

Clarity *Drives* Cost Control IN EMPLOYEE BENEFITS

Medical stop-loss captives grant employer members greater power over the structure and expense of their employee benefits programs.

Choosing an employer-sponsored health plan today often leaves employers with no good options. Fully insured plans lack transparency into underlying claims data, pricing, and key cost drivers, preventing employers from making informed decisions about plan design. Meanwhile, the complexity of the healthcare ecosystem, with new point solutions entering the market every day, makes it difficult for employers to choose the right program for their employees.

Above all, the rising cost of healthcare remains the most significant challenge employers face in managing employee benefits, says Joe Parrilli, chief business officer for the Health Solutions division at Captive Resources, a consultant specializing in medical stop-loss group captives. "Based on 2025 data, healthcare costs were trending at roughly 11%, well above initial projections of around 8% to 8.5%," he says. Prescription drugs are among the primary cost drivers, Parrilli adds: some therapies are entering the market priced at hundreds of thousands to even millions of dollars per patient—driving higher claims and, ultimately, increased premiums at renewal.

For Parrilli, medical stop-loss group captives offer employers one option to rein in costs and build a benefits plan that is right for their employees.

THE GROUP CAPTIVE VALUE PROPOSITION

The defining advantage of captives over fully insured plans is the control they allow employers to exercise over their health plans, according to Parrilli. Group captives are, in essence, reinsurance companies owned by a set of businesses with a like-minded approach to employee benefits. That alone moves each member company from "being a passenger along for the ride to being the pilot," as Parrilli puts it. "They have full transparency."

Compared to fully insured plans, where it's often difficult to determine where costs originate, group captive ownership grants employers insight into the most important aspects of their insurance. They can see not just their own claims, but how the whole captive is performing, so they can track where their dollars are going, Parrilli explains. It also allows employers full control over the structure of the health plan, so they can select coverage that suits their employee population and culture—such as cutting unnecessary coverage in order to pay for a new, expensive drug—rather than settling for an often costlier plan where everything is bundled, he says.

Another advantage is that captives do not disrupt the employee experience. "There are a lot of instances where an employee wouldn't know anything changed," Parrilli says. "Their ID card stays the same, they go to the same doctors. The employees go about their healthcare how they want to go about their healthcare."

SELECTING THE RIGHT CAPTIVE CONSULTANT

Establishing a medical stop-loss group captive requires a captive consultant with the right skills to guide the member employers through the transition. That demands two crucial qualities for a captive consultant, Parrilli believes.

The first is expertise—not just in structuring and managing self-funded health plans, but in the broader financial and risk strategy that supports them. This enables the consultant to help the employer group engage the right vendor partners in healthcare and other operations. Expertise in different group captive structures is also paramount. Parrilli says the consultant should not take a one-size-fits-all approach but instead offer different captive models so employers can choose the financial structure that is best for their company.



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The second quality of a good consultant is understanding their role. "A captive consultant shouldn't be a broker. A captive consultant doesn't own the captive. In a member-owned captive, a captive consultant is there to help educate and guide," Parrilli says. "The captive consultant should be there making sure all the pieces stay in place but not stepping on what the other partners do."

The captive consultant should work with the broker, Parrilli believes. For example, Captive Resources ensures that the brokers are part of all conversations with employers, including renewals, because the broker still consults on the day-to-day of the plan with the client, and more importantly places the medical stop-loss policy that provides the foundation for the captive to stand on. As Parrilli puts it: "We do not believe a broker should be cut out, replaced, or put on the sidelines."

Parrilli says it is a common misconception that transitioning to a member-owned group captive is a big change. Captives are ultimately a financial mechanism, and consultants stand ready to keep any extra work off the employer's plate so it's no more burdensome than a traditional fully insured plan. "The other misconception is you've got small groups saying, 'Well, this is only for large employers,' and then you have 5, 6, 7, 8,000-life groups saying, 'Only small employers do captives,'" Parrilli points out. "That's just not the case. Group captives really range in employer size."