



Is Self-Funding or Fully Insured Right For Your Company?

Fully Insured vs. Self-Funded

In a traditional fully insured health plan, your company pays a premium. The premium rates are fixed for a year, and you pay a monthly premium based on the number of employees enrolled in the plan. Your monthly premium only changes during the year if the number of enrolled employees in the plan changes.

The insurer collects the premiums and pays the health care claims based on the benefits in the policy you purchased. The covered persons are responsible to pay any deductible amounts or co-payments required for covered services under the policy.

The cost of a self-funded plan has fixed components similar to an insurance premium, e.g., administration fees, stop-loss premium, and variable costs (the claims expense). The administrative fees, stop-loss premiums, and any other set fees charged per employee are referred to as fixed costs and are billed monthly based on plan enrollment just like an insurance premium. The entity sponsoring a self-funded plan also pays the claims costs incurred by the covered persons enrolled in the plan, and this cost varies from month to month based on health care use by the covered persons. Stop-loss insurance reimbursements are made if the claims costs exceed the catastrophic claims levels in the policy. So the total cost of a self-funded plan is the fixed costs plus the claims expense less any stop-loss reimbursements. **Capping Catastrophic Claim Risks**

Even though these plans are called self-funded plans, an employer typically does not assume 100% of the risk for catastrophic claims. Rather, the employer buys a form of insurance known as stop-loss or excess-loss insurance to reimburse the employer for claims that exceed a predetermined level. This coverage can be purchased to cover catastrophic claims on one covered person (specific coverage) or to cover claims that significantly exceed the expected level for the group of covered persons (aggregate coverage), or "spaggragate" coverage—a unique concept.

Creating Your Self-funded Plan

The flexibility of self-funding helps employers use their health benefit plans the way they were originally intended – to attract and retain the finest employees in the industry. Benefits can be customized to meet your employees' needs and to satisfy company objectives. Aegis will help you design your self-funded plan and we will handle the day-to-day plan administration.

All of our self-funded plans have access to local and national provider network's of over 450,000 health care providers that offers covered persons convenient access to care. At Aegis we can offer self-funded plan design options that start with a basic Preferred Provider Option plan structure; a Point-of-Service option; or an Exclusive Provider Option, which maximizes in-network utilization.

Consumer-directed health plan options are also compatible with self-funded plans. For example, we can pair a high-deductible self-funded health plan with a Health Savings Account or a Health Reimbursement Arrangement.

Not just for large employers

A common but mistaken impression is that self-funding is only for large employers. In fact, self-funded health plans can be prudently set up by smaller employers as well. When we set up a self-funded plan for a smaller employer, we help them select the appropriate level of stop-loss or excess-loss insurance, which provides reimbursement for large catastrophic claims. Stop-loss insurance allows smaller employers to consider this very economical approach to providing employee health benefits because it protects them from large claims.

Summary

- Self-funding treats predictable claim costs as expenses rather than as insurable risk items.
- In a self-funded plan model, we help employers determine the amount of risk that is appropriate for their company.
- The plan sponsor purchase's stop-loss insurance to protect against catastrophic claims.
- Risk charges, insurance company reserves, and most premium taxes are avoided.
- Self-funded plans are governed by ERISA instead of state insurance law.
- In a self-funded plan, the plan sponsor can either fund expenses as they come due or deposit expected or maximum costs into an account each month.
- As benefits administration specialists, we help design the plan, secure appropriate levels of stop-loss coverage, administer all claims on behalf of the covered group, and issue claims payments on behalf of the employer.

- Our Internet-based technology provides everyone involved (e.g., plan sponsors, members, providers, and agents) with secure online access to important benefit-related information (including claims status) 24 hours a day, seven days a week.
- **Self-funding is not just for large employers.**
- **Is Self-Funding Right For Your Company?**
- The only way to know if your organization can benefit from self-funding is to analyze your existing plan design and recent claims experience. Aegis provides this analysis at no cost or obligation. Isn't it time you learned more about self-funding with Aegis Health Plans?