HOW TO CONSULT ON (NOT SELL) THE BENEFITS OF SELF-FUNDING

Self-funding Doesn't Have to Be Scary

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I meet with many businesses each year and find there are a lot of common misconceptions in the marketplace on self-funding. At the same time, employers tend to overlook the many benefits.

Laying the Groundwork

First, and most importantly, I tell them, self-funding doesn't have to be scary. I advise them on how medical insurance is bought and sold. For example, the industry has taught us to make these decisions one year at a time. Carrier proposals are compared on a spreadsheet, which doesn't tell the entire story on the many important considerations and additional services available to employees.

Rate, of course, plays a huge role in decision-making. We are, after all, talking about the second- or third-largest budget line item for most businesses. Decisions are made, and off we go to open enrollment. Then most of the time, the case is closed until next year.

Questions and More Questions

Meanwhile, the waiting game commences, during which there are the inevitable questions. The employer wonders if they'll be surprised with a shock renewal. And what are the market conditions? This period of questioning is a good opportunity to operate as a true consultant. I ask questions that the employer may not have considered, such as:

- *If your renewal is high due to unfavorable claims experience, are you receiving enough data to determine the cost drivers?*
- *What solutions or options are you activating to mitigate those cost drivers?*
- *Did the manual rate help or hurt the calculation?*
- *What is trend?*
- *Is the increase fair or justified?*
- *Will there be enough time to implement changes if needed?*

(Continued)

***Kim McBee** is an accomplished healthcare professional who brings a special expertise to Foundation Risk Partners (FRP), with a focus on short- and long-term program strategies, healthcare reform and compliance, funding alternatives, wellness plans, benchmarking, benefits administration, underwriting, actuarial services, and utilization analysis. Prior to joining Corporate Synergies, an FRP Company, Kim served more than 11 years at the home office of a national employee benefits brokerage firm where she specialized in large account sales and retention. After being promoted to oversee the large-group benefits practice, she moved into a sales leadership role. Kim holds a Bachelor's in Communication and Media Studies from Florida State University. She is a certified Group Benefits Disability Specialist and a NAHU Registered Employee Benefits Consultant.* ♦

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Adjusting the Self-funding Mindset

Another common concern an employer has is that their population is not large enough and self-funding is only a fit for jumbo-sized businesses. Sure, the law of large numbers and predictability of claims increases with a larger population, but there are viable options in the market to help mid-size employers self-fund without assuming unnecessary risk.

I also hear that people refer to self-funding as a destination, not a journey. I can't count the number of times I've heard, "if we could just get to a self-funded plan." This is not the right thought process. Self-funding is a finance vehicle. It enables employers to partner with their benefits consultant to implement solutions to manage their program in a sustainable way. It requires an ongoing strategy and each plan should be analyzed for its unique set of influencers to determine the right approach.

The Benefits of Self-funding

Now that we've addressed some common misconceptions with the employer, it's time to talk about the potential benefits. This is the fun part! The self-funded employer can:

- **Realize claims savings.** This is a big one! In a fully insured arrangement, you never "win" in the good years with a return of unused premium.
- **Enjoy greater transparency.** Ever wonder why you are paying what you are paying? With self-funding, you can account for every dollar.
- **Increasing cash flow.** In a fully insured plan, you pre-pay for coverage each month. With self-funding, you pay for what you use.
- **Have access to data.** Information is power. This is a means to address cost drivers, steer participant behavior, and improve outcomes. Data is available real time to watch patterns as they occur, before it's too late to act.
- **Have better control.** With the ability to customize benefits, vendors, and bring best-in-class resources for your specific population needs, the plan moves from one size, fits all to true customization.
- **Experience easier compliance.** Self-funded plans are not subject to state mandates, which are ever evolving.
- **Enjoy network choices**. PPO, HMO, RBP, hybrid, direct contracts, direct primary care, and the list goes on and on.

HAVE YOU INCORPORATED A SELF-FUNDED FEASIBILITY ANALYSIS INTO YOUR STRATEGIC PLAN?

The Importance of Timing

As with any major decision, I urge the employer to consider timing. We are in a unique environment whereby the coronavirus pandemic has altered normal utilization patterns. I suggest that if the employer hasn't incorporated a self-funded feasibility analysis into their strategy this year, they may be missing the boat. No employer can do the same thing year after year and expect a different outcome.

Here's the bottom line I present to a business who's sitting on the self-funding fence: If you want to be proactive and avoid all the questions going into renewal, it's time to evaluate self-funding." ♦

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