

FALL RIVER EMPLOYEE BENEFITS



The Basics of Partial Self Funding

Increasingly, employers with 25 or more employees are taking advantage of the benefits of partially self funded arrangements, also known as Administrative Services Only (ASO) contracts. This benefit strategy enables healthy employers to pay less for the same coverage and stop subsidizing their competition.

Self funding means employers pay their group's actual healthcare claims as incurred, instead of paying fully insured premiums. Stop loss insurance protects employers from large claims on any one individual or on the group as a whole.

For those employers who haven't previously worked in a self funded environment, we don't recommend it as a quick fix to save costs in one year. Due to the expertise in both education and strategy required, there are also plenty of fears and potential missteps. However, when properly implemented, and for the right group, self funding can be a wonderful paradigm shift enabling greater control and cost savings than the fully insured market allows.

Let's explore briefly both the benefits and the risks an employer should consider:

POTENTIAL CLAIMS SAVINGS

If you have good claims experience, self funding enables you to participate in your own good claims experience immediately. Because you only pay for the claims you actually have (with protection with large claims), you don't subsidize other employers' bad claims experience like you do with a fully insured plan.

OTHER SAVINGS

Most premium tax and expensive, mandated benefits are eliminated.

INCREASED CONTROL

Self funding enables you to gain more control over your plan, including access to robust reporting packages with actionable information. With the help of your broker, you can create long-term, cost-containment strategies based on your employees' plan utilization and identify what's driving your own renewal costs. If your company has less than 100 employees, this would be completely impossible with a fully insured policy.



CASH FLOW ADVANTAGES

Because self funded claims are paid about two months (on average) after fully insured premiums are paid, employers get a one-time boost to cash flow.

ESCAPING SMALL GROUP RATING

In Colorado, employers with 50 or fewer employees are subject to small employer rating restrictions that prevent insurance companies from giving any discounts to healthy employers. Also, companies with heavily male populations deserve lower rates due to the lower claims incurred by males, yet can't receive them under fully insured, unisex, small employer rates. Self funding can allow certain small employers to benefit greatly, simply from a change in rating laws.

Self funding or partial self funding is not without risks.

CHOOSE THE RIGHT LEVEL OF RISK

In exchange for the rewards above, an employer bears more risk under self funding than in a fully insured arrangement. Only the very largest of groups (typically at least 10,000 employees and above) should consider full self funding with no stop loss protection. Fall River can help you select an appropriate level of stop loss risk you can comfortably take on.

PREPARE FOR VOLATILITY

There are two differences in the pattern of how self funded employers pay their bills versus a fully insured arrangement. First, because you pay for claims as incurred, your liability starts a few months later and ends a few months later. Because of this, we recommend using those first few months to build up a reserve. Second, while partially self funded employers have a cap on their total annual liability, the actual amount paid month to month can vary much more than with fully insured premiums.

BEWARE OF CHEAP STOP-LOSS CONTRACTS

Far more so than with fully insured premiums, an excess loss carrier can easily cut their premiums by excluding critical protections. At Fall River, we are experts at evaluating these contracts to ensure you get all the protection you need at the best possible price.

Need expert help to analyze your stop loss contract before negotiating your next renewal? Interested in a proactive way to contain costs and beat the trends? Contact Fall River for a complimentary benefits review and quickly determine if self funding is right for you.