Self-Funding Primer

What is Self-funding?

- Employer/Plan Sponsor sets up a fund to pay claims, which would be administered by Preferred Risk Administrators.
- Employer/Plan Sponsor designs its own benefit plan.
- Includes Stop Loss (reinsurance) protection for abnormal risks.

Advantages of Self-funding for the Employer:

- Self-funding is becoming more attractive for groups with less than 100 employees due to PPACA.
- Self-funding can involve more flexibility and creativity to hold future claims cost down.
- Cash flow benefit - Employer/Plan Sponsor can either fund expenses as they come due or deposit expected or maximum costs into an account each month to help level out the claim exposure.
- Effective Claim Management and utilization of Managed Care Services can add 3 to 5% savings.
- Carrier profit margin and risk charges accrue to Employer.
- Many mandated benefits avoided.
- Elimination of most State Premium Tax.
- Plan control and flexibility with "better data" leading to lower premiums for employees.

Advantages of Self-funding for the Agent:

- The ability to present a new, cost-saving product in a commodity market.
- The offer of a low risk transition to traditional self-insurance.
- Potential to become the expert for a growing market.
- A healthy commission – outside of the regulations of PPACA - for each case that is placed.
- For each placed case, a new audience to present ancillary products to. *(Preferred Risk Administrators' sister company, United Security Life and Health, offers several individual ancillary products – ask us for details!)*

PPACA's Effect on Fully Insured Groups with less than 100 Employees:

- Community Rating means that the highest and lowest ages can only have a 3:1 premium ratio.
- There will no longer be any gender or industry loads or discounts.
- Essential Health Benefits, as defined by the government, will be required with no maximum limits.
- ***Self-insured groups will not have to follow these guidelines.***

Preferred Risk Administrators Provides or Arranges for:

- Claim payment administration
- Preferred Provider Network (PPO)
- Prescription Drug program
- Managed Care
- Utilization Review
- Disease and Case Management program
- Data analysis and reports
- Transplant programs
- Stop Loss coverage
- Lifestyle/wellness programs
- Patient advocacy
- Ancillary coverage and programs

Stop Loss:

- Specific Coverage insures the Employer/Plan Sponsor against a catastrophic loss incurred by one Member surpassing a "specific" dollar limit. Only Medical and Prescription drug claims may fall under this coverage.

- Aggregate Coverage insures the Employer/Plan Sponsor against unusually high overall claims for all Members of a covered group, due to high frequency or an unexpected number of large, catastrophic claims coupled with the usual preventative care: colds, flu, prescription drug, dental, vision, etc. claims. Claims below the Specific Deductible on covered Members fall under this coverage. Medical, prescription drugs, and optional coverage such as Dental, Vision, and Short- term disability usually fall under this coverage.

Likely Industries for Self-funding:

- Air Transportation
- Apparel – Retail or Manufacturing
- Auto Rental
- Banking & Financial Services
- Communication
- Computer Services
- Credit Organizations
- Educational Services
- Electrical Machinery & Equipment
- Fabricated Metal Products
- Furniture & Fixtures
- Instruments
- Insurance Agents & Brokers
- Insurance Companies
- Investment Companies
- Machinery
- Miscellaneous Manufacturing
- Miscellaneous Repair Services
- Museums, Gardens & Zoos
- Paper & Allied Products
- Pharmaceuticals
- Printing & Publishing
- Professional Services
- Real Estate
- Retail
- Rubber & Miscellaneous Plastic
- Securities & Commodities Brokers
- Textile Mill Products
- Transportation Equipment
- Transportation Service Management
- Veterinary
- Wholesale Trade