Self-Funding Your Health Insurance Plan – FAQ’s

Q. What is the difference between a fully-funded health insurance plan and a self-funded health insurance plan?

A. Self-funding is an approach many organizations use to control health care costs. In a traditional, fully-funded health plan, the insurance company calculates yearly fixed premium rates and charges a fixed monthly premium based on the number of employees participating in the plan. The insurer uses the premium to administer the plan and pay all health care claims filed by enrolled employees. The difference between the premiums paid and the costs to administer the program is kept by the insurer.

In a self-funded health insurance plan, an employer assumes partial financial risk for providing health care benefits to employees in exchange for flexibility and potential cost savings. To offset risk, the employer buys a form of insurance known as Stop-Loss insurance to reimburse the employer for claims that exceed a predetermined level. A Third Party Administrator administers the plan and provides customer service, adjudicates and pays claims, and provides benefit utilization and claim reports. The difference between the premiums paid and the costs to administer the program are kept by the employer.

Q. Why has Independent Education created this program?

A. The program was created to help members contain employee benefits costs, a cost Business Officers often cite as the largest expense item in their schools’ yearly budgets. The Self-Funded Health Benefits Program will use the size of the Independent Education community of schools to leverage lower costs, expanded coverage, and strengthened risk management for a wide range of self-funded health and welfare benefits options. For the program, Independent Education is partnering with Employee Benefits Group, Inc. (EBG), acting as the managing broker, and Group Benefits Services (GBA), the third-party administrator.

Q. What types of programs will be offered?

A. The portfolio of programs will include:
   - Self-funded Medical Plans
   - Choice of EPO and PPO Plans
   - Multiple plan design options with various deductibles, copay and maximum levels
   - High deductible health plan options with FSA, HRA, or HAS reimbursement accounts
   - Self-funded Dental Plans

Benefits can be customized to meet your employees’ needs and to satisfy your school’s objectives.

Q. What are the advantages of self-funding my health and dental plan?

A. As the cost of health insurance continues to climb, employers are looking for alternatives. Among the many advantages associated with self-funded plans are:
   - **Lower Costs** – In addition to realizing the inherent cost savings in a self-funded health insurance plan (no profit margin to the insurer and reduced premium taxes and risk
charges) the Self-Funded Health Benefits Program also offers preferred pricing for members who participate in the program. The Stop-Loss carriers are offering preferred pricing based on the opportunity of the Association -based membership. EBG, the program managing broker, has agreed to reduce its consulting fees by 33 percent, and GBS, the Third Party Administrator has agreed to a 10 percent discount on their administrative fees.

- **Better Information Management** - Both you and your employees will have access to healthcare information. Monthly reports keep participants informed of their status with the plan, allow you to understand how and where your health care dollars are being spent, and provide data to help you better predict and control costs going forward.

- **More Flexibility** - Self-funding allows you to develop a health benefit plan to address needs that are unique to your employees and the overall objectives of your school.

- **Improved Cash Flow** - By funding claims directly, you avoid the costs of claim reserves, money set aside in fully-insured programs to cover the insurance company’s administrative costs, profit margin, risk charges, premium taxes, and a claim reserve margin—all of which are included in an insured premium on top of the costs of expected claims.

**Q. Is there an advantage of self-funding my health plan through Independent Education versus on my own?**

**A.** Yes! All participating school will receive the preferred pricing and discounts offered by the Independent Education program partners. In addition, EBG will leverage the size of the community of IE schools to negotiate favorable underwriting concessions/renewals with stop-loss carriers. Also, Independent Education, working with EBG and GBS, will be able to collect and share utilization and other benchmarking data to help members see how their plan and costs compare to others (no personal information is shared). A single, self-funding school would not have access to this information.

**Q. Is self-funding only available to larger schools or can smaller schools benefit from self-funding as well?**

**A.** Self-funding is available to any member school with as few as 5 enrolled employees. All the advantages of self-funding are the same regardless of school size. The only difference is the underwriting/risk evaluation of the group. In order to be confident that self-funding is going to provide your school savings, an underwriting/risk evaluation is completed.

**Q. Are there any risks involved with self-funding?**

**A.** To minimize your risk and cap your expenses for budgetary purposes, our self-funded programs include stop-loss insurance that protects you against any individual large claim (called Specific Stop-Loss) or the total of all claims exceeding your maximum cost (called Aggregate Stop-Loss). In other words, your liability is limited to expenses of your employees and/or their dependents only up to a certain level for any one individual or for your group as a whole. If your claims exceed either the specific or aggregate stop-loss level, the stop-loss carrier is responsible for any claims over these amounts. This allows you to keep your total expenses within your budget.

**Q. How do I determine if a self-funded plan is right for my school?**
A. EBG, our program’s managing broker/partner, will assist each member school in evaluating the costs, benefits and risks of participating in the self-funded program. The next step, the Underwriting process, takes approximately two weeks to complete. Then your school will receive a formal proposal from EBG which will allow you to compare the self-funded proposal (expected and maximum costs) with your current health care premiums.

Q. How do I determine how much risk/stop loss insurance is right for my school?
A. As with other forms of insurance, the levels of specific deductible (stop-loss coverage) results in different premium amounts. Based on your school size and risk tolerance, EBG will advise you on the available options for stop-loss coverage.

Q. If I decide to go with the Self-Funded Benefits Program, when can I do this?
A. It typically takes 90 days from the due diligence phase (concept discussion, data gathering through proposal evaluation/decision) to the implementation phase (plan design confirmation, employee communications and enrollment). You can change from a fully-insured plan with 30 days written notice to your current health insurance carrier. Therefore, it is not necessary to wait until your next renewal date to make a change.

Q. How are renewal determinations made in a self-funded plan?
B. Just like fully-insured health insurance carriers, self-funded stop-loss carriers consider any demographic or plan design changes, as well as the claim experience of the group, to develop their renewal proposal. GBS’ Underwriting department will negotiate with their stop-loss carriers to obtain the most competitive stop-loss renewal quote. Once finalized, EBG will review your self-funded renewal options with you. If interested, EBG can also obtain fully-insured quotes to compare against your self-funded renewal. Our goal is to make sure that each IE member school has the most comprehensive and affordable health insurance program available to them.

Q. Who is responsible for administering my self-funded plan?
A. Group Benefit Services (GBS) is our Third Party Administrator (TPA) program partner for the Self-Funded Benefits Program. GBS will work closely with EBG to implement your self-funded program. A dedicated GBS Account Manager will be assigned to each school to help you effectively implement and manage your program. In addition, you will be assigned a customer service team to service the day-to-day enrollment, billing, claims and customer service responsibilities. You will also receive monthly reports to keep you informed about your health care plan. GBS has a 30-year reputation for outstanding service and state of the art technology to streamline the management of your employee benefits program.

Q. Can I participate in the program using my current health insurance broker?
A. Yes. EBG, a highly regarded broker and expert in self-funded insurance, has been chosen to serve as managing broker for the IE program and will be responsible for contacting our schools and ensuring the quality of the program. Schools can tell EBG that they would like to continue working with their current brokers, and EBG will partner with the brokers under the terms of a
relationship that Independent Education has established for all such managing broker/incumbent broker collaborations.