True or False

Myths about self-funded health plans

Historically, self-funded health plans have been most effective for very large corporations. But with the rising cost of health care over the past 10 years, at a rate of nearly 10 percent, other alternative-funded solutions have become a viable option for many employers, even those with smaller employee populations.

Today, it is estimated that 61 percent* of companies within the U.S. self-fund at least a portion of their health plan, and since the passage of the Affordable Care Act (ACA) in 2010, there are even more benefits for employers who are willing to explore alternative-funded solutions to provide quality health benefits to their employees.

What does the self-funding environment look like today, compared to five or 10 years ago? What do you expect for the future?

The ACA actually brought an increased interest in alternative-funded options for small group employers because many were unsure about offering an ACA-regulated plan. Also, alternative-funded options aren't subject to certain taxes and mandates and are typically less expensive than fully insured plans.

As employers become increasingly more informed and involved in the health care benefits they purchase and offer to their employees, they are demanding more for their money. As insurance premium rates continue to rise, employers will also continue to seek new and innovative solutions to meet their needs. Alternative-funded options offer a variety of arrangements and the high-level of flexibility that employers are searching for.

Why would an employer consider moving to an alternative-funded option?

One of the key advantages to alternativefunded arrangements is increased cash flow. With an alternative-funded plan, an employer pays claims as they are incurred, rather than paying fixed monthly premiums to cover services that may or may not have been rendered. For many employers, this can positively impact their cash flow.

Another advantage that attracts employers is the flexibility to customize the benefit offering to fit their employee population. In an alternative-funded arrangement employers can work with the consultant and third-party administrator of their choice to build the plan they want.

There are also a variety of other cost-containment and reduction opportunities that can be particularly effective in an alternative-funded arrangement.

What are the most common misconceptions that you spend your time debunking?

Many employers are open to exploring new options and breaking away from the way health plans have 'always been.' Therefore, it's far more productive to concentrate on educating employers that there may be a better way to control their spending.

Typically, misconceptions are easily disproved by focusing on the advantages of alternative-funded arrangements, such as the ability to use data to analyze fixed and variable costs to affect outcomes, as well as the opportunities for provider collaboration and enhanced cost containment.

How do the most effective companies handle the risks of a self-funded health plan?

Employers deal with risk all the time — this is nothing new. Alternative-funded arrangements often include an additional layer of stop loss insurance that outlines risk, protects against high-dollar claims and limits the amount of claim expenses an employer is liable for. As with many aspects of business, employers who are comfortable and strategic with handling risk are often the most successful with alternative-funded plans.

What else do you wish employers understood about self-funding?

There are many different types of alternative-funded arrangements, so employers shouldn't focus solely on traditional self-funded solutions only. There are arrangements that act more like fully insured plans but can still offer employers the flexibility and security of a financial backstop they are looking for.

In today's health care market, the savviest employers should be open to exploring all their options before deciding what is best for their company.

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