

# What are Self-Funded Health Plans?

*Compensation packages offering ‘health benefits’ are coming with escalating price tags. A growing number of companies have discovered self-funded health plans add value in cost savings and more.*

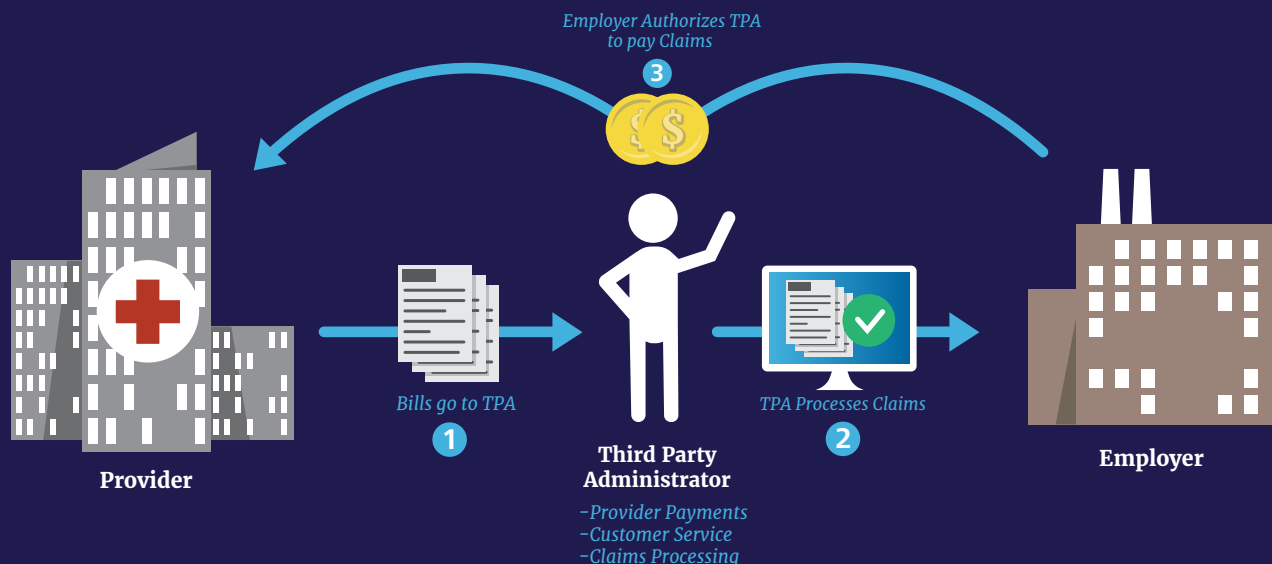
In basic terms, self-funded plans (also referred to as self-insured and self-funding) are a health plan strategy where an employer pays member health claims directly to health providers, rather than paying premiums to a health insurance company to cover those claims.

Companies choosing to use self-funded plans bypass the traditional health insurance model and instead work with a Third Party Administrator (TPA) in establishing, administering and managing the plan.

## How does a self-funded health plan work?

Companies considering self-funded health plans typically hire a TPA to provide the expertise in developing and administering a customized plan. Working with a TPA, an employer is able to provide benefits, paying health providers directly only as needed and fixed administrative costs monthly to their TPA. This model represents significant cost savings to a company's bottom line.



A traditional health insurance plan is built within a business model established by health insurance companies and involves an employer paying monthly premiums covering the projected claims, administrative costs and more to their insurance provider. The insurance company pays plan providers and keeps any unspent dollars as profit.



**Self-Funded**

**At-A-Glance**

**Fully Insured**

|   |  |                                     |
|---|--|-------------------------------------|
|  | Improve cash flow by eliminating pre-paying (insurance premiums) for healthcare coverage.  | <input type="radio"/>               |
|  | Customize your benefits to meet specific organization goals and avoid paying for unnecessary healthcare coverage.                    | <input type="radio"/>               |
|  | Monthly audits of claims provided, enabling organizations to make adjustments to coverage throughout the year.                       | <input type="radio"/>               |
|  | Access to customized monthly claim reports providing plan insight and influencing strategic decisions and control for employers.     | <input type="radio"/>               |
|  | Federally regulated healthcare plan options ensure consistency in benefit administration across geographical locations.              | <input type="radio"/>               |
| <input type="radio"/>   | Select from a variety of 'one-size-fits-all' plans through healthcare insurance provider regardless of past claim history.           | <input checked="" type="checkbox"/> |
| <input type="radio"/>   | Pre-pay healthcare claim expenses with consistent monthly payments regardless of the number of employee claims.                      | <input checked="" type="checkbox"/> |
| <input type="radio"/>   | Minimal access to detailed reporting specific to an organization's healthcare costs and claims history.                              | <input checked="" type="checkbox"/> |
| <input type="radio"/>   | Premium rates are fixed annually and change only when the number of employees enrolled changes.                                      | <input checked="" type="checkbox"/> |
| <input type="radio"/>   | Regulated by each state which may lead to conflicting benefit mandates and laws as well as potential health insurance premium taxes. | <input checked="" type="checkbox"/> |

## Frequently Asked Questions



**How much risk is involved with self-funding?**



No one can predict the future when it comes to members health. Most TPA's provide what is known as Stop-Loss insurance that protects the employer and the established fund from unexpected or catastrophic costs.



**How beneficial are claim reports provided by a TPA?**



Federal regulations require TPA's to track and provide reports to clients. These company-specific reports are updated regularly and contain actionable information that can identify cost savings, guide plan customization and wellness strategy of an employer.