Self-Funding: Frequently Asked Questions

1. What is Self-Funding, and how does it work?

Self-funding is an alternative method for financing your company's health and/or dental insurance. To understand it, consider the traditional fully insured program. Insurance involves risk sharing: when you purchase insurance, you pay a premium to the insurer. This premium is determined through underwriting, considering factors like employee health information, company size, and past claims experience. Under a self-funded plan, your company assumes some uncertainty regarding healthcare costs. With most self-funded health plans, especially in smaller companies, you share this uncertainty by purchasing stop loss insurance. This insurance has a deductible, below which your company covers all eligible healthcare expenditures. Once set up, a self-funded plan operates similarly to a regular insurance plan, with your organization funding a set amount per employee into a dedicated account managed by you or a Third Party Administrator (TPA). The primary difference between self-funded and fully insured plans is that your company assumes a larger share of the risk with a self-funded plan.

2. Why Self-Funding Insurance instead of typical health plans?

Self-funding offers two main advantages. Firstly, costs are generally lower, as overhead expenses are typically 20% or less compared to around 30% in traditional plans. Secondly, self-funding allows for more control over the benefit structure and other plan aspects, providing flexibility and transparency throughout the plan year.

3. What are PPO networks, and how do they affect the costs of the plan?

Preferred Provider Organizations (PPOs) offer reduced costs for healthcare services through pre-negotiated fees. These networks enable lower premium costs and reduce out-of-pocket expenses for members.

4. What are the risks with Self-Funding versus typical plans?

The primary risk with self-funded plans is the potential for higher-than-anticipated healthcare expenditures. However, stop loss insurance mitigates this risk by covering expenses beyond a specific deductible threshold.

5. How long has Tall Tree Administrators (TTA) been around, and what is its track record?

Tall Tree Administrators has been operating since 1999, initially providing fully insured coverage before transitioning to managing self-funded plans in 2001. With a reputation for outstanding value and customer service, TTA has maintained long-term client relationships.

6. What size and profile of a company work best for Self-Funding?

While the ideal size for self-funding is around 75 employees or more, smaller companies can also successfully maintain self-funded plans.

7. If our group has a higher incidence of claims, how will Self-Funding work for us?

TTA employs aggressive medical management to ensure appropriate and cost-effective care for patients. Continuous monitoring and strategic discussions help keep overall healthcare costs manageable.

8. What are the possible negatives for our employees?

Employees may face restrictions on hospital choices or out-of-network costs, depending on the selected network. Dental coverage typically remains consistent but may incur additional costs for out-of-network services.

9. Will employees who have more claims expect to pay more of their share?

Self-funding maintains parity with regular insurance regarding claim payments, ensuring consistency for employees regardless of changes in benefits structure.

10. What would you say to our people who are hesitant with Self-Funding insurance?

Transitioning to self-funding may seem daunting, but day-to-day coverage remains largely unchanged for employees. Greater transparency and lower costs can benefit both the company and its members without impacting individual pockets.