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# 5 Ways *to Maximize* Level Funding

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# 72%

of employees rated the affordability of employer-provided benefits as an important factor in their organizations' demonstration of employee care.<sup>1</sup>

# 58%

of employees were satisfied with current affordability (of their health plan).<sup>1</sup>

Employees want their employers to show they care and offer affordable benefits, especially health benefits coverage. Provide a solution like level funding to your small to mid-size clients as a key strategy to help them retain and attract employees in this changing labor market.

**Consider these five things when you review health benefits: carriers/TPAs and how they support you and your clients, different underwriting processes, fundamentals of level funding, choice of plan designs/offerings and cost-saving techniques.**

## Employees' top must-have benefit is medical/health insurance.<sup>1</sup>

# 5 ways to maximize level funding:



Carriers/  
TPAs Support



Different  
Underwriting  
Processes



Fundamentals of  
Level Funding



Types of Plan  
Designs



Cost-Saving  
Techniques

# Carriers/TPAs Support



Carriers'/third-party administrators' customer service will be an important factor to you, your clients and their employees. Having a checklist to answer these questions can be key in knowing whether you will get the support you and your clients need.

Do you get a live person to speak with? Are they responsive? How quickly do they resolve issues?

Do they offer self-service, online tools for you and your clients? Access to online tools and client support means your clients can resolve potential issues, giving you more time to sell and focus on other tasks.

Do you get a dedicated person to help you build a custom plan design for your clients? Can they turn quotes around quickly? Do they make it easy to get clients underwritten and enrolled?

Another factor to look at is how long they have been in business and whether a carrier/TPA has a good financial rating. These features can bring peace of mind to your clients.

## Carrier/TPA Checklist

- Do you get a live person to speak with?
- How quickly do they resolve issues?
- Do they offer self-service, online tools for you and your clients?
- Do you get a dedicated person to help you build a custom plan design for your clients?
- Do they make it easy to get clients underwritten and enrolled?
- How long have they been in business?
- Do they have a good financial rating?



# Different **Underwriting Processes**



The two most common types of health plan underwriting for level-funded plan designs include **medical underwriting** (IMQs or medical applications) and **predictive modeling**.

While some brokers and employers may be resistant to medical underwriting with medical questionnaires, there is value and advantages to consider.

## **With medical underwriting carriers/TPAs can help you:**

- By using the most current health history, accurately assess the risk and establish a rate based on the true risk within a group.
- Recommend a fitting plan design and potentially lead to more stable renewal.
- See a summary of medical data, which after medical underwriting is complete, some carriers/TPAs offer as valuable information for review. This might be referred to as the employer's "report card".
- Use many convenient options: paper, online portals, telephonic, other carrier applications and more.
- With greater rate negotiations for either the new carrier or renewal carrier.

## **Predictive modeling is another option for underwriting:**

- Usually runs with only a census.
- Access may be limited to groups with quality attributes (participation, renewal increase, employer contribution, etc.).
- Results are usually in the form of a risk score or medical load.
- Interpreting and applying predictive modeling results can be tricky, for example:
  - Is the medical load reflective of a single large claim, multiple small claims or a combination of the two?
  - Are specialty medications, pending surgeries, severity of conditions included?
- Carriers/TPAs may add protections when results are viewed as anomalies:
  - Shadow pricing (positioning rates using renewal rates).
  - Higher starting (base) rate than IMQ rate.
  - With the limited medical information, aggressive negotiations may be limited.

- ▶ **To best serve employers, more information and details allow for greater flexibility with carriers/TPAs. Medical applications or IMQs provide the best information for carrier/TPA considerations.**



# Fundamentals of **Level Funding**



Healthcare is a highly valued employee benefit, and it's one of the biggest items in any organization's budget.<sup>2</sup>

The average annual premium for single coverage for covered workers in small firms is \$8,012 and \$22,186 for family.<sup>3</sup> In 2021, they were slightly less (single \$7,813 and family \$21,804.)<sup>4</sup>

Average premiums may not have increased much from 2021 to 2022, but they are still one of employers' largest benefit cost. This can explain why more and more employers are turning to self-funded plans that are level-funded.

38% of small firms offering health benefits report that they have a level-funded plan, similar to the percentage in 2021 but much higher than preceding years.<sup>3</sup>

65% of covered workers, including 20% of covered workers at small firms and 82% in large firms are enrolled in plans that are self-funded. The percentage of covered workers in self-funded plans in 2022 is similar to the percentage last year.<sup>3</sup>

There are many advantages to level funding a self-funded plan design, starting with **savings on state premium taxes** as self-funded claim dollars are not subject to state health insurance premium taxes, which helps lower costs.

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## Healthcare is a highly valued employee benefit

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**Employers can tailor a plan design** with adjustable deductibles, out-of-pocket maximums, copays, coinsurance, Rx benefits, etc. to meet their needs and budget.

**Predictable (level) monthly payments**, regardless of claim activity, allows for better budgeting and peace of mind.

**Incorporating stop-loss insurance** premium in the level-funded monthly payments helps protect against the financial impact of a large number of covered claims, an individual catastrophic covered claim, or both.

Throughout the year employers get HIPAA-compliant **transparency reports** showing how their healthcare dollars are being used. These reports can be used to further educate employees on ways to reduce costs by using in-network providers or choosing lower cost alternative prescription drugs. Certain reports can help employers plan for future employee benefits and contribution levels.

Since the group funds for expected claims each month there is an **opportunity for a refund** if the group's claims are lower than expected during the plan year.

# Types of Plan Designs

There are many types of level-funded plan designs: from **major medical to preventive-only (MEC) plan designs, with a national or regional network or using reference-based pricing (RBP)**. Employers can go with the comfort of a PPO network plan design or the freedom of provider choice and lower cost of a reference-based pricing plan design.

Reference-based pricing is typically less expensive than traditional PPO plan designs. This type of arrangement uses fixed pricing for healthcare services, based on a multiple of Medicare and/or provider costs, which is used to calculate claim payment. One of the main advantages, second to cost, is the ability for covered employees to select providers. They can keep their current provider/doctor or choose a new one because there are likely few network restrictions or out-of-network penalties.

Level funding allows consultants/advisors the ability to build plan designs to best fit the employer's budget and employee needs. PPO (and RBP) plan designs usually have options for deductibles, coinsurance, out-of-pocket and copays. Be sure to explore the flexibility offered by each carrier/TPA.

## Level funding allows consultants/ advisors the ability to build

plan designs to best fit the employer's budget and employee needs.

### Types of plan designs:

1

Major medical

-With a national or regional network, or

-Using reference-based pricing (RBP)

2

Preventive-only (MEC)



# Cost-Saving Techniques



Here are some cost-saving techniques to help clients make the most of their healthcare dollars.

**Defined contribution** is an approach where employers can define their employee and dependent contributions and offer employees a choice of medical plan options to fit their specific needs. Generally, the larger the employer the more options are provided.

**Health Reimbursement Arrangement (HRA)** is a technique which involves an employer purchasing a higher deductible plan and funding a portion the deductible and/or copays. When considering an HRA, employers rely on savings moving to the high deductible plan to fund their portion of the deductible. The savings need to be greater than the expected funding. HRAs are typically available with many level-funded plan designs.

Help your existing clients keep up to date, and for groups offering coverage for the first time, remind them to include a **Premium Only Plan (POP)** a basic

type of Section 125 Cafeteria Plan. This plan allows employers to withhold health plan premiums on a pre-tax basis from employee paychecks. This equals savings for employees on federal, state and social security taxes. Employers save on their social security match. It also extends to FSAs and HSAs.

## Cost-saving checklist

- Defined contribution**
- Health Reimbursement Arrangement (HRA)**
- Premium Only Plan (POP)**





# Maximize Level Funding for Your Clients

Get started with initial rates (aka base rates, illustrative, street or preferred) to develop your strategy for renewals and prospects. These are the lowest rates available prior to any medical underwriting for comprehensive major medical plan designs with stop-loss insurance coverage.

**Level funding can give your clients control, flexibility and the value they need.** Selecting a carrier/TPA who can meet your and your clients' expectations can be vital to your prospecting and renewal success.



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**Learn more about self-funded plan designs with stop-loss insurance uniquely designed for small to mid-size groups. Visit [TrustmarkSB.com](https://TrustmarkSB.com) to get a quote today!**

## Footnotes:

<sup>1</sup>MetLife's 21st Annual U.S. Employee Benefit Trends Study 2023. The Advantages of Employee Care. <sup>2</sup><https://Mercer.us/what-we-do/health-and-benefits/strategy-and-transformation.html> <sup>3</sup>2022 Employer Health Benefits Survey, 10.22. KFF.org. <sup>4</sup>2021 Employer Health Benefits Survey 10.21. KFF.org.

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