



# Self-funding explained

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Understanding your  
funding options

# Helping employers manage their health care costs.

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Simply put, employers who self-fund own and assume the financial risk of providing benefits to their employees by paying claims as they are incurred. Self-funding is ideal for employers with 25 or more healthy employees who have cultivated a culture of wellness and engagement.

## More reasons to self-fund

Self-funding is available with customizable HMO, POS and PPO plans and can be combined with Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA).

In addition to the potential cost savings groups can experience by self-insuring, self-funded plans are not subject to state premium taxes and are exempt from many of the provisions of health care reform.

**Self-funding is one of the many ways Priority Health has been helping employers control their health care costs for over 30 years. In fact, we do self-funding better than anyone.**



We offer highly competitive discounts through contracts with our extensive statewide and nationwide provider network.



Our innovative Cost Estimator tool provides transparency into health care spending so employees can see the financial impact of care decisions.



We provide clear, concise data through our monthly reporting package so employers can better plan their cash flow.



Unlike other carriers who have fragmented or restrictive approaches to administration, our approach offers the ease and simplicity of an integrated offering with the flexibility to choose the programs and services that work best for you.



Our administration fee includes more services than other carriers in the market.

# Get more for your money with our comprehensive, transparent administrative fee

Our base administrative fee includes more services than other carriers in the market while providing flexibility to add services that are important you without a bunch of hidden fees or start up costs. We go beyond just paying claims and immerse ourselves in the management of your employee's health plan while remaining nimble and efficient, administering your plan with the highest level of accuracy.

## ADMINISTRATIVE SERVICES

- ★ Plan document development, including summary plan descriptions (SBDs) and summary of benefits and coverage (SBC)
- Plan document translation services
- Illustrative rates for employee contributions
- COBRA administration
- Health care reform advisory services
- ★ Regulatory reporting and compliance support
- Online employer administration portal
- Online reporting tool, Employer Insights
- Nationwide network access with deep discounts
- Stop-loss management, both in-house and with external vendors if requested<sup>1</sup>
- Member ID cards, digital onboarding and open enrollment support
- Dedicated account service team
- HSA administration through Health Equity

## ACCESS TO COST CONTAINMENT PROGRAMS

- Comprehensive in-house care and disease management
- ★ Medical and pharmacy utilization review management
- ★ Proprietary, lowest-net-cost formulary design
- ★ Diabetes Prevention Program access, including virtually through Omada<sup>2</sup>
- Teladoc Health Diabetes and Condition management program<sup>2</sup>
- Cost transparency tools for medical and pharmacy costs
- Anti-fraud investigations
- Coordination of benefits, subrogation and third-party liability
- ★ PriorityMOM, maternity management program

## A SUITE OF MEMBER PERKS

- Online member account and mobile app
- ★ 24/7 virtual care access
- Personalized, online Wellbeing Hub
- Active&Fit discount gym membership
- BenefitHub online discount marketplace
- Teladoc Health mental health (formerly myStrength)
- Dedicated, award-winning self-funded customer service department

★ Services we include that other large carriers or third-party administrators (TPAs) don't include or charge extra for.

## Want more? Enhance your plan with these additional services.

- ✓ **Encourage participation in cost transparency programs.**  
Add **Priority**Rewards to your plan and reward employees when they use Cost Estimator to see a high quality, lower cost provider.
- ✓ **Add benefits navigation and advocacy.**  
Through one point of contact employees can access health care navigation and advocacy, benefits and coverage guidance and condition management support with PriorityGPS.
- ✓ **Gain control over specialty pharmacy costs.**  
Consider adding our Specialty Drug Savings program with SaveOnSP to your plan and save on specialty medications.
- ✓ **Support your employees' health goals.**  
Add PriorityWell to your plan and get additional support for your employees including digital coaching, corporate challenges and more.
- ✓ **Get an easier way to administer your FSA.**  
You can add seamless banking administration through HealthEquity to your plan.

<sup>1</sup>If an external stop loss carrier is selected, an additional fee may apply for stop loss coordination. <sup>2</sup>Program administration included in fee, employer still responsible for associated claims costs.

# Priority Health offers two ways to self-fund to better satisfy employers' needs.

Choose from our traditional self-funding or level-funding options.

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With either, we provide monthly claims utilization reports so employers have a financial picture of their health care costs throughout the year.

## Traditional self-funding

**For some employers, a pay-as-you-go approach makes financial sense.** Traditional self-funding allows employers to pay for claims as they are billed, so when claims activity is low, employer costs are low.

With traditional self-funding, employers fund claims as they are billed. Each week we process claims and collect funds from employers to pay those claims. This provides cash-flow advantages for some employers. Administrative fees are collected once a month.

## Level-funding

**For some employers, traditional self-funding carries too much financial risk and unpredictability.** Level-funding offers all of the benefits of traditional self-funding with the added feature of stable monthly costs, so groups can reap the financial rewards of being self-insured.

With level-funding, employers fund a fixed amount of money each month based on their enrollment and projected claims expense, giving the employer more financial stability.

Priority Health uses the money as needed to pay claims. At the end of the year, if claims paid by Priority Health are less than the funds paid by the employer, Priority Health will send a check to the employer for 50% of the overage.

If claims paid by Priority Health exceed the monthly amount funded by the employer, Priority Health will pay the claims as incurred and the employer will pay 50% of the shortage at the end of the year.



# Level-funding with Priority Health is simple, stable and secure.

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## **Level-funding is a great option for employers looking to transition to self-funding without taking on all the risk.**

- Employers fund the same amount every month based on single, double or family enrollments.  
**Payments do not fluctuate monthly due to claims experience.**
- Employers fund only their projected claims and the costs of administering them.
- Monthly claim funding level is set at 105% of expected claims. Expected claims are calculated by our underwriters based on an employer's claim history.
- At the end of the group's policy period, a claims settlement is completed within 60 days to determine if a credit is due to the employer. If claims are less than anticipated, the balance is returned to the employer at the end of the contract year.
- If claims are greater than anticipated, Priority Health will settle with the group for the outstanding claims payments due.
- Per-individual (specific) and group-level (aggregate) stop-loss insurance is available to limit the employer's overall financial exposure. See page 9 for details.

## **Level-funding is a long-term strategy. That's why we offer a two-year fixed-cost pricing strategy.**

- In year two, the level-funding monthly amount will be adjusted to reflect the projected claims amount for the next contract year.
- Monthly claims utilization reports and year-end reporting show employers their key cost drivers and keep them informed of claims funding balances.
- A terminal liability provision limits the group's exposure at termination to six months.
- If a group decides to not continue their self-funded arrangement (terminal liability), a final claims settlement occurs after six months. A determination is made whether a credit should be applied or if an amount is due for claims incurred prior to termination and paid within six months post termination. Claims paid after six months are the financial responsibility of Priority Health and are paid through the IBNR included in the terminal specific stoploss premium.
- Additional underwriting requirements may apply to employers with 25 to 49 enrolled employees.

# Limit financial risk with stop-loss insurance

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Employers with self-funded plans that want to limit their exposure to catastrophic health care claims may purchase stop-loss insurance, also referred to as reinsurance.

Stop loss offers protection for the employer against unlimited financial liability by setting risk limits at the beginning of the plan year for individual and group health claims based on claims history.

Our optional stop-loss insurance is **rated A** by AM Best and offers financial security with prefunding of large claims to help with cash flow when large claims occur.

## Stop loss—two types

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### Specific coverage

1

Specific coverage protects against unpredictable catastrophic claims for an individual—typically from \$25,000 to \$200,000.

### Aggregate coverage

2

Aggregate coverage protects against an extraordinary year where the combined claims for the entire group exceed projections—usually 20% to 25% over estimated claims.





# All insurance companies are **not** created equal

Most insurance companies only pay claims. We help our members manage their health by ensuring they receive the right care, at the right time, in the right place.

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## **We keep your employees healthy and productive at work.**

Our nationally recognized, award-winning care management program identifies a member's likelihood of needing services before an episode of care occurs, which improves health outcomes and lowers your costs related to absenteeism, as well as medical and disability expenditures.

## **Learn more**



Contact your independent agent or Priority Health sales representative to see how self-funding can maximize the value of your health care investment. Or visit us online to learn more at [priorityhealth.com/employer](https://priorityhealth.com/employer).



