

# The Heritage Group Medical Plans Determination Process



The Heritage Group strives to provide market-leading and competitive benefits for employees and their families. This document outlines how medical plan decisions are arrived at and managed each year.

## A Self-Funded Medical Plan

The Heritage Group provides a self-funded medical plan for employees and their families. Self-funded plans allow employers to customize the plan to meet employee and business needs while assuming the financial liability for variable plan expenses. This means THG pays fees to Anthem to serve as our third party administrator (TPA) for our medical plan to fund administration and payment for claims in excess of what is paid by the employee.

To protect the plan from very high-cost claims, the plan purchases stop loss coverage, where the plan pays up to a certain dollar amount for any one individual and the stop loss coverage pays the amount in excess of that limit. Self-funded plans are more cost effective for employers compared to the alternative fully-insured option, which is more common among smaller employer groups. All decisions for the plan administration, funding mechanisms and coverages are decided through the Benefit Committee, which consists of representatives from the operating companies and serves as the governing body for the benefit programs

## How Premium Rates are Set and Medical Plan Design is Established

The employee premiums and plan designs are based on a combination of factors. This includes an actuarial analysis done in partnership with THG and a third party, broader economic healthcare cost trend forecasts, industry benchmarking, compliance regulations and an analysis of deidentified population health of the enrolled population.

Considering each of these factors, THG determines a financial budget for the medical plan in the upcoming plan year. Utilizing this estimate, the Benefit Committee determines how much of the total cost THG companies will contribute vs. how much will be collected from employees. The funds from the companies and employees are deposited into The Heritage Group Employee Benefit Trust, which is a tax-exempt funding mechanism for THG sponsored health plans. Benefit administration and claims are paid utilizing the funds in this account throughout the year.

THG currently provides two High Deductible Health Plans that are Health Savings Account compatible. One plan provides a lower deductible and out-of-pocket maximum while carrying a higher annual premium to the employee. The other plan has a higher deductible and out-of-pocket maximum while carrying a lower annual premium to the employee. Both plans provide identical healthcare coverage, including 100% employer-covered preventive services. See the plan documents located on your Total Rewards & Benefits Portal to understand coverages and administrative processes included in our health plans

## Determination of Medical Plan Coverages

As a self-funded plan, THG can determine whether a service will be covered when it is not otherwise required by law. THG actively evaluates the service offerings of the plan to provide the required services as well as determine service enhancements when applicable.

