

Alternate Funding

In the standard benefit plan, premiums are paid monthly. These premiums include charges for:

- Claims
- Reserves
- Risk Expense
- Administration

The two largest components are claims and reserves.

Most benefit plans require you to both pre-fund the reserves and pay a set claim charge per month, irrespective of your actual monthly claim level. In addition, claim reserves -- which are only used upon termination -- must be pre-funded. These are fully insured benefit plans.

Opportunities exist to pay your employees' health care claims only when they are actually paid by your insurer. Claim caps are available to guarantee that under adverse circumstances, your claim costs would be capped at what they otherwise would have been. Regarding reserves, it is also possible for companies to accrue the liability without actually funding it with the insurer. The result of both techniques can be improved corporate cash flow.

Under certain circumstances it may make sense to self-fund various benefits. With self-funding one is able to completely unbundle each element of a benefit plan and obtain competitive prices on each element.

Take risk charges as an example: under the right conditions one can agree to accept more or less risk and pay for it accordingly.

Each benefit plan has its own reserve and risk structure. Your F&A account team will examine each plan to be sure you are paying the minimum premium necessary.

