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Partial Self-Funding

Partial self-funding offers more transparency to the inner costs and workings of the health plan as well as how the funding works. In a traditional, **fully insured health plan**, the employer simply pays a premium for an employee, an employee's spouse and a family rate. They just pay the premium by writing a check, and at the end of the day, they typically do not see it returning. It only goes out. In a partially self-funded plan, the cost of the plan is broken into two silos; there is a fixed cost bucket and a claims bucket. In the fixed cost side of the plan there are things like the reinsurance that the plan needs to protect the employer from catastrophic losses or claims in a plan that were unexpected. It covers the cost of administration to run the plan such as somebody to pay the claims and to answer the phones and provide eligibility information to doctors for an employee covered on the plan. A plan typically has a prescription benefit included, and behind that benefit there is a prescription benefit manager, or PBM, who handles the prescriptions from where the drugs come from to how they cost as well as other aspects through the pharmacies. There is a fee for the PBM service. So, on the fixed cost side of things, there are fees that are fixed and do not change through the plan year, other than maybe with a spike or drop in employee counts. They are tied to a cost per head. On the other side, we have the claims part of a health plan. In a partially self-funded plan, those claims are paid as they are incurred. The administrator pays claims when they receive claim submissions from a doctor or a hospital. They handle the eligibility to determine if the claim is something that is covered under the plan and the plan design. Companies pay these claims as they go, and if a plan has run well and funds set aside as possible expenditure were not spent at the end of the year, the employer holds onto those funds.