

GLOSSARY OF TERMS

Some of the terms associated with self-funding may be unfamiliar to you. Many of them are used in this brochure, and others may come up in conversation with your broker. These brief descriptions are designed to help you understand the concepts behind the Plan.

Aggregate stop-loss coverage

An insurance policy that provides coverage for paid claims that exceed a pre-determined maximum for the entire group.

Annual aggregate advance

Funds that a TPA may advance to the employer's plan for claims over the annual maximum claim liability, then collect from the reinsurer later.

Annual aggregate attachment point

The employer's total annual liability for all claims.

Automated clearinghouse (ACH)

Electronic transfer of funds from an employer's checking or savings account for payments, based on an ACH Authorization Agreement.

Claim lag

The amount of time between the date a claim is incurred and the date the claim payment is made.

Corporate-owned bank account (COBA)

An account set up and managed by the TPA on behalf of an employer for the purpose of funding claims.

ERISA

The Employee Retirement Income Security Act of 1974. ERISA plans have the option to comply with state insurance mandates. There are provisions in the Act requiring the plan to comply with government reporting, employee disclosure requirements and the prudent use of plan assets.

Excess Loss Period

Contract Year.

Laser

A specific deductible amount which reflects the additional risk assigned to insure an individual high risk participant.

Managed Care Service

The TPA's in-house medical management company that provides utilization review, case management and disease management services.

Maximum claim liability

An employer's maximum risk for an employee or for the entire group.

Minimum aggregate attachment point

The minimum claims level (deductible) at which the aggregate stop-loss insurance policy applies. This level is determined by multiplying the enrollment in the first month of the policy times 12 months the monthly claim maximum.

Monthly aggregate accommodation

Funds advanced to the plan for claims over the cumulative monthly maximum claim liability.

Plan document

The document that describes the plan of benefits provided by the employer.

Plan participants

Employees and dependents (including COBRA participants) who are covered under the Plan.

Plan sponsor

The employer or other entity that provides benefits for eligible plan participants.

Specific accommodation service

Funds that the TPA may advance to the employer's plan for claims over the specific deductible until the stop-loss carrier provides reimbursement.

Specific deductible

The stop-loss amount for each individual plan participant.

Summary Plan Description (SPD)

A version of the plan document that is distributed to plan participants describing their benefit coverage. The SPD also includes claims mailing instructions, appeals, procedures and ERISA rights.

Terminal Liability Option (TLO)

A stop-loss insurance provision which provides coverage for claims that have been incurred within the plan year but not paid prior to the date the stop-loss coverage is terminated. Claims must be submitted and paid within 90 days after termination. This feature is available when the plan is terminated at renewal and the employer returns to a fully insured plan.