

A QUICK GUIDE TO PARTIAL SELF-INSURANCE

In an ever-changing market healthcare entrepreneurs are shaking up the traditional systems and reinventing health insurance to better serve organizations such as nonprofits. Partially self-funding is one such approach.

WHAT IS PARTIALLY SELF-FUNDED HEALTHCARE?

A partially self-insured plan:

- **Builds on already existing group health insurance.** Organizations purchase less expensive, high-deductible healthcare plans (HDHPs) for employees, and then provide supplementary funds to cover out-of-pocket expenses for all enrolled employees.
- **Acts as a pay-as-used model for healthcare.** Companies can purchase group health insurance at a lower rate and then manage transactions eligible for the supplementary funds (versus being billed at 100% like a traditional HMO or PPO).
- **Provides guaranteed reinvestment funds in low or average claims years.** Typically a significant portion of those supplementary funds allocated won't be spent (unless a high claims year is experienced) and could potentially be reinvested back into the organization.

BENEFITS OF PARTIALLY SELF-FUNDING

The primary organizational advantages of partially self-funding are two-fold:

1. FINANCIAL SAVINGS:

Partially self-funding can reduce both employer and employee spending.

- › **For the employer.** The combination of a HDHP and a reserve fund allows for significant cost reductions and unspent reserve funds to be reinvested back into the organization at the end of the year.
- › **For the employee:** Reserve funds support out-of-pocket costs for employees so that healthcare usage no longer penalizes employees for using a costly benefit.

2. IMPROVED BENEFITS:

For nonprofits, attracting and retaining top talent is an ongoing challenge. Developing innovative approaches to keep skilled staff members satisfied is crucial to sustained programming. With partial self-insurance, employers can:

- › Customize additional benefits based on employee needs/wants
- › Improve compensation packages by adding highly desired non-traditional benefits with little to no impact on budgets.

CHALLENGES OF PARTIALLY SELF-FUNDING

While the benefits of partially self-funding group healthcare are plenty, there are also challenges that must be considered when looking at this option:

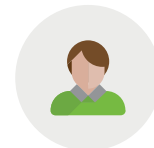
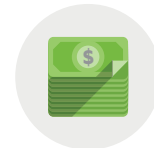
- **Financial Barriers:** In the event of high claims due to unexpected events, organizations (especially those with fewer than 500 employees) will likely be responsible for paying the complete deductible up to the ACA maximum – depleting and possibly exceeding reserve funds.

- **Operational Barriers:** While large claims continue to be handled by the carriers with partial self-funding, the vast majority (typically well over 90%) of day-to-day healthcare occurs with small transactions (typically less than \$500). Managing the billing, payments and reimbursements inherent in these ERISA-governed transactions becomes another potential landmine for the employer.

NONSTOP WELLNESS REMOVES THE BARRIERS A SOLUTION FOR NONPROFITS

Nonstop Administration and Insurance Services, Inc. provides an innovative approach to partially self-funding for nonprofit clients, removing the financial and operational barriers and increasing the financial and employee benefits.

- **Removing the financial barriers:** Nonstop removes the financial obstacles associated with partially self-funding and efficiently manages reserve funds.
- **Increasing the financial benefits:**
 - › **Baseline savings of 12.5%:** The baseline savings in premium reductions is 12.5% or more with no cost-shifting to employees and no changes to existing carriers (unless desired).
 - › **Return of Reserves:** The Return of Reserves program returns two-thirds of unused reserve funds each quarter in low-average claims years to be used with no restrictions for any operational costs the organization sees fit.
- **Increasing employee benefits:**
 - › **Customized and added benefits:** Organizations can custom design a benefits plan that caters to their unique population of employees. Employees also receive the benefits of additional complementary care such as chiropractic and acupuncture – at no extra cost to the employer.
 - › **Significantly reduced OOP costs:** Nonstop Wellness ensures that nearly all out-of-pocket expenses for employees and their families go away – eliminating the “adding insult to injury” experience and ensuring that healthcare will indeed be a benefit when used, not a financial drain.
- **Removing the operational barriers:** The Nonstop Wellness community outreach team has the capacity to act as both a consultant and broker, as well as to manage the administrative tasks such as processing claims/reimbursements and the medical carrier billing process.



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