

**SELF-FUNDED
REASONS WHY**

Why Self-Funding is Right for Many Employers: The first thing to bear in mind regarding self-insurance is that it is a concept, not a product. It's a Long-term decision having to do with financing employee health care benefits. The second thing is that, for many employer's, it is a concept that has helped Business Owners save thousands of dollars in health insurance premiums.

Insurance companies are looking for a profit: Insurance Companies offering fully-insured programs, try to price their products in such a way that, in the long run, will assure the high probability that they will earn a profit. Therefore, the premiums paid by most employers to insurance companies for group health insurance far exceeds the actual claims and administrative costs generated to their plan. At best, employers are really just "trading dollars" with the insurance company and, in fact, are already "paying for their own claims." The most efficient means of providing these benefits, therefore, is through self-insurance.

Claims are claims but service makes the difference. All things being equal, the dollar amount of a claim under a policy of insurance will be the same as the one presented to an employer with a self-insured plan. If the plan of benefits is identical, there should be little or no difference in the expected claim level regardless of the method used. In fact, the experiences of most plans show the employees are more reluctant to file claims against their employers. Therefore the self-insured plan utilization, is normally less than conventionally insured vehicles.

Reduced administrative expenses: The risk of being Self Insured can be reduced or eliminated through the purchase of appropriate stop-loss insurance. Naturally, if claims costs are favorable, the savings can be significant and better yet, the savings are yours. Even if the ultimate dollar amount of claims is the same under a fully insured or self-Insured plan, the advantage of self-Insurance, lies in the reduced administrative expenses charged for services and the "use of money" not paid in advance for premiums. For example: State premium taxes are eliminated (2 to 4%). Overhead and profit charges by the insurance company are reduced or eliminated (8 to 18%). Contributions to the insurance company's contingency reserves are eliminated (1-3%).

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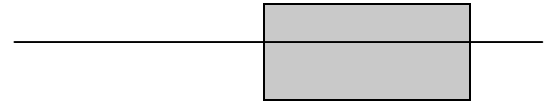
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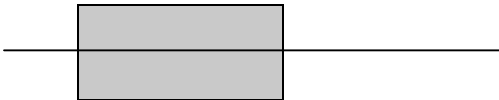
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A Third Party Administrator (TPA), will provide excellent administration services for less than Insurance companies would charge. It is the unlimited devotion to customer service that distinguishes a Self-Funded Plan from an insurance company's policy program.

Additional benefits of Self-Funded Insurance: Self-Insurance has some important "sub-benefits"; Tailored claims systems provide greater claim control. The addition of second opinion clauses, managed care, subrogation discounts from hospitals for timely payment and aggressive coordination of benefits allows for tremendous flexibility in plan and benefit design. Perhaps the most valuable benefit to self-Insured plans is that they enjoy qualified exemption to state mandated insurance requirements.

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