

Intro to Self-Funding

Is Self-Funding Right for My Business?

Assessing the Whole Picture

Self-funding (often referred to as self-insurance) can have many advantages for both private sector and public employers, including more input in health plan design and better control over rising medical benefit costs. It isn't the right fit for every employer, though, and making the switch takes some careful consideration and in-depth analysis.

Many employers will start the process of research and discovery by having their HR team work with prospective third party administrator (TPA) firms to determine feasibility.

As the two parties meet, these are just some of the points that are typically addressed:

- **Financial Situation** - The employer/plan sponsor will assume the risk of the health plan instead of the insurance carrier. Because of this, it is important to look at the overall fiscal picture. What is your company's financial history? Has it been stable over the last several years? Do you have sufficient reserves on hand?
- **Cash Flow** - In the case of most fully insured plans, employers pay a set rate in monthly installments for group benefits. This is different with self-funded plans, as employers must cover health claim costs as they're incurred. That means the month-to-month expenses could vary significantly as ups and downs are experienced throughout the year. There is also stop loss insurance to budget for, so it's essential to have a steady cash flow.
- **Risk Tolerance** - As mentioned above, the employer/plan sponsor is the one to assume the risk in a self-funded plan. Is your company prepared to take this on and cover any potential loss before stop loss kicks in?
- **Coverage Needs** - Does your plan have special health coverage needs or are you hoping to offer extra medical benefits? Knowing and sharing your ultimate goals helps determine how self-funding can make a difference for your company and employees.
- **Administration and Compliance** - Unlike a fully insured plan, the majority of administration and compliance functions officially fall to the employer when self-funding your group benefits. These added responsibilities are typically managed with the help of a TPA.

The Best Health Plan for Your Workforce?

The self-funding industry continues to grow as companies of all types and industries across the U.S. choose this plan model to offer group benefits. To decide if this structure is right for you and your workforce, there are a number of factors to consider. These include everything from the financials, funding and risk tolerance to claims data, desired health coverage and resources available to manage administration and compliance.