



Level funded health plans are designed to give plan sponsors new ways to save.

For businesses seeking a more affordable health plan and more options for plan participants, an alternate funding plan may be the right solution.

Few items on the expense ledger of a business are larger than the cost of its health plan.



In fact, a full 69% of small business employers report their health plan costs have jumped over the last 4 years, with one-third experiencing annual increases of 10% or more.¹

“There’s no question. The single biggest concern of most business owners today is the cost of coverage,” said Derek Springer, Director, Product Development and Growth for All Savers at UnitedHealthcare. “Most are looking for new strategies to lower their overall costs and offer their employees benefits that have real value.”

Health insurers are responding. And, in an industry filled with acronyms and jargon, businesses are discovering a kind of health plan with a somewhat cryptic name: a level funded health plan.

What is a level funded health plan?

Level funded plans push beyond traditional insurance plans to give plan sponsors new ways to pay for health services, manage costs and help plan participants get more value from their benefits.

These plans typically use 3 mechanisms:

- 1 A self-funded medical benefits plan.** With this type of plan, claim costs are based on the expected utilization of the specific plan sponsor’s workforce. The plan sponsor is required to fund their claim costs to the maximum and if costs are less, the plan sponsor may receive money back; if costs are higher, the stop loss policy steps in to protect the plan sponsor from additional costs.
- 2 A stop loss insurance policy.** An insurance policy that provides coverage for large, catastrophic medical claims by a single, covered individual and provides overall coverage in the event medical claims of the group go beyond a certain dollar limit.
- 3 A third-party claims administration agreement.** An agreement with an administrator to provide medical claims processing, billing, customer service and other services.

The popularity of level funded plans continues to grow. These plans offer plan sponsors more ways to save, as the portion of the overall cost subject to premium tax is less.

In addition, they provide freedom from many regulatory requirements and mandates, such as those found in the Affordable Care Act (ACA). For example, some of the act’s regulations that apply to fully insured plans—Medical Loss Ratio, rate increase review and others—don’t apply to these plans.

“Level funded health plans make it possible for a plan sponsor to take greater control of their health spending,” said Janet Mashl, Vice President, Level Funded Strategy, UnitedHealthcare. “They provide tools typically available only to larger plan sponsors... and the marketplace is responding.”

How does a level funded health plan work?

Level funded plans work by helping plan sponsors manage their health plan's financial risk differently. Figure 1 shows how traditional insurance plans require a plan sponsor to pay a fixed premium to the insurance company. The insurance company assumes the financial risk for providing health services to the plan sponsor group, including paying health care claims and covering administrative costs, sales commissions and taxes.

At the end of the plan year, if the actual health care claims are higher than expected, the insurer pays them. But if they're lower, the insurer keeps the difference.

Figure 1

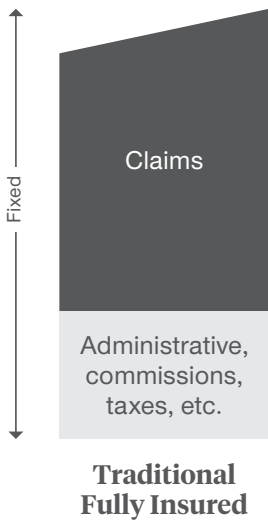


Figure 2

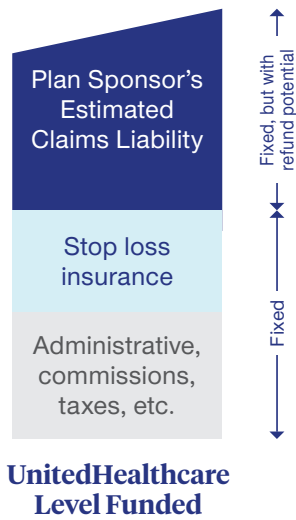


Figure 2 shows how, with a level funded plan, the plan sponsor assumes the financial risk of providing health services to the plan sponsor group. It establishes a medical benefits plan that pays for plan participants' medical claims directly. These costs may vary from month to month throughout the year. But because the plan is level funded, the administrative fees, stop loss premium and monthly maximum claim liability are included in one monthly invoice—the amount of which is fixed—throughout the plan year.

At the end of the plan year, if the total health care claims are lower than anticipated, the plan sponsor may receive money back (where allowed by state law). If they're higher? The stop loss insurance policy covers them.

While plan sponsor experience varies, nearly 1 in 3 UnitedHealthcare clients using level funded health plans received money back at the end of the year (2019). Figure 3 shows the **average** refund was \$7,622 depending on the state and several other factors.

What makes a level funded health plan from UnitedHealthcare different?

Of course the impact of a level funded plan on the overall health spend of an employer depends on the health status and claims experience of the plan participant group. With healthier plan participants who may use fewer health services, a plan sponsor is likely to save more money over the course of the coverage period. A plan sponsor with plan participants who might not be as healthy—and who may use more health services—is likely to pay more.

Simply put, the success of a level funded plan can depend on the commitment of the plan sponsor and plan participants to living and working healthier.

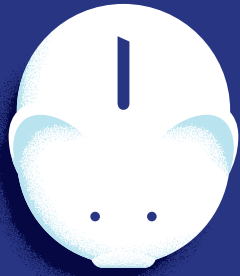
Increasingly, plan sponsors are recognizing the impact that a healthier workforce has on their business. In fact, the number of businesses offering some kind of wellness program has jumped 65%.¹ Nearly 90% of plan participants who work in a company focused on health report being happier.² And plan participants engaged in their health may have lower rates of absenteeism and get more done at work.² Wellness programs may help address the nearly 50% of health care costs that stem from chronic or preventable disease.³

That's where UnitedHealthcare comes in.

"What makes our level funded plans different is the variety, quality and impact of the plan design, clinical management, and health and wellness offerings we bring to the table," said Shelley Duval, Vice President, Business Strategy, UnitedHealthcare.

Figure 3*





“A level funded plan is an innovative package designed to help businesses make their bottom line that much better.”

Among the UnitedHealthcare offerings designed to help create and sustain a healthier workforce:

- A nationwide network of more than 1 million health care providers focused on delivering cost-effective, quality care to plan participants and their families.⁴
- Access to OptumRx, a pharmacy services company with participating pharmacies nationwide.
- Digital tools to help plan participants find the most convenient care and compare the cost and quality of different providers across hundreds of health services.
- Sophisticated clinical management programs to support plan participants and their families as they manage chronic conditions or severe illnesses.
- Innovative wellness programs to help support plan participants on their journey to better health.
- Support for navigating the health system and answers to plan participants' health plan questions.

UnitedHealthcare also offers a number of tools that may help identify and support health and wellness issues:

- A live welcome webinar to help plan sponsors understand and get the most from a level funded plan.
- Detailed claims utilization reporting to help plan sponsors better understand their utilization of health services and manage their benefit plan.

“Our offerings make it easier for an employer to implement their plan and support and engage their plan participants in better health,” said Springer. “It’s an innovative package that can help businesses make their bottom line that much better.”

Learn more

Contact your broker

**United
Healthcare**

¹ Small Business Trends, Workplace Wellness Programs are on the Rise – And Employers See Results, January 2019.

² Hyperbiotics: The Key Benefits of Wellness Programs, January 2019 From Better Health to Bottom Line.

³ WellSteps - Effective Employee Wellness Solutions: This is the Impact of Your Employee Wellness on Health Care Costs, September 2018.

⁴ UnitedHealthcare internal analysis, June 30, 2020.

This product is not available in all states.

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