



# Why Go Self-Funded?

## Self-funded health plans provide customization, control and cost savings

Traditionally, self-funding was a better fit for privately owned companies with more than 100 employees and a tolerance for risk. That's changed.

With the Affordable Care Act (ACA) and its mandates for benefits and essential coverage, third-party administrators (TPAs) and stop-loss carriers have created solutions geared toward the smaller market segment.

And while smaller employer groups are aware of the concept, many haven't looked into how it's relevant to their population until the ACA's transitional relief ran out.

"Over the past month, the fully insured carriers have rolled out the 12/1 renewals to the 51 to 99 employee market segment, so we've seen a drastic increase in quote volume because they now have figures in front of them of what a fully insured option would look like," says Abbe Mitze, account executive II at HealthLink.

Mitze says with the self-insured market, you can use health as a determining factor, which isn't the case for many fully insured plans under the ACA.

## Is lower cost the biggest reason for employers switching to a self-funded plan?

Yes. The No. 1 factor for an employer group to select a solution — whether fully insured or self-funded — is cost. After health premium, the next most important factor is the network of doctors and hospitals.

Since self-funded plans aren't subject to certain ACA taxes and mandates in regards to benefit coverage, in general the premium is lower in a self-funded solution.

Also, the healthier your population, the better chance you'll reap greater rewards by moving to a self-funded solution.

## How does self-funding enable more flexibility?

You can customize from both a network or plan design perspective.

In a self-funded solution, you pick the best vendors in the market for your plan. With the help of your insurance adviser and TPA, employers choose a pharmacy benefit manager, disease management coordinator, organ transplant writer, etc., who deliver the most cost contained care that is the best fit for the employee population. However, with fully insured plans, the model is turnkey; there's no flexibility to customize.

Although all plan designs are subject to some ACA mandates, self-funded employers have the ability to keep traditional plan designs, like two times deductibles and a three-tier pharmacy option. Many fully insured carriers have moved to three times deductibles and a six-tier pharmacy program. In a self-funded solution, you can make that decision for yourself.

### **What control does self-funding provide?**

It's all about transparency. You have full access to all claims information; you know where your health care dollars are being spent and who is utilizing the plan. Using this data, you can make educated decisions on your benefit design, your employee offerings and how to proactively steer spending.

These reports are why you need a very consultative insurance adviser who can guide you, as part of a self-funded solution.

### **Why do some companies hesitate to go self-funded?**

#### **What do you tell them?**

The risk is an obstacle for many. However, even in a self-funded solution, you have stop-loss insurance, so your risk corridor is outlined. You know ahead of time what is the worst-case scenario or maximum exposure. You can put together the type of contract and stop-loss attachment point where you're comfortable with the risk.

Another concern is that when you go self-funded, you will be declined from fully insured plans in the future. This risk has decreased significantly because health is no longer a determining factor in underwriting for more and more plans. Starting in 2016, this includes employer groups that fall into the 99 and lower market segment.

Also, keep in mind that a level-funded or partially self-funded plan can bridge into self-funding. These plans look and act like a fully insured plan, where employers pay a flat monthly premium. But if there is excess money, employers potentially get a payout after their plan-year ends.

If you aren't already exploring the advantages of self-funding for your health plan, it's time to start

