Definition of Self-Funding

With a self-funding plan, the employer accepts the responsibility for the risk of healthcare for their employees. The employer self-funds the plan rather than paying premium to an insurance carrier.

Why Self-Fund?

Self-Funding offers you several key advantages over a traditional health plan. When you choose *Healthy*Advantage you benefit from:

- **Lower Fixed Costs:** Most businesses realize immediate monthly savings.
- **Lower Claims Costs:** If claims are lower than expected, you would enjoy even greater savings.
- **Limited Risk:** Stop-loss insurance protects you against individual or total claims exceeding your annual budget.
- **Flexible Benefit Options:** Wide variety of customized benefit designs including tax-favored HSA, HRA, and FSA plans.
- **Wellness Plan Designs:** Participant engagement and personal health coaching are critical to bending the curve of rising healthcare costs.

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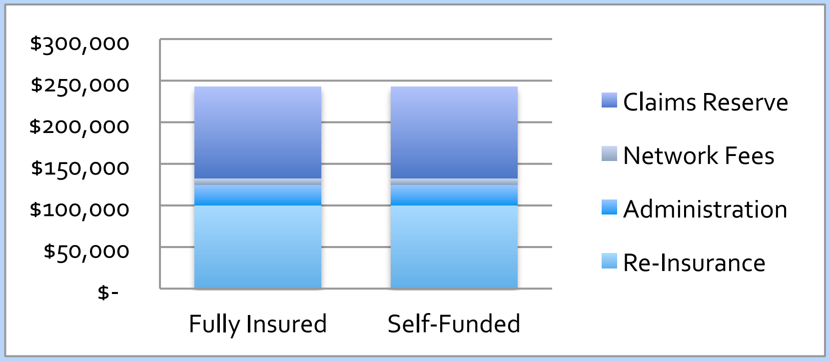
Self-Funded Health Plan

LACBA
EST. 1878

2019

Benefits of Self-Funding

Who OWNS the Claim Fund?



*Healthy*Advantage Health Plans

*Healthy*Advantage is a Partially Self-Funded, Level-Funded Health Plan. The program is governed principally by the Federal Employee Retirement Income Security Act (ERISA). Level Funded Health plans allow employers to pay a preset level premium equivalent which includes fixed costs and maximum claims fund. Because the employer is pre-paying the claims, 100% of the unused funds at the end of the contract period will be returned to the employer as savings!

*Healthy*Advantage is contractually stronger than its counter parts in the marketplace and provides national provider access via the CIGNA PPO network.

*Healthy*Advantage Process

- Plans allow employers to potentially save money on health insurance premiums by having their employees answer health questions and provide medical history.
- By providing the insurance company with this information, individual-specific premiums can be calculated which is not available through the ACA plans. (Healthier People Cost Less to Insure)
- With healthier employees, the employer can recoup money through the claims fund at the end of the year!

What is Self-Funding?

Healthcare Costs

As the cost of healthcare continues to escalate more and more, employers are looking for alternative solutions. Self-funding offers employers a powerful, practical alternative to traditional insurance. It allows employers to directly fund their actual claim costs while limiting their risk with the purchase of stop-loss insurance.

Traditional Insurance vs. Self-Funding

With traditional fully insured plan, the insurance carrier pays for most of the benefits and offers members small out of pocket expenses in the form of deductibles, copays and coinsurance. In a self-funded plan, the employer pays the cost of the benefits up to a higher deductible, but purchases stop-loss insurance to reimburse the plan if claim expenses exceed the deductible.

Protection

Stop-Loss insurance protects the plan against individual catastrophic claims (specific stop-loss) or their total claim expenses (aggregate stop-loss) exceeding their annual budget. Employers hire a Third Party Administrator (TPA) to process and pay the claims, provide professional customer service and manage the plan on behalf of the employer.

Level-Funded health plans allow employers to pay a preset level 4-tier premium equivalent, which includes fixed costs and the maximum claims fund. Because the employer is pre-funding the claims, any unused claim funds at the end of the contract period will be returned to the employer as savings.