TOPIC: Level-Funded Plan Design Concepts
Presented by: Kim Kinnaird (Lawson)
1 hour CE

(~4-5 minutes per section with Q&A at end)

What is Level-Funding?
- Very Similar to Fully Insured or Minimum Premium Plans (Great West or Cigna)
- Carrier sets up as self-funded and group simply funds to Maximum Claims Liability
  - Group only pays premiums during the coverage year. Run-out is typically embedded.
- Employer reimbursed for amounts under Maximum Claims after Run-Out Period (usually 3 months after the end of the plan year)
  - Most Carriers keep a % of the amount under Maximum Claims (Range of 4% to 30%)
  - Most Carriers require that you are an active client in order to receive reimbursement
- Available to groups down to 5 or 10 participating employees up to 99

How Are These Plans Set-Up?
- Carrier uses a small stop loss deductible -- $15,000 to $25,000
- Aggregate has a monthly cap (aka Monthly Aggregate Accommodation)
- All Premium and cost is paid in the incurred year, no run-out charged -- usually
- Group must provide ACA Reporting and pay PCORI Fees

Who Is A Good Fit?
- Small Groups with less than 50 employees
- Clients who don't want to go straight into ACA Plans
- Groups that begin to question their renewals
- Groups who are willing to try to understand how they can improve costs
- Groups with stable workforce and not a lot of turn-over
- Question: Do you ever get a refund of fully insured premiums if you run well?

What Do Members Experience?
- Looks and feels just like the Fully Insured plans
- Most Carriers offer a full suite of prepackaged plan designs
  - E.g. Aetna allows groups to offer unlimited number of plan options to employees
  - UHC and MMO limits based on size of group
- Covers Medical and Prescription Benefits
- PPO and HMO options available
- Wellness, Health Coaching, Telemedicine are often included

What Do RENEWALS Look Like?
- Small Group: renewals are based on how each carrier's block is running NOT the group's experience . . . BUT
- Medically underwritten
- However, many are offered with NO LASERS at renewal

What Are the Risks to Employers?
- Growing into Large Group while you are Level-Funded and you have an ongoing claimant

- You move into Medically Underwritten segment on Fully Insured side
- You could get declined for fully insured coverage.
- On the Plus Side: Nearly all carriers offer guaranteed renewals and/or no laser at renewal

▪ If carrier's block runs badly, you get an ugly renewal even though you may have run well.
  - If eligible for end of year reimbursement, you have to be a customer to get a pay-out . . .
  - CASH FLOW: You'll pay higher cost and likely still be eligible for pay-out in future years. Customer has to decide if they want their money held by Carrier XYZ.

How Do You Get A Quote?

▪ Shelf Rates are available from many carriers: UHC, Aetna, Starmark, MMO, Anthem
▪ Groups 20+: Some carriers (UHC, Aetna) can provide firm rates with a member-level census
▪ Medical Applications Needed (FormFire) for Virgin Groups, <20 Employees

How To Compare Level-Funding to Fully Insured & Self-Funding

▪ Easiest is to focus on MAXIMUM LIABILITY . . .
  HOWEVER, this doesn't tell the full story

▪ High Level Summary:

Current	Renewal	Level-Funded	
$100,000	$110,000	Fixed Cost	$ 50,000
		Claims	$ 50,000 (EXPECTED) - $65,000 (MAX)
		Expected	$100,000
$100,000	$110,000	Level Fund	$115,000

▪ Does $50,000 - $60,000 in claims seem reasonable?
  - Remember $15,000 - $25,000 specific deductible in built in so each person is capped on their impact to the total.
  - Do you expect to have more than 1 person with high claims above the specific?

What Does the "Refund" Look Like?

▪ Using Example from previous slide

Current	Renewal	Level-Funded	
$100,000	$110,000	Fixed Cost	$ 50,000
		Claims	$ 50,000 (EXPECTED) - $65,000 (MAX)
		Expected	$100,000
		ACTUAL	**$105,000**
$100,000	$110,000	Level Fund	$115,000
			$ 10,000

- Group funded to the Maximum and is due a % of $10,000 – Range =~$9,500 - **$6,667**
- **TOTAL SAVED = $1,667**
- What about savings over time?
  - Trend on top of slightly smaller amount over time = Good Thing
  - If Claims are even LESS THAN Expected? = More Savings

WHY do people go self-funded? WHY do they stay self-funded?

- They come for the cost savings
- They stay for the reporting – Premium versus Claims

Why do people leave self-funding?

- Cash Flow
- Community Rating is a boon for groups with many sick that don't benefit from Medical Underwriting
- They don't want to do ACA Reporting
- Change in ownership or decision maker