alternative
benefit concepts

Self-Funding Simplified

WellNet
HEALTHCARE

Self-Funding Simplified

The phrase **Partially Self-Funded** implies the use of catastrophic claim insurance, called Stop-Loss insurance. In recent years, several iterations of Partially Self-Funded plans have been developed and can be referred to as:

1. Level Funded plans
2. Alternate Funded plans
3. Consortiums
4. Captives

The purpose of this guide is not to explain the variations between these different types of arrangements. Instead, to provide a simple understanding of Partially Self-Funded plans. This is a critical prerequisite to understanding the differences within each variation of Partially Self-Funded plans.

Pay For What You Use

Unlike fully-insured plans, with self-funding, employers only pay for the healthcare their group consumes.

Maple Hill Benefits
INSURANCE AGENCY

WellNet was able to help me win a large case when other brokers were thinking traditional fully insured products. If you are looking for a way to differentiate yourself in the market and show real options, WellNet is the way to go!

— Brandon Chisholm, Maple Hill Benefits, Richmond, VA

6 Core Advantages of Partially Self-Funded Health Plans

1 **Partially Self-Funded employers pay for only the healthcare claims their members consume,** a low stop-loss insurance premium for catastrophic claim coverage, and an administrative fee to a third party administrator who will administer their program.

A set monthly payment

is divided three ways:

Admin Expenses

Stop-loss premium

Claims account (pre-funded)

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We left our fully insured carrier due to the double digit cost increases every year. The ability to continue to provide health benefits required us to find an innovative approach to providing employee health care, which we found with WellNet.

— David Geany, CFO, Sokolin, Westhampton, NY

For comparison purposes, fully insured employers pay insurance premiums that are primarily based on the underlying claims experience of a much larger pool of employers that are also insured by the same health insurance provider. Healthy companies within these pools are likely paying far more than they ought to be paying since they are not rewarded for their favorable claims experience. **If they were Partially Self-Funded, they would pay for only the healthcare their members consume, a small stop-loss insurance premium, and an administrative fee to their Third Party Administrator.**

2 **Employers have the flexibility to design the plan exactly the way they want it,** limited only by ERISA requirements. This flexibility applies to both medical and prescription coverage.

3 **Employers have full access to their detailed utilization and claims information,** allowing them to make effective decisions in real time to increase plan efficiency and lower claims.

If brokers must pare down costs or shop plans year in and year out, there is little room to hone in on the important differentiating factors. It's important to make sure similar claims don't hit again and again — that's where WellNet steps in.

— Robert Petcove, Arthur J. Gallagher, Cherry Hill, NJ

Know What You Pay For

Self-funded plans offer 100 percent visibility into each and every cost, enabling companies to project, plan for and manage their healthcare spend.

Example A. MRI utilization at hospital-based facilities is too high, so the Partially Self-Funded employer provides incentives (possibly lower copay or deductible,) to employees if they obtain MRI's at a local, independently owned facility, which significantly lowers the cost of the MRI.

Example B. Brand name prescription drug utilization is too high even though there are plenty of comparable generic drugs available, so the Partially Self-Funded employer provides incentives (possibly lower copays,) to employees that utilize generic drugs when they are available...this lowers claim costs considerably since the cost of drugs typically represents more than 20% of total plan costs.

The client and the employee are completely blown away by the above and beyond effort you guys went to. Thank you so much and it is very reassuring that WellNet has our backs.
— Kara Barton, Brown & Brown Insurance, Santa Barbara, CA

4 **Since employers pay for only the healthcare their members consume,** population health management programs with high levels of member engagement can have a real, meaningful impact on claim costs since healthier people consume less healthcare.

5 **Transparent data** allows for micromanagement of that data including the following possible cost containment strategies:

Leverage Data. Gain Insight.

Claim audits. It has been proven that most hospital bills contain errors. Hospital charges typically represent the majority of incurred claims and since most hospital bills contain errors or duplicate charges, auditing those bills before paying them is a great way for employers to save money.

WellNet's innovative approach to offering our customers with outside-of-the-box, creative, self-funded solutions that make sense from both a benefit design and pricing standpoint. WellNet is a partner that I will continue to rely on.

— Dwight Ellis, Wells Fargo Insurance Services, Richmond, VA

Steering members to high quality/low cost providers. Similar to manufacturing, facilities that perform the most of a particular procedure tend to do it better and cheaper than facilities that don't perform as many procedures. Members should be utilizing these higher quality/ lower cost providers as they will reduce claim dollars and improve outcomes.

Self-Funded Plans Eliminate Unnecessary Charges

6 Elimination of a large portion of the state charged Premium Tax

Fully insured plans pay a premium tax on 100% of their healthcare costs since all of the costs are in the form of insurance premiums.

Partially Self-Funded employers only pay a small percentage of their total costs in the form of Stop-Loss insurance premiums, which is charged a premium tax, but this represents far less in premium tax than a comparable fully insured program.

How Partially Self-Funded Employers Protect Themselves from Claim Risk

There are 3 types of claim risks that Partially Self-Funded employers must consider. Here are those risks followed by how most Partially Self-Funded employers manage those risks:

1 What if a member of the health plan has a catastrophically costly claim?

Partially Self-Funded employers purchase Specific Stop-Loss insurance. These policies protect the employer from high claims incurred by one specific member. The employer gets to choose a claims threshold that they are willing to pay up to.

Ourisman Automotive Group

By making the switch to level-funding, WellNet allowed us the ability to budget medical expenses accordingly without the worry of the high claims month. I love WellNet's "high-touch" customer service, which is non-existent with large carriers.

— Kyle Balsis, V.P. of H.R., Ourisman Automotive, D.C.

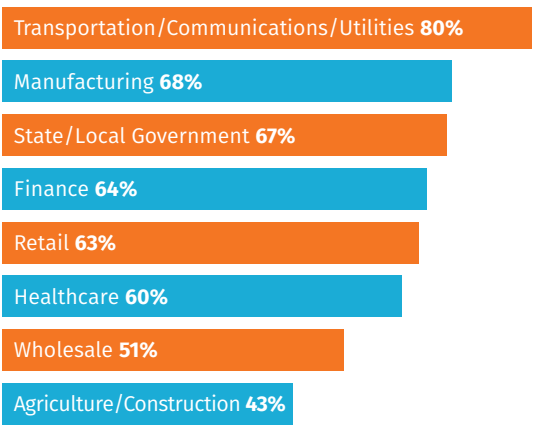
Example. The employer may be willing to pay the first $20,000 of claims on any one specific member (less any applicable cost sharing that the member is responsible for). The Specific Stop-Loss carrier would then pay all claims over $20,000, even if the total claim was $20,000,000 since these types of policies offer unlimited benefits. The employer is only responsible for the claims under the Specific Stop-Loss Deductible, which in this example was set at $20,000.

2 What if none of the members have a catastrophic claim but many of the members have moderately high claims?

Partially Self-Funded employers also purchase Aggregate Stop-Loss insurance. This policy works in tandem with the Specific Stop-Loss policy and is always issued by the same Stop-Loss insurance company. This policy works by aggregating all of the claims **under** the Specific Stop-Loss Deductible that are incurred by each member and then provides what is known as an Aggregate Stop-Loss Deductible (also known as an Attachment Point).

Once total claims from all members **(only claims under $20,000 in this example,)** exceed the Aggregate Stop-Loss Deductible, then the Aggregate Stop-Loss policy kicks in and begins paying all of the claims under $20,000 per member for the remainder of the plan year. Claims over $20,000 per member are always going to be paid by the Specific Stop-Loss policy. The employer is only liable to pay claims up to $20,000 per member and only up to the total amount indicated by the Aggregate Stop-Loss Deductible (the attachment point).

Self-Funding by Industry



Kaiser/HRET Survey of Employer Sponsored Benefits 2016

From the underwriting process, to quote return, to the sales presentation, to the implementation process, and beyond, with WellNet it's all handled with a personal touch that is appreciated by my clients and me.

— Joe Novello, Novello & Associates, Cincinnati, OH

3 Who continues to pay claims if the Partially Self-Funded plan is terminated?

Simply put, the employer is responsible for paying claims that are incurred during the Partially Self-Funded plan year, even if the medical provider submits them for payment after the Partially Self-Funded plan is terminated.

Most Partially Self-Funded employers make sure that their Specific and Aggregate Stop-Loss policies provide adequate protection **after** the plan terminates. This protection is not automatically built in to stop-loss policies as there are premium costs associated with offering protection after a plan terminates.

Employers should consult with their advisors to determine what deductible levels are appropriate for both the Specific and Aggregate Stop-Loss policies and how much continued protection is needed in the event the Partially Self-Funded plan is terminated.

WellNet has a tremendous reporting package that is available 24/7. You can pull claims info and other data at any time.
— Glenn Cassity, Benefit Concepts, Houston, TX

WellNet offers affordable and innovative level-funded health plans to groups with as few as 25 employees. Delivering transparency of costs, we provide access to referenced-based pricing plans, premier national PPO networks, 65,000+ pharmacies, claims auditing, tele-medicine, population health management, incentive management, and white glove member and account services.

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Analyze

Healthcare Claims in Real-Time

Predict

Future Health Care Costs

Engage

Members to Prevent Future Risk

Save

On Healthcare Costs

WellNet HEALTHCARE

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