Self-Funding vs. Fully Insured

Fully Insured:

- Employers pay a fixed monthly premium payment to their insurer
- Premium payment covers expected claims and all administrative costs
- If actual claims are lower than expected, the insurer keeps the difference
- If actual claims are higher than expected, the insurer pays the difference

Self-Funding:

- Employers have a choice how they want to fund their medical benefit plans
- Employers typically pay a fee to a third party administrator (TPA), who processes claims and works with health care providers to secure discounted services
- Employers take on their own risk and liability of their employees' claims
- Most Employers purchase Stop Loss insurance to limit catastrophic liability on their plan
- If actual claims are lower than expected, **the employer keeps the difference**
- If actual claims are higher than expected, the Stop Loss Carrier will pay the difference

Benefits of Self-Funding:

- **Elimination of most premium tax** – Self-Funded arrangements are exempt from most state mandates such as premium tax

- **Lower cost of operation** – Employers may find that administrative costs for self-funded programs are lower than fully insured
- **Improved cash flow** – Faster turnaround of funds between the employer funding the claims and the actual claim payments
- **Potential savings** – When claims are lower than expected, the employer retains the financial savings. Self-funding employers also benefit from reduced premium taxes.
- **Ability to Purchase Stop-Loss Insurance** – your maximum exposure is capped
- **Plan design flexibility and control** – Employer has complete control of all aspects of the health plan and design