The advantages of self-funding medical insurance

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In today's business climate, employers need benefit solutions as adaptable as the organizations they run. For many employers, fully insured health plans do not provide the greatest value to their organizations. Employers of all sizes are looking to mold their plans around the requirements of their business needs and many find it to be far more beneficial to pursue self-funding as a benefits solution.

A self-funded group health plan is one in which the employer assumes the risk of providing (also known as funding) the health care benefits (claims) for its employees and their families. This is in contrast to a fully insured plan where the carrier assumes all of the claims' risk. There are many, well-documented advantages for self-funding to an employer, including:

- Reduced state premium taxes. Self-insured programs, unlike insured policies, are not subject to state premium taxes. The premium tax savings is about 2% of the premium.
- Self-insured plans are exempt from state insurance laws, subject only to Employment Retirement Income Security Act (ERISA) compliance.
- Self-funding allows an employer greater flexibility when designing their plan of benefits for their employees and also selecting the administrative services from the third-party administrator (TPA) or insurance company.
- Customizable reinsurance (stop-loss insurance) options are available to reduce the risk associated with high claims. Sometimes the reinsurance is an integrated product with the TPA, and sometimes the reinsurance may be purchased from a standalone company.
- Some carriers provide seamless integration between reinsurance and large claims. This feature (sometimes referred to as simultaneous reimbursement) allows employers to better manage cashflow for large claims that exceed their specific stop loss deductible.
- Self-funded employers do not normally have to pre-pay for coverage. They fund payment of claims as they are incurred and paid (both must be present) by the carrier or TPA.
- Generally, employers will need to plan to hold adequate reserves for claims. The interest from these reserves can serve as additional cashflow if held in an interest-bearing account.

One of the greatest advantages of self-funding your benefits plan is the freedom to structure benefits in accordance to the needs of your company. The following benefits may be self-insured:

- Healthcare (Medical)
- Dental
- Short-term disability
- Prescription drugs
- Vision

Self-funding also allows employers to define employee eligibility rules, plan exclusions and limitations, and employee cost-sharing amounts.

Financial Products and Services, Inc. welcomes the opportunity to help your organization examine its plan to determine if self-funding might be a good fit for you.

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Financial Products and Services, Inc. is the wholly owned insurance subsidiary of the Tennessee Bankers Association. If you are interested in finding out more about Financial PSI or the products available, please contact Brian Mobley at 615-244-5100 or *bmobley@financialpsi.com.*