

Some find self-insurance makes dollars and sense

Firm designs, administers claims for health-care policies

BY DAN WEISSMAN
STAR-LEDGER STAFF

Soaring health-care costs are a big burden for companies that can afford to offer employee health insurance and a barrier to business owners who would love to offer health benefits, which help retain quality workers.

The New Jersey Business and Industry Association says health-insurance costs for businesses in New Jersey increased another 11 percent last year and give every indication of another double-digit jump this year.

The figures are part of Mike Boyle's sales pitch.

Boyle is chief executive of Top Flite Benefits, a Manalapan company that designs health plans for small and midsized businesses. Boyle sells self-insurance plans in which the companies finance their own policies. It is the same approach some of the biggest businesses and governments take to control their health insurance costs.

Companies pay Top Flite fees to design the plan and administer claims. But rather than pay for insurance, the companies take on the risk of paying for the actual health care.

If the employees require less health care during the year, the company saves money. If claims soar, then the company takes the financial hit.

Thus, technically, Boyle isn't selling insurance, because self-insurance plans aren't categorized as insurance. As such, he says, his company and others like it don't fall within the jurisdiction of the New Jersey Department of Banking and Insurance.

Boyle says his business is regulated by the U.S. Department of Labor. "We have to put that on the policy," he says, "which makes this a tough sell."

Christine Stearns, a vice president with the New Jersey Business and Industry Association who specializes in health insurance matters, says, "Em-

MIKE BOYLE

Personal: 34, chief executive of Top Flite Benefits, Manalapan

Lives: Manalapan with his wife, Shannon, and their three children

Education: Brookdale College, where he studied pre-med to be a physical therapist before turning to computer consulting. "I liked it so much, I became a Microsoft engineer."

In his free time: "Spare time? What's spare time? I have two newborns."

ployers are looking for options because of how much health insurance is costing them. It is not surprising that employers will look at mechanisms like self-funding. But it is not going to be right for everyone. It depends on what your resources are. The way the economics work, it is generally more attractive to large companies with a large number of employees where the risk is spread."

Consumer Watch, an online consumer service, says, "Self-insurance isn't an automatic solution to the high cost of medical coverage. Under the right circumstances it can help, but it is not a magic pill."

Dan Gibson, a Rosewell, Ga., insurance broker who's been doing business with Boyle since Top Flite started doing business three years ago, says, "I've had tremendous success." He says eight of his customers are self-insured through Top Flite, ranging from trucking firms to advertising agencies.

Self-insurance has become a major factor in California, where newly enacted worker compensation laws allow

such an option. According to the Sacramento Bee, the fledgling movement has grown 400 percent this past year and dozens of plans are in the works.

Boyle, who left the insurance business to go into computer consulting before returning to insurance, says all of Top Flite's business is done through himself and his partner, Thomas O'Toole. "Both of us design policies and do claims administration," he says. "Everything is outsourced. We use brokers to show people our product."

As Boyle explains, unlike traditional insurance plans in which the buyer pays the insurance company an annual premium based on things such as use, costs of medical treatment and regulation-imposed benefits, a self-insurance plan can be designed one of two ways.

"If the measure is dollars, we tell the client these are the types of coverage you are able to get for those dollars," he says. "But if you want specific coverage, this is what it will cost."

But instead of the dollars flowing to the insurance company, he says, a trust account is set up from which the claims are paid. "The beauty of it," he says, "is after the claims are paid, if there is money left over, it is the company's rather than having it go to (an insurance company)."

Boyle says Top Flite has 10 clients, mostly midsized firms. And he says he sees a growing trend toward self-insurance. "We're doing fairly well," he says. "We're not doing great because it's tough trying to teach people there is an alternative, but more and more are listening because of the 12, 15 and 20 percent increases in health benefits. That's our best sales tool."

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