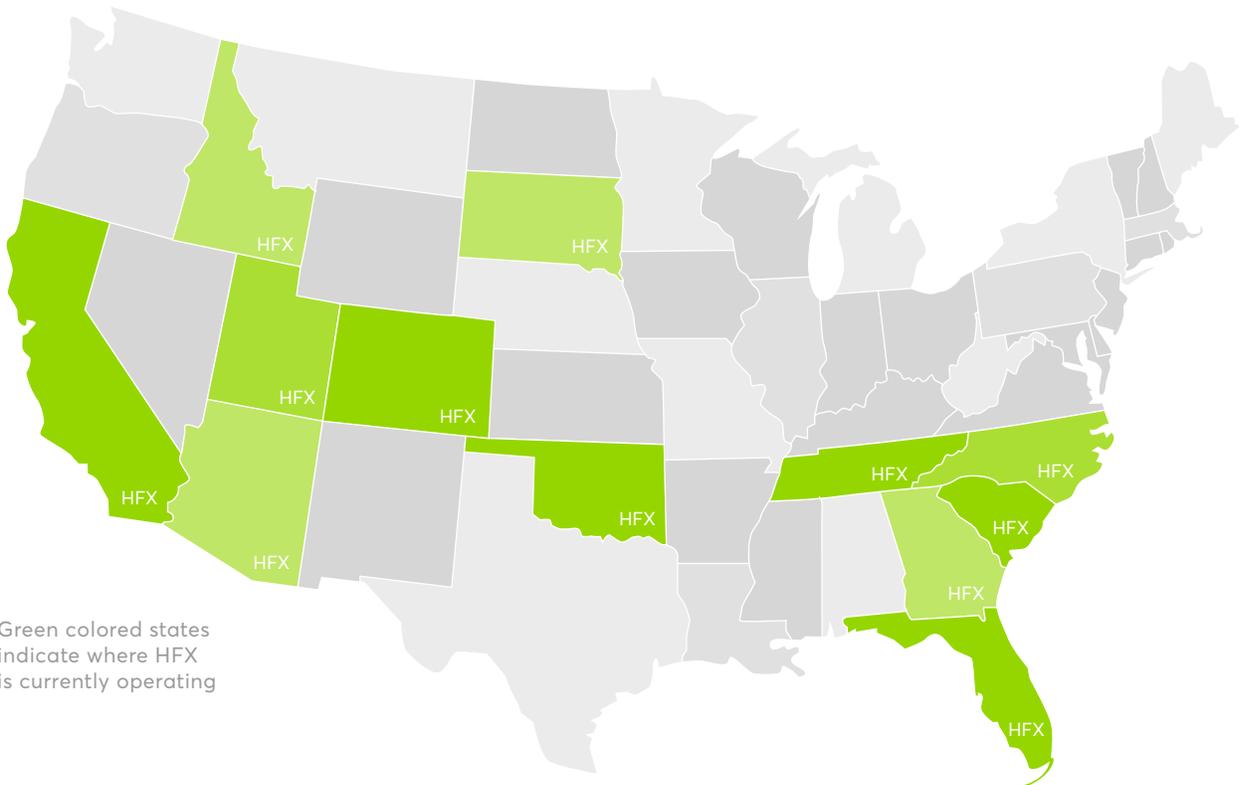
This HFX Colonial Accident Plan is a standard feature with Bank of America Pay Cards and the Patient Freedom Direct™ Cards referenced above.

## Insurance Available Across State Lines

HFX is currently reaching out to Veteran insurance agents across state lines including insurers like Aetna, UnitedHealth Care, Humana, and Cigna, quoting lower cost premiums and deductibles than Obamacare.

The HFX Patient Freedom Accident Insurance is designed to help you fill some of the gaps caused by increasing deductibles, co-payments and out-of-pocket costs related to an accidental injury. The benefit to you is that you may not need to use your savings or secure a loan to pay expenses. Plus, you'll feel better knowing you can have greater financial security.

Medical Benefits	Current Obama Care Coverage		New Patient Freedom Direct™ Card Coverage	
	PPO	HMO	POS	
	<i>Silver 70 1500/45</i>	<i>Navigate AKSO / 404 Referral Required</i>	<i>Core AKSD / 404 Open Access</i>	
Primary Office Visits	\$45	\$20	\$20	



## **Non-Profit 501c9 Company**

Healthcare Financial Exchange operates a non-profit company with IRC 501(c)(9) (VEBA) risk management issuing an accident plan to employees and Veterans to qualify for membership status entitling them to group rates.

One particularly useful tool is the HFX-owned captive insurance company. The captive can provide a wide range of benefits, including dramatically reduced costs and greater control. In this fifth installment of our series on captives and employee benefits, this compendium of articles provides a window into success stories of how captives at The Coca-Cola Company, Deutsche DHL Net and General Motors have been put to work with great effect.

## **Background • South Carolina**

In 2006, The Coca-Cola Company established its first U.S.-domiciled captive, Red Re, Inc., in South Carolina. The strategy here had multiple objectives related to tax efficiency, taking advantage of government-reinsured programs for terrorism coverage and managing our employee risk benefits. With help and guidance, an RFP for global insurers willing to work in a fully reinsured captive environment for employee risk benefits and ultimately selected two global partners as fronting companies for this program. The fronting insurers were asked to adapt the policy language, terms and conditions from previous policies in order to achieve a seamless transition for employees.

The transition from pooling to the captive model began in 2007. And although in that first year, transition had shifted only 7% of the premium formerly in the pools, the results were immediate. Depending on the market, it reduced premium 15% to 25%. Moreover, the captive model provided us with claim and financial data that we never had before. With this data, we could manage our program much more actively, begin to focus on how to use such information to align with our health and wellness strategy for the future, and improve program design.

## **Conclusion**

We predicted that a captive model would have several advantages over a pooled model. For example, pools typically are passively managed, resulting in a delay in the availability of relevant data. This makes it difficult to utilize the information for active management of claim experience. We expected that moving to a captive model would allow us to take this from a passively to an actively managed program, resulting in more efficient pricing, more detailed claim data to manage utilization and a more detailed framework for managing programs on a global scale.

## **IRC 501c9 Non-Profit Subsidiary**

A Voluntary Employees' Beneficiary Association (VEBA) is a form of trust fund permitted under the United States' federal tax law, whose sole purpose must be to provide employee benefits. Among the types of benefits which a VEBA may provide are accident insurance benefits, childcare costs, employee/Veteran continuing education, the cost of legal services, life insurance benefits, severance pay, supplemental unemployment benefits, sick leave pay, training benefits, and vacation pay. The plan may pay benefits to employees, Veterans, their dependents, or their designated beneficiaries, or to disabled, laid-off, or retired former employees and Veterans.



883 S. Westlake Blvd. Westlake Village, CA 91360  
Ph: 818.259.0440

[www.healthcarefinancialexchange.com](http://www.healthcarefinancialexchange.com)