Open More Opportunities by Offering Self-Funded Plan Designs

Do either of these scenarios describe you?

1. I don't understand self-funded plan designs or I have reservations about offering them.

2. I am interested in self-funding, but not experienced enough/comfortable offering it to my clients.

If you find yourself in the first or second category, now is a great time to get up to speed and offer your smaller clients a self-funded plan design. Why? *More small employers are showing interest in self-funding. Between 2013 and 2016, the percentage of small employers offering at least one self-funded health benefit plan increased.*[1]

For small employers (fewer than 100 employees), the percentage increased from 13.3 percent to 17.4 percent (a 31-percent increase).[1]

Open up more opportunities to service your clients and learn about the inner workings of self-funded plan designs and the nuances among carriers/third-party administrators (TPAs) who offer these types of health benefit plan designs. If you don't present this option, you may be missing out on offering your client a plan design that can help control plan costs, or lose a case to another broker and the referrals that may follow.

Self-Funding Advantages

In 2017, the average annual premium for employer-sponsored family health coverage for covered workers in small firms (three to 199 employees) was $6,486 for single coverage and $17,615 for family coverage.[2]

Increasing costs of fully insured plans make self-funding an attractive and valuable option to employers because of the potential cost-savings and more. Self-funding:

- Gives employers a way to attract and retain employees with affordable health benefits.
- Provides flexibility to allow employers to customize their plan with different deductibles and coinsurance choices to fit their needs, whether it is a preferred provider organization (PPO) plan design, consumer-directed health plan (CDHP) design, or a reference-based pricing or preventive-only plan design.
- Has the opportunity for a refund to employers if there is a surplus of claim dollars in their prefund account at the end of the plan year. Types of refund may vary among carriers/TPAs.
- Gives employers access to aggregate health claims data and demographic information with transparency reports. The reports offered exclusively to self-funded plans versus traditional fully insured plans, allow employers to better manage costs and encourage cost-savings measures their employees may be able to implement such as switching to generic medications, using in-network providers, selecting a different level of care, etc.
- Claim dollars are not subject to state health insurance premium taxes, which can help lower costs. Premium taxes average around two percent.
- Stop-loss insurance protects employers from large covered claims. For example, stop-loss insurance provides coverage when an individual covered under the self-funded plan has a catastrophic covered claim that exceeds the specific deductible, or when the covered claims of all individuals covered under the self-funded plan have covered claims that exceed the aggregate deductible.

Suggestions for Self-Educating

Use the tools available at your fingertips online to become a self-funding expert now. Don't put it off until later. Learn as much as you can about self-funding and how each carriers'/TPAs' offerings are different. Every few months research what's available in the marketplace to continue to expand your knowledge and stay up to date.

- ☐ Check out independent agencies who rate the financial strength of insurance companies to see if and how the carrier is rated.
- ☐ Search different carrier/TPA websites or LinkedIn pages for information. Research how long they have been in business and how long they have been offering self-funded plan designs. Find out how they support their brokers. Do they have a representative or team dedicated to a broker?
- ☐ Research tutorials and articles about self-funding.
- ☐ Look to the National Association of Health Underwriters or the Self-Insurance Institute of America, Inc. (SIIA), and other organizations for information.
- ☐ Attend local meetings to learn more about options that may be available in your area.
- ☐ Research self-funding and other similar key words in "Groups" on LinkedIn, and join them. This gives you the ability to see nationally what is going on in the marketplace. Also, look for people who are talking about self-funding and add them as a connection.

Self-Funding and Stop-Loss Insurance FAQs

Below are answers to some frequently asked questions about self-funding and stop-loss insurance.

What **specific deductible** for stop-loss insurance should I recommend? Generally, start with $1,000 for every covered employee, i.e., for a 50-person group, recommend a $50,000 specific deductible. You can adjust the specific deductible up or down to see differences in pricing, and each state may have different requirements. Carriers will have different specific deductible options available.

What **runout period** should I recommend? The longest-term runout period is the least risk to the employer because it gives the longest amount of time for claims to be submitted. For example, a 48-month runout compared to a 15-month runout will have 33 months longer to process covered claims submitted after the end of the plan year. And although it may be good from a risk perspective, keep in mind, the longer the runout period, the longer the employer's funds may be tied up. For instance, with a 48-month runout period, funds would be tied up for 4 years versus 15 months with a 15-month runout period. When selecting the runout period, try a few different time periods, which may vary by carrier/TPA, to see the cost difference; however, keep in mind the risk of the employer being responsible for claims after the runout period.

What happens if a group **terminates** administrative services off-anniversary? It is important for employers to understand the potential risk for terminating administrative services early. Depending on the carrier/TPA's administrative services agreement, the employer may be responsible to reimburse the carrier/TPA for any advances and to pay some or all covered claims below the specific deductible, if applicable, that were incurred and not paid before administrative services were terminated.

How can a group use their **surplus refund**? It is important to explain to employers with an ERISA health and welfare benefit plan that if they are eligible for a refund, they can use it for such plan expenses.

What is a **reference-based pricing self-funded plan design**? Typically less expensive than traditional PPO plan designs, reference-based pricing is a cost-containment strategy used by employers in which payments for covered treatments, procedures and services are capped based on a set reimbursement level. **Reimbursement levels** may differ and can be based on:

- A fixed amount negotiated with the provider to accept as payment in full;
- A multiple of Medicare;
- A maximum provider reimbursement level based on the median price, and more.

Carriers/TPAs may offer plan designs that include **balance bill protection**, where the employer's health benefit plan pays billed amounts for covered services exceeding the reference-based reimbursement amount. This protects the member from being responsible to pay provider balance bill amounts in excess of the reimbursement level. And stop-loss insurance protects the employer from covered claims for those balance bill amounts.

According to a survey, the number one reason brokers have not quoted a reference-based pricing plan design in the last 12 months for an employer with less than 100 full-time employees was:[3]

- *43% Don't know enough about them.*
- *21% Concerns about members getting balance billed.*
- *12% Not offered by the TPA/Insurer with whom they work.*

The same survey shows an overall increase in the broker's 2019 projection of their employer clients having a reference-based pricing plan design.[3]

Get ahead of the competition and become an expert when you carve out the time to research reference-based pricing and the advantages it may offer your smaller clients.

Terminology

Specific Stop-Loss – The amount the stop-loss carrier will reimburse the employer for covered claims paid under the employer's self-funded health benefit plan over and above the specific deductible.

Runout Period - The period of time immediately following the end of the plan year during which the carrier/TPA will continue to process eligible claims incurred during the plan year, subject to the terms of the Administrative Services Agreement.

Refund - If there is a surplus in the prefund account at the end of the plan year, a portion of that money may be credited to the employer's account and used to lower costs in future months or returned to the employer as cash, depending on the plan design, which differs by carrier/TPA.

Start Selling in 1, 2, 3

A great way to get acclimated and retain information is through experience. You can begin by requesting a quote from a carrier/TPA. Keep in mind, carriers/TPAs who offer self-funded health benefit plan designs have different options with regard to network availability, deductibles, required contribution levels, surplus options, runout periods, contract termination rules and what types of transparency reports are available.

1. Request your client's current census information, and if possible ask for a plan design summary. If you can't get the plan design summary because they aren't willing to share or they don't currently have health coverage, ask your client what they are looking for in a plan design, i.e., deductible, coinsurance level, doctor copay, ER copay, urgent care copay and out-of-pocket limit.
2. Select a carrier/TPA to run a proposal to administer a few different plan designs.
   - o If possible, include one to two quotes for a PPO plan design and one quote for a CDHP plan design to see the differences in cost. If there is an option for a reference-based pricing plan, request a quote for that plan design, too.
     - Generally, a starting point for the CDHP plan design will be a $6,000 deductible, 70% coinsurance, 73/50 out-of-pocket. Run additional quotes with adding doctor copays, adjusting the coinsurance to 50% or raising it to 80% for some variation to see how the cost may be affected. Select different runout periods, but start with the longest one and adjust accordingly.
3. Compare these new quotes to their current plan design summary, if available, to see the differences between benefit levels and costs.
   - o Some carriers offer coaching to help walk you through the quote as well as set up additional plan designs.

Grow Your Business by Growing Your Expertise of Self-Funding

With some research and education on how self-funding works and the carriers/TPAs who offer self-funded health benefit plan designs, you can become well-versed in what's available in the marketplace and learn if and when a self-funded plan design could be a potential fit for your smaller clients. Having a solid knowledge is a good start to have the advantage over another broker who didn't evaluate self-funding as a viable option.

Footnotes:

[1] Self-Insured Health Plans: Recent Trends by Firm Size, 1996-2016. Paul Fronstin, Ph.D., Employee Benefit Research Institute. 2/17/18.

[2] 2017 Employer Health Benefits Survey. KFF. 9/19/2017.

[3] 2018 Broker Survey administered by The Dieringer Research Group.

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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Plan design availability and/or coverage may vary by state. Self-funded plans are administered by Star Marketing & Administration, Inc., and stop-loss insurance coverage is provided by Trustmark Life Insurance Company.

400 Field Drive
Lake Forest, IL 60045
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