

# Level Funding frequently asked questions

## 1. What is Level Funding?

Level Funding is a type of self-funding that is unique to the marketplace. Level Funding offers all of the benefits of traditional self-funding with the added benefit of stable monthly costs so groups can reap the financial rewards of being self-insured. Level Funding is ideal for employers with 25 or more healthy employees who have cultivated a culture of wellness and engagement. Level funding allows groups to safely transition to self-funding with predictable monthly claim funding and protections to limit liability.

***A unique benefit of Level Funding:*** 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 the overage.

## 2. How does Level Funding work?

With Level Funding, the employer pays a fixed monthly amount to cover the costs of administration, stop-loss and claims funding. 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 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 reimburse the advanced funds at the end of the year.

***Note:*** The employer's overall financial exposure is limited by specific and aggregate stop-loss insurance.

## 3. What is the advantage of having specific stop-loss insurance?

Specific stop-loss insurance limits an employer's financial exposure when health claims for a specific individual exceed a specific dollar limit within a plan year. For example, if an employer has specific stop-loss insurance of \$40,000 and an individual incurs \$100,000 in claims within one plan year, the employer would only be responsible for \$40,000 of these claims. Priority Health stop-loss would cover the remaining \$60,000.

## 4. What specific stop-loss levels are available?

**For groups with 25-50 employees:** \$25,000 and \$40,000 are the standard offerings.

**For groups with 51-99 employees:** \$40,000, \$50,000 and \$75,000 are the standard offerings.

**For groups with 100+ employees:** our minimum specific is \$50,000 with higher levels available (and recommended).

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## 5. What is the advantage of having aggregate stop-loss insurance?

Aggregate stop-loss insurance limits the total claim dollar exposure of the group. This is based on a percentage of expected claims. Typical aggregate stop-loss limits are 120% and 125%. Aggregate stop-loss sets a maximum claim dollar exposure for a group. For example, if underwriting, through the quoting process, projects claims for medical and Rx to be \$600,000 and the group purchases aggregate stop-loss at 125%, the group's aggregate attachment point would be \$750,000.

## 6. What aggregate stop-loss levels are available?

The standard aggregate is 125% with a 120% option available as an exception for all group sizes with the exception of 25-49 which has 120% as the standard.

## 7. When is the claim funding account settled?

Groups will receive monthly statements illustrating claim funding dollars and claims paid, so they will easily be able to track where they stand throughout the year. An annual settlement occurs at the end of the policy year. Priority Health will prepare an annual settlement report within 30 days of the end of the policy year. If the group's claims were less than projected, refunds will be processed no later than 60 days from the end of the policy year. If funds are due to Priority Health, the amount will be included on the following invoice and will be due no later than 60 days from the end of the policy year. There is no interest paid on claim funds held by Priority Health, nor is there interest charged by Priority Health for funds advanced. There is also a final stop-loss settlement that occurs approximately 120 days from the end of the policy year.

In rare instances, an interim settlement could be triggered prior to the annual settlement if the group displays a trend of running above 125% of expected claims for three consecutive months. This settlement would bring the group back to the funding level of 110% of expected claims, in order to limit the need for a large annual settlement at the end of the policy year.

## 8. What benefits can be offered with level funding?

PPO, POS and EPO. Design options vary by group size.

**For groups with 25-50 employees:** benefit options are limited to the 2013 small group menu. Non-standard benefits or CPRs are not available unless union contracts are involved. Medical and Rx must be purchased from Priority Health.

**For groups with 51-99 employees:** maximum of three plan designs per group. Medical and Rx must be purchased from Priority Health.

**For groups with 100+ employees:** benefit flexibility is limited only by Priority Health medical policy and system constraints.

## 9. Is terminal liability optional?

No. Terminal liability is required. The terminal liability provision limits the group's exposure at termination to six months if they choose to move from this arrangement. The group will be charged two months stop-loss premium at the current premium level – plus an IBNR factor; two months administrative fees at the current level; and two months of claims at the current level. Final settlement occurs after six months.

## 10. When are invoices sent and what do they include?

Invoices will be sent by the 15th of the month for the following month's invoice. Invoices will include; administrative fees and stop loss premium, as well as claims funding. The claims funding includes a 1% Michigan Claims Tax estimate. The Level Funding monthly billing is based on an employer's enrollment for the month. If enrollment remains the same for all 12 months, then the invoiced amount remains the same. If enrollment goes up or down during the year, the invoiced amount will be adjusted accordingly.

## 11. When are invoices due?

The invoiced amount is due on or before the first day of the month. Payment is made via an ACH pull, meaning we initiate the transaction and "pull" the payment for claims into our bank account from the group's designated bank account (we don't wait for them) and proceed to pay claims. The funds are pulled on the last business day of the month for amounts invoiced for the following month. For example, for invoiced amounts mailed on the 15th of October, the pull will be made on the last business day of October for invoices due November 1.

## 12. How will Priority Health renew Level Funded groups?

The claim funding will be adjusted to reflect the projected claims amount for the next contract year. The renewal will also include administrative fee renewals and the stop-loss renewal factors for the new policy year. Groups may elect to change specific stop-loss levels at this time. The renewal will be a separate transaction from the annual settlement.

## 13. Are medical questionnaires required for all groups with Level Funding?

Groups submitting claims experience are not required to submit medical questionnaires. If claims experience is available, this is required to receive a quote.

For groups with 25-50 employees, the proposal illustrates a preferred rating scenario. To qualify for this product, groups must submit medical questionnaires from all eligible employees to be reviewed by underwriting. The questionnaires cover family members as well. Final rating and acceptance is subject to the outcome of this review. The initial proposal is not a guarantee of coverage.

If a group with 51+ or more employees that does not have experience wishes to complete medical questionnaires, they may do so, but are not required. The completion of questionnaires in this case would provide a better understanding of the risk involved for the group, as well as allow underwriting to provide a more precise Level Funding proposal.

Retention groups with 25-50 employees are not required to submit medical questionnaires unless they are adding a segment or enrolling members new to the plan. The proposal for 25-50 retention groups will include rating based on the experience of the group.

## 14. What is the process for a group to fill out medical questionnaires?

The medical questionnaire will be in a paper format. Sales will be responsible for coordinating with the agent and the group to provide questionnaires and retrieve the responses. All eligible employees must complete the questionnaires to qualify for Level Funding. The questionnaires include family member information as well. Once all questionnaires are collected, they should be scanned by sales and sent to underwriting for review.

## 15. How does the quoting process work for new business and retention?

New business for groups with 25 or more employees will be handled by regional sales executives.

### Retention

- **For groups with 25-50 employees:** Agents will request a quote through the Small Business department.
- **Mid/Large:** Account managers/account service managers will handle their existing accounts

## 16. What contract is the stop-loss written on?

### Year 1: 12/12

Claims must be both incurred and paid in the same 12-month policy period.

### Year 2: 24/12

Claims incurred in either the first or second year are paid in the second 12-month policy period.