

Self-Funding: A Sales Success Strategy

While securing business and assisting your clients is at the top of your to-do list, providing healthcare (benefits) to employees has been among the top three challenges small business owners face, with the top two being hiring new employees and increasing profits.¹

More Self-Funding Options for Smaller Employers

As you help your clients address the challenges of providing affordable health benefit plans, self-funded (also referred to as self-insured) benefit plans are increasingly having a positive impact for agents in markets across the country. Self-funded medical plans are no longer reserved for large employer groups. These plans are helping small employers maintain medical benefits when they might otherwise discontinue offering a fully insured medical plan due to increased costs and lack of available options.

According to a 2017 study by the Urban Institute, which examined small and large business insurance markets in six states, several of the states that previously made the purchase of stop-loss difficult have made legislative changes, making it easier for employers to buy stop-loss insurance.² And, the number of self-funded arrangements available in the marketplace have increased, including services from a majority of the largest insurers.³

At the same time that stop-loss insurance options have increased for small employers, many employers with fewer than 50 lives enrolled are facing financial pressure to maintain an employer-sponsored health benefit plan. High costs, higher deductible exposure, and fewer carrier and plan options in the marketplace may lead employers to drop their group-sponsored plan altogether, resulting in more employees moving to the individual marketplace. Employees may see higher premiums in the individual marketplace, which some insurers may increase up to 20% in 2018⁴. Many insurers have, since last year's enrollment, scaled back their participation on the exchanges because of financial losses and uncertainty over whether the federal government will

fund cost-sharing reduction subsidies and enforce the individual insurance mandate.⁵ Around 40% of counties in the United States will have just one insurer option on the marketplace.⁶

If you're working with small groups, there are other ways to address the high costs, mainly with an approach that includes a self-insured plan tailored for small employers.

Maintaining and Building Your Book of Business with Self-Funding

80% of small employers believe brokers helped them get the best product, and 76% of small size employers value their brokers to help them get the best product and get the best price.⁷

Today, you realize exactly how challenging it is for employers to identify and provide affordable health benefits to employees. The more comfortable you are endorsing self-funded health plan designs with stop-loss insurance, the more nimble you will be in maintaining and building your book of business.

With some self-funded plan designs, the group is reviewed and then either experience or individually underwritten for stop-loss insurance rates. Employers pay covered claims incurred by employees out of their self-funded plan prefund account. When claims are more than what was funded, to help minimize risk, the aggregate or specific stop-loss insurance kicks in to help the employer with funding obligations. Stop-loss insurance makes self-funded health benefit plans a viable option for smaller employers because it minimizes claim volatility, meaning employers don't have to worry about having resources available to manage and pay for high-cost claims or several higher dollar claims in a given month(s).

If claims run well and there are more funds in the claim account than what was paid out on claims, the employer may receive a refund or credit towards future plan years' administrative fees. This may vary by the third-party administrator/carrier.

Additional advantages unique to self-funding that help employers control costs:

- Employers have access to HIPAA-compliant claim utilization reporting, allowing them to analyze several factors, including: health conditions, hospital charges, prescription drug utilization and high-cost chronic

diseases within their group. This information can help employers know what type of education is needed to improve their employees' outcomes and help the efficiency of the plan. This information is also helpful for developing future plan designs.

- Savings on state premium taxes because self-funded claim dollars are not subject to state health insurance premium taxes, which helps lower costs.
- Potential for monthly predictable payments, allowing employers to budget each month regardless of claim activity, are available with some carriers/TPAs.

Your Clients Look to You for Support

While the health benefit plan designs you offer your clients are important, your experience and support also play a large role in fulfilling your client's needs. According to a 2017 MetLife study, brokers are like a lifeline for their employers, with employer interest in the following areas noted below.⁸ As you plan your future sales strategy, think about how you will continue to assist clients and what new ways you can help them with their needs.

Employer interest in their brokers expertise⁸	How you can be your client's lifeline
<p align="center">65% Recommending new/innovative benefits solutions</p>	<p>Suggest that clients self-insure their benefit plan as the next logical step to further save on healthcare expenses, as many employers may already be familiar with the concept of self-funding from offering a health reimbursement arrangement (HRA) with a high-deductible plan.</p>
<p align="center">68% Recommending cost-savings alternatives</p>	<p>Familiarize yourself and educate your clients about self-funded reference-based pricing plan designs, which are relatively new to the small to midsize market. Reference-based pricing is a pricing strategy that can work in several different ways, depending on the TPA/carrier. Reimbursement for provider payments can be based on a fixed amount for a particular procedure; based on a reasonable fee or a multiple of Medicare; or certain procedures or services may be assigned a maximum provider reimbursement level based on a median price. These plan designs are typically less expensive than traditional PPO plan designs and can provide significant cost savings.</p> <p>Encourage employers to educate their employees to become better consumers by using available services like telemedicine, cost and quality transparency tools, and choosing generic prescription drugs or mail order prescription drugs when possible, and selecting the proper level of care.</p>
<p align="center">64% Advising on healthcare reform requirements</p>	<p>Educate your clients about current ACA regulations and their responsibilities, and suggest they reach out to a tax advisor, if necessary.</p>
<p align="center">64% Providing benefits administration (enrollment, billing, etc.)</p>	<p>Answer questions for your clients or put them in contact with the proper support to get answers on enrollment, add-ons, billing or claims issues.</p>

Discuss a Self-Funding Strategy Today

As a trusted advisor, you are navigating your clients through challenging times. There is no better time than now to take a moment to reflect on the trends shaping the industry today. Self-funding employee health benefits are helping brokers and employers. Self-funding may not be a fit for every small employer, but maintaining such plans is helping employers solve the challenges of providing affordable health benefits. Chances are, if you are not discussing a self-funding strategy today, your client will likely request your opinion/feedback about it.

With the endorsement and recommendation of self-funding, you may find a new pathway to building your bottom line this year and in the future.

Footnotes:

- ¹ The 7 Biggest Challenges That Small Business Owners Face in 2016. Inc. 4/21/2016.
- ² Small Business Health Insurance and the ACA: Views from the Market 2017. Urban Institute. 7/27/2017.
- ³ Meet The Future Of Small-Business Health Insurance: Self-Funding. Forbes. 8/30/2017.
- ⁴ Early Analysis of 21 Major Cities Tracks ACA Marketplace Premium Changes, Insurer Participation, Uncertainty. Kaiser. 8/10/2017.
- ⁵ Death by a thousand (funding cuts). Modern Healthcare. 9/15/2017.
- ⁶ Here's How Much Obamacare Premiums Will Increase in 2018. Money. 6/22/2017.
- ⁷ Small Business Health Plans: Go Broker, or Go Broke. Accenture Consulting. 2017.
- ⁸ Work Redefined: A New Age of Benefits. MetLife's 15th Annual U.S. Employee Benefit Trends Study. 2017. p. 57.

We offer self-funded plan designs with stop-loss insurance uniquely designed for small to mid-size groups. For more information or a quote visit TrustmarkSB.com.

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400 Field Drive
Lake Forest, IL 60045
TrustmarkSB.com

