Self-Funding- More Than Just About Savings

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Discussions of self-funding of health plans for mid-size employers are happening more and more with benefit advisors. With self-funded plans — either fully self-insured or partially self-insured through a group captive — the employer is told that self-funding includes some financial risk but, when implemented correctly for the right employee group, can also provide substantial cost savings to the employer. True. But that misses a value proposition far more compelling to company leadership.

The issue is not about simply risk versus reward, but more essentially about control. Self-funding the health plan can give the employer more — indeed, maximum — control over the plan design and, most important, the plan's utilization data and, by extension, the health behavior of the employees.

Think of all health insurance plan designs lying on a spectrum, with fully insured on the far left and self-funded on the far right. On the far left end of the spectrum, fully insured health plans provide the employer with no control, since plan design and the benefits are largely mandated, and access to employee utilization data is difficult to obtain from the carrier. Fully insured plans leave employers basically helpless to influence their health care costs.

On the right end of the spectrum, fully self-funded plans offer the employer full control, over everything from plan design and benefits offered to variations in employee premium contributions (premium differentials) to total access to employee health data.

Between the two extremes are levels of employee control that increase as you move to the right, with such strategies as traditional wellness programs that encourage healthy behaviors and partial self-funding arrangements that provide some limited employee health data.

Because self-funded plans fall under federal ERISA law, they are not subject to often conflicting state health insurance regulations and costly benefit mandates. And while many ACA provisions apply to both fully insured and self-funded health plans, self-funded plans are exempt from a significant number of ACA provisions, most notably the health insurance company tax (HIT) which adds between 2%-7% to the cost.

Outcomes-based wellness

Implementing outcomes-based wellness requires the employer to have full access to employees' health care cost and utilization data in order to undertake predictive analytics and health interventions. Given most carriers' resistance to turning over plan data, only self-funding ensures complete access to this data by the employer.

With this plan information merged with employees' biometric data and properly analyzed and used to drive appropriate clinical interventions, employers can begin to manage employee health to both prevent costly health issues and reduce health care utilization. And with access to individual employee health data, effective employee incentives such as premium differentials are possible. This employee population health management is the only proven method of truly bending the health care cost curve.

While self-funding is not right for every employee group, with a self-funded health plan, you can provide the leadership of the right companies with control over their health care plan that, with your help, can reduce health care costs and improve employee health.

To learn more about self-funding and whether there are benefits to investigation, ERA is offering a Benefits Forum focused on the risks and rewards of self-funding. Click **here** for more details and to register for the Columbus Benefits Forum on Frjday, July 24th from 9:00 am to 10:30 am or **here** for the Cincinnati forum on Friday, August 7th from 9:00 am to 10:30 am.