HealthLink

Expert Insights

The More They Know

Educating your employees about self-funding

When it comes to educating themselves about their healthcare benefits, most employees focus solely on their plan options, costs and coverage details. While these are very important components of a plan, many employees lack the basic knowledge of how healthcare benefits work. Employees with a self-funded health plan are even less likely to understand the nuances of their plan, including how it is funded.

"Employers who self-fund their health plan may have a unique opportunity to save money by educating their employees about how self-funding works," says Judy Dawson, HealthLink Sales & Retention Executive. "If employees understand how their plan is funded, they may become more actively engaged in making healthcare purchasing decisions. This can save money for the employee and the plan."

Want to educate your employees about self-funding? **Here are four topics to cover:**

The Basics

The biggest difference between a traditional, fully-insured plan and a self-funded plan is the way the plan's costs and claims are funded. In a traditional, fully-insured health plan, an employer and/or the employee pay a monthly premium to receive coverage for medical services. This transfers the risk of "loss" to the insurance carrier. The premium dollars collected by the insurance carrier are then used to offset the cost of the medical claims, i.e. "loss."

With a self-funded plan, the risk stays with the employer, who directly pays for all of the medical claims his/her employees incur. A fully-insured plan is like paying for a monthly subscription service, such as cable or Netflix, you pay the same monthly fee no matter how much or little you use it. A self-funded plan is more comparable to a utility bill at your home, you pay some fixed cost, but the balance is determined by your use.

The TPA

A fully insured plan can only be administered by an insurance carrier, while a self-funded plan can be administered by a carrier or third party administrator (TPA). The TPA manages the health plan and takes over much of the duties that the insurance carrier oversees with a fully insured plan, such as processing claims, determining benefits and handling administrative duties on the employer's behalf.

The Network

No matter how a health plan is funded, it provides access to a "network" or a "provider network" of doctors, hospitals and other healthcare facilities. Medical providers contract with the network – as an "in-network provider" – and provide discounted rates for their services in exchange for the opportunity to increase the number of patients they see.

Insurance carriers often have their own networks and are responsible for maintaining those networks. TPAs that manage health plans for their clients typically don't maintain their own networks. Instead they contract with another company, such as HealthLink, who develops and maintains a provider network and makes it available to plan administrators.

Some plans have more than one network, a primary network and a travel network. The travel network helps fill in any gaps where the primary network doesn't have enough access to care to meet the needs of an employer and their employees.

ID card

Your employees should understand the information printed on their ID card, including:

- **Company Name(s).** The company name printed on a card (other than the employer) is likely the name of the TPA.
- **Logos**. Self-funded health plans often have more than one logo per card, the TPA and the network(s).
- **Claims Submission Address**. On the back of the ID card, there is an address listed to tell doctors where to submit claims – the name listed is the network.

If you self-fund your health plan, your employees should be educated on each of these topics! The more they know, the more likely they are to use their plan effectively.

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