
The *Benefits* of Quoting **Level Funding**

Small Business Benefits

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The Benefits of Quoting Level Funding



Employees at small companies (2 to 99) prioritize **health insurance as their number one benefit**, with 401K/other and paid leave as second and third, respectively.¹

81% of employees at small companies (2 to 99) see **medical (health) insurance as a must have**, while 13% deemed it was a nice to have and 6% said it was not needed.¹

Small to mid-size employers who want to make health benefits accessible and affordable to their employees should consider alternatives to fully insured plans.

21% of U.S. workers from small firms were **covered by self-funded health benefit plans** in 2021.²

A type of self-funding becoming increasingly popular for small to mid-size employers is level funding. **Forty-two percent of small firms report that they have a level-funded plan**, a much higher percentage than the previous two years.³

While level funding can provide savings for smaller employers, many brokers are still reluctant to quote this arrangement. Don't miss the opportunity to stand out and help your clients find a viable solution to offering an affordable benefits package and attracting and retaining employees.

81%

of employees at small companies (2 to 99) see medical (health) insurance as a must have.

21%

of U.S. workers from small firms were covered by self-funded health benefit plans in 2021.²

42%

of small firms report that they have a level-funded plan, a much higher percentage than the previous two years.³



DID YOU **KNOW?**

There is **valuable information provided in the quoting process of a level-funded product**. Explore the benefits of quoting level funded plan designs, which includes getting base rates; selecting the best options for underwriting; summary of medical data; and an overview of the advantages.

Base Rates Inform Your Renewal Strategy



Whether you call them base, illustrative, street, preferred, or initial, these rates mark the starting point of medically underwritten groups. These are the lowest rates available prior to any medical underwriting for comprehensive major medical plan designs with stop-loss insurance coverage.

Some may argue these rates are meaningless as they are not final rates and give a false sense of availability; however, they can serve a purpose.

These rates form the kickoff to developing a renewal strategy and evaluating options for your existing groups as well as new business groups with a carrier/third-party administrator (TPA).



When base rates are:



Low

It can initiate the discussion regarding the medical underwriting processes and the value in proceeding.



High

It might validate the new plan year/renewal rates are fair.

Base rates can typically be obtained with employer information such as:

- Name
- Address
- Industry/SIC code
- Current plan designs
- Census
(Name, gender, date of birth, coverage tier, number of children, zip code)



Any rate information (current or renewal) is helpful to understanding and benchmarking the competitive environment.

Determine Your Best Underwriting Option



There are many processes available for **medical underwriting** for consideration. Each type has its **advantages**. Here are a few examples.



Paper enrollment forms

Paper enrollment forms are commonly available for employees to complete. Many insurers accept paper enrollment forms from other carriers, making it easier to get final rates from multiple sources. Some states have adopted a universal paper enrollment form for all carriers/TPAs to accept.



Electronic platforms

Electronic platforms offer convenient online access for the collection of medical information from employees. This information can then populate the electronic enrollment form, allowing for final rates from numerous carriers/TPAs. Some platforms create a universal enrollment form that is accepted by many carriers/TPAs.



Telephonic platforms

Telephonic platforms offer the ability for employees to call in and provide their medical information. This avenue is especially helpful when employees are in different states or spend a lot of time on the road.



Predictive models

Predictive models offer the ability to obtain a risk score from a vendor which can be used for pricing purposes. This process can be completed with very little employee involvement and has become an increasingly attractive option, but often has some restrictions around its usage.

Summary of Medical Data

Once medical underwriting is completed, some carriers/TPAs offer valuable information for review. This might be referred to as the employer's "report card".



If results are favorable (few health conditions, low medical rate up):

The employer might enjoy lower rates, improve benefits (lower deductibles, lower out-of-pockets lower copays) or expand benefit options (offering more than one plan option).



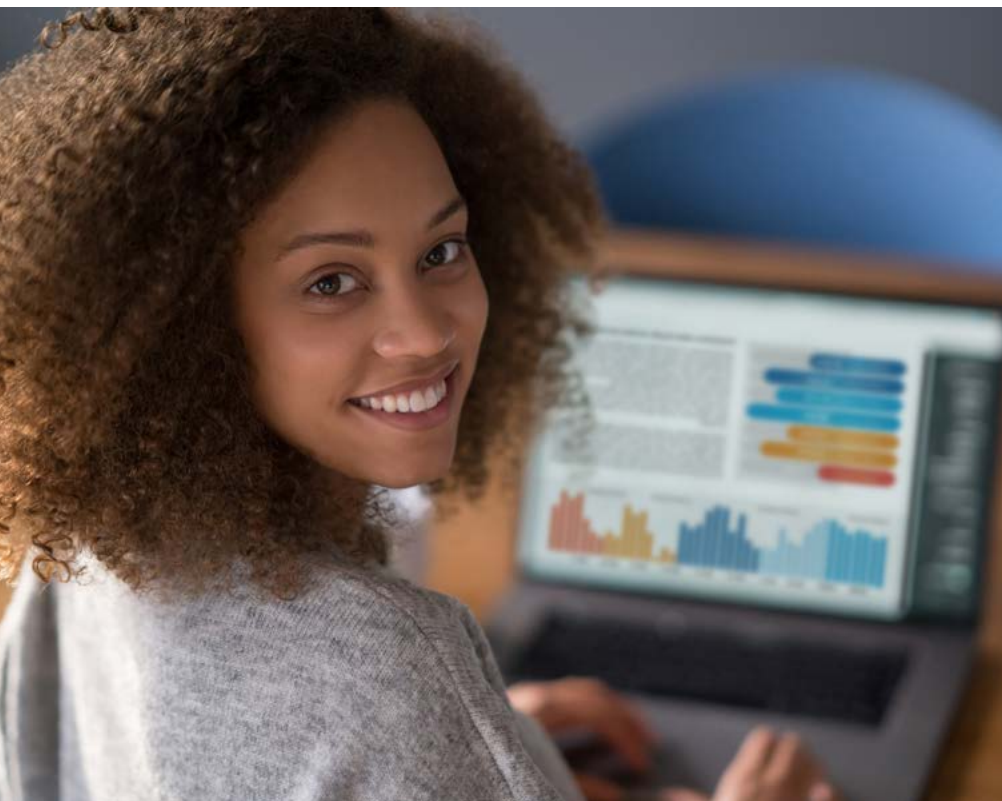
If the results are unfavorable (many or serious health conditions, high medical rate up):

The employer will have a better understanding of the rates being offered.



TAKEAWAY

The key takeaway from the underwriting process is the data and an understanding of the health of the employees and dependents. The results can also provide employee benefit consultants with information to question renewal rates. This will be more limited when using predictive models.



Advantages Overview



Level funding a self-funded health benefit plan design has many advantages:



Provides the employer with **predictable (level), monthly payments**, regardless of claim activity, allowing for better budgeting and peace of mind



Incorporating stop-loss insurance premium in the level-funded monthly payments helps **protect against the financial impact** of a large number of covered claims, an individual catastrophic covered claim, or both



Because the group is funding for expected claims each month, there is an **opportunity for a refund** if the group's claims are lower than expected during the plan year



Flexibility of plan design



Opportunity for savings from state premium taxes



Choice of network and reference-based pricing options



Transparency of healthcare dollars with reporting



Additionally, employers can reduce costs by offering a CDHP (consumer-directed health plan) with an HRA (health reimbursement account), offering multiple plan designs, value-added services such as telemedicine, medical second opinion services, quality, and cost transparency tools, and more.

Knowledge Is Power

Use the power of knowledge before, during and after moving to this type of arrangement. There is a lot to learn about your clients seeking group health coverage. ***The more you know, the more you can act and advise.***

Protect your business from other brokers who are offering level funded solutions as an option. And, once a client sponsors a level-funded, self-funded health benefit plan, claim information becomes available to help employers for future planning. Get started with base rates and consider level funding for your small employers who may benefit from this solution.



Footnotes:

¹ MetLife's 20th Annual U.S. Employee Benefit Trends Study 2022. <https://www.metlife.com/employee-benefit-trends/2022-employee-benefit-trends/>

² Statista Employees covered by self-funded health insurance by firm size U.S. 2021. <https://www.statista.com/statistics/985306/self-funded-health-insurance-covered-workers-by-firm-size-us/>.

³ Kaiser Family Foundation 2021 Employer Health Benefits 2021 Summary of Findings. 11/10/2021. <https://www.kff.org/report-section/ehbs-2021-summary-of-findings/>

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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