SIA GROUP
protection beyond insurance

MEDICAL BENEFITS

When it comes to health plans, there are three main types: self-funded, level-funded, and fully-insured plans. Here's what you need to know.

SELF-FUNDED HEALTH PLANS

Self-funded health plans, also known as self-insured plans, are health benefit plans in which the employer assumes the financial risk for providing healthcare benefits to its employees. Instead of paying fixed premiums to an insurance company, the employer directly pays for the healthcare expenses of its employees. The employer may also hire a third-party administrator (TPA) to handle the claims processing and administrative tasks.

Key points about self-funded plans:

- The employer has more control over plan design, benefits, and costs since they are directly responsible for funding the plan.
- The employer assumes the financial risk for high-cost claims and medical expenses.
- Stop-loss insurance is often purchased by the employer to protect against catastrophic claims that exceed a certain threshold.
- Self-funded plans are subject to federal regulations, such as the Employee Retirement Income Security Act (ERISA), but they may have more flexibility in state regulations compared to fully-insured plans.
- Self-funded plans are typically suitable for large employers with a sizeable employee population and financial stability to handle potential high claim costs.

LEVEL-FUNDED HEALTH PLANS

Level-funded health plans are a hybrid between self-funded and fully-insured plans. They are designed to provide the benefits of self-funding while offering some budget predictability and risk protection. Level-funded plans are typically offered to small and mid-sized employers.

Key points about self-funded plans:

- Level-funded plans combine a self-funded arrangement with a pre-packaged stop-loss insurance policy.
- Employers pay a fixed monthly premium, which is divided into two parts: a fixed cost for the administrative services and a claims fund to cover expected healthcare expenses.
- If claims costs are lower than anticipated, the employer may receive a portion of the surplus funds at the end of the year.
- If claims costs exceed the claims fund, the stop-loss insurance kicks in to protect the employer from excessive costs.
- Level-funded plans provide more budget predictability than self-funded plans since the employer's liability is capped at a certain level by the stop-loss coverage.

MEDICAL BENEFITS

FULLY-INSURED HEALTH PLANS

Fully-insured health plans are the traditional health insurance plans that most individuals are familiar with. In a fully-insured plan, the employer pays fixed premiums to an insurance company, and the insurer assumes the financial risk for providing healthcare benefits to employees.

Key points about self-funded plans:

- The insurance company assumes the responsibility for paying employees' healthcare claims and managing the plan.
- Premiums are typically determined based on the anticipated healthcare costs of the covered population, industry trends, and other factors.
- The employer has less flexibility in plan design since the insurance company offers pre-packaged plans with predetermined benefits and coverage options.
- The employer's financial risk is limited to the premium paid, and any claim costs above the predetermined deductible or out-of-pocket maximum are covered by the insurance company.
- Fully-insured plans are subject to state regulations and mandated benefits, which can vary from state to state.