



Self-Funded Health Benefit Plans



Self-Funding is Safe, Simple

Fully Insured vs. Self-Funded

In a traditional insured plan, your company pays a premium. Rates are fixed for a year, and monthly premiums are based on the number of employees enrolled.

The insurer collects the premiums and pays the health care claims based on the policy's benefits. Covered persons are responsible for required deductibles or co-payments.

The cost of a self-funded plan has fixed components similar to an insurance premium, such as administration fees and stop loss premiums. Like an insurance premium, fixed costs are billed monthly based on plan enrollment.

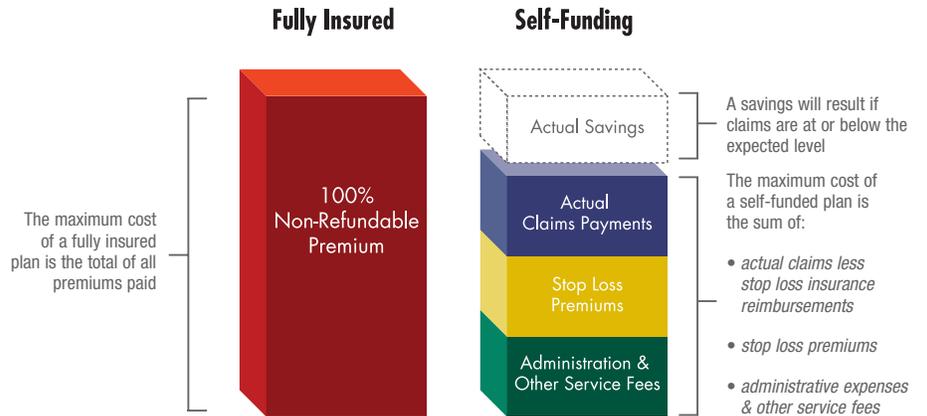
In a self-funded plan, the employer also pays the claim costs incurred by those enrolled in the plan. This cost varies from month to month based on health care use. Stop loss insurance reimbursements are made if claim costs exceed the catastrophic claim levels in the policy. The total cost of a self-funded plan, therefore, is the fixed costs plus claims expense less any stop loss reimbursements.

Capping Catastrophic Claim Risks

While these plans are called "self-funded," an employer typically does not assume 100% of the risk for catastrophic claims. Rather, the employer buys a form of insurance known as stop loss or excess loss insurance to reimburse the plan for claims that exceed a predetermined level.

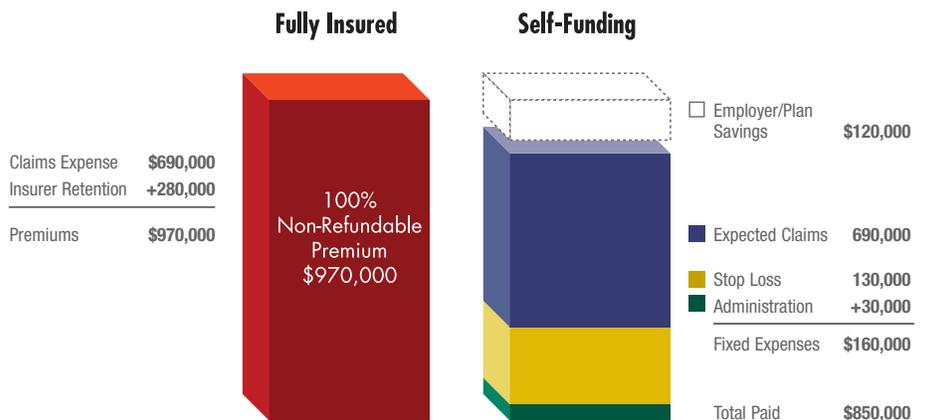
This coverage can cover catastrophic claims on one covered person (specific insurance) or it can cover claims that exceed the expected level for the entire covered group (aggregate insurance).

The Opportunity To Reduce Costs



How Self-Funding Works

This illustration features a group of 112 enrolled employees and expenses incurred during a mature plan year. If this group purchased a health insurance policy, it would pay a total of \$970,000 in premiums for the year. If paid claims totaled \$690,000, the insurer would retain \$280,000 in premiums to apply to claim reserves, to fund expenses or to generate a profit.



If this plan were self-funded, the employer would pay only \$850,000 in annual plan expenses. Fixed expenses of \$160,000 (\$30,000 for administration and other service fees and stop loss premiums of \$130,000) and claims expenses of \$690,000 for the year would be paid. Self-funding would save the employer \$120,000 or about 12% of the premium for an insured plan with similar benefits.

and Cost-Effective!

Not Just For Big Companies

For over 30 years it has been common practice for larger employers to self-fund their employee health plans. But over the last decade it has become more and more common for smaller companies, some with no more than 25 employees, to establish self-funded health plans. The only way to determine if self-funding is appropriate for your organization is to let us review a current employee census, premium rate history and actual claims experience (if available).

Covered persons in our self-funded plans enjoy easy access to the Physicians Care Network of health care providers throughout most of Michigan. Arrangements with other national and regional networks allow us to provide access to health care to employees located outside the Physicians Care service area.

Full Service Administration

As benefits administration specialists, we handle all the administrative concerns associated with a self-funded health plan, including employee enrollment, claims administration and management reporting.



We provide ID cards and plan booklets, and we help introduce the plan to covered employees.

When you combine a dedicated client service team with our comprehensive website, our clients and the employees enrolled in their plans often find our service to be superior to that of their former insurer or HMO.

Risk Management

Today, we've advanced well beyond plan design and administration to help our clients manage the risks and future costs of health care.

- Predictive modeling technology enables us to weigh complex variables and identify the factors driving health plan costs higher.
- We offer health risk assessments, disease management programs and health care coaching to help manage the demand for health care services that drive claims costs.
- No less than once a year, we'll do a thorough review of your self-funded plan costs and make specific recommendations about how to control or even cut those costs in the future.



Discover the Benefits Today...

Self-funding is a viable alternative for most employers that offer their employees health benefits. Don't reject a self-funded alternative without obtaining a proposal specific to your group and getting all the facts about how self-funding really works!

To learn how self-funded health benefits can increase employee satisfaction and control costs, ask your agent or contact us today.

A superior network, affordable plan designs and outstanding service.



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