



Self-funding explained

Understanding your
funding options

PriorityHealth 
THINK SMART. LIVE SMART.



Self-funding, simplified.

Helping employers manage their health care costs.

Simply put, employers who self-fund own and assume the financial risk of providing benefits to their employees by paying claims as they are incurred. Self-funding is ideal for employers with 25 or more healthy employees who have cultivated a culture of wellness and engagement.

More reasons to self-fund

Self-funding is available with customizable HMO, POS and PPO plans and can be combined with Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA).

In addition to the potential cost savings groups can experience by self-insuring, self-funded plans are not subject to state premium taxes and are exempt from many of the provisions of health care reform.

Self-funding is one of the many ways Priority Health has been helping employers control their health care costs for nearly 30 years. In fact, we do self-funding better than anyone.



We offer highly competitive discounts through contracts with our provider network.



Our innovative Cost Estimator tool provides transparency into health care spending so employees can see the financial impact of care decisions.



We provide clear, concise data through Employer Insights so employers can better plan their cash flow.



Unlike other carriers who have a fragmented experience, our integrated approach includes the following services all under one fee. In other words, no hidden fees.

- Administration
- Wellness
- Care Management
- Stop loss
- Occupational Health
- Provider Network
- Pharmacy



Our administration
fee includes more
services than other
carriers in the market.

We treat self-funded plans equal to our fully funded plans.

This means we won't just pay your claims, we'll immerse ourselves in the management of your employees' health plan, administering it with the highest level of accuracy.

Administrative services unique to Priority Health — what we include that other carriers don't:


- Access to 24/7 virtual visits
- Employer Insights system, including an actionable, online reporting tool
- Global emergency medical services through Assist America
- COBRA administration
- Employer online web portal
- Health care reform advisory services
- Personalized member wellbeing hub

Other services we include to support employers:

- Illustrative rates for employee contributions
- Anti-fraud investigations
- Nationwide electronic claim processing
- Award-winning customer service with extended hours
- Online administration tools and services
- Open enrollment materials and ongoing support
- Customized member onboarding experience
- Active and Fit discounted gym membership
- Price and quality transparency for more than 300 health care services and prescription drugs with the Cost Estimator
- We manage stop loss and will work with other stop loss vendors

Benefits we include that other large carriers or third-party administrators (TPAs) don't include or charge extra for:

- No start-up fees
- Plan documents, summary plan descriptions (SPDs) and summary of benefit coverage (SBCs) — always up to date
- Disease and care management services
- Utilization review management
- Medication Therapy Management
- Member and employer mailings
- Membership ID cards—including a mobile app
- Diabetes Prevention Program, including virtual access through Omada



Priority Health offers
two ways to self-
fund to better satisfy
employers' needs.

Choose from our traditional self-funding or level-funding options.

With either, we provide monthly claims utilization reports so employers have a financial picture of their health care costs throughout the year.

Traditional self-funding

For some employers, a pay-as-you-go approach makes financial sense. Traditional self-funding allows employers to pay for claims as they are billed, so when claims activity is low, employer costs are low.

With traditional self-funding, employers fund claims as they are billed. Each week we process claims and collect funds from employers to pay those claims. This provides cash-flow advantages for some employers. Administrative fees are collected once a month.

Level-funding

For some employers, traditional self-funding carries too much financial risk and unpredictability. Level-funding offers all of the benefits of traditional self-funding with the added feature of stable monthly costs, so groups can reap the financial rewards of being self-insured.

With level-funding, employers fund a fixed amount of money each month based on their enrollment and projected claims expense, giving the employer more financial stability.

Priority Health uses the money as needed to pay claims. At the end of the year, if claims paid by Priority Health are less than the funds paid by the employer, Priority Health will send a check to the employer for the overage.

If claims paid by Priority Health exceed the monthly amount funded by the employer, Priority Health will pay the claims as incurred and the employer will reimburse the advanced funds at the end of the year.

Level-funding with Priority Health is simple, stable and secure.

Level-funding is an affordable option for employers looking to maintain employer-sponsored benefits.

- Employers fund the same amount every month based on single, double or family enrollments.
Payments do not fluctuate monthly due to claims experience.
- Employers fund only their projected claims and the costs of administering them.
- Monthly claim funding level is set at 105% of expected claims. Expected claims are calculated by our underwriters based on an employer's claim history.
- At the end of the group's policy period, a claims settlement is completed within 60 days to determine if a credit is due to the employer. If claims are less than anticipated, the balance is returned to the employer at the end of the contract year.
- If claims are greater than anticipated, Priority Health will settle with the group for the outstanding claims payments due.
- Per-individual (specific) and group-level (aggregate) stop-loss insurance is available to limit the employer's overall financial exposure. See page 9 for details.

Level-funding is a long-term strategy. That's why we offer a two-year fixed-cost pricing strategy.

- In year two, the level-funding monthly amount will be adjusted to reflect the projected claims amount for the next contract year.
- Monthly claims utilization reports and year-end reporting show employers their key cost drivers and keep them informed of claims funding balances.
- A terminal liability provision limits the group's exposure at termination to six months.
- If a group decides to not continue their self-funded arrangement (terminal liability), a final claims settlement occurs after six months. A determination is made whether a credit should be applied or if an amount is due for claims incurred prior to termination and paid within six months post termination. Claims paid after six months are the financial responsibility of Priority Health and are paid through the IBNR included in the terminal claims funding fees.
- Additional underwriting requirements may apply to employers with 25 to 49 enrolled employees.

Limit financial risk with stop-loss insurance

Employers with self-funded plans that want to limit their exposure to catastrophic health care claims may purchase stop-loss insurance, also referred to as reinsurance.

Stop loss offers protection for the employer against unlimited financial liability by setting risk limits at the beginning of the plan year for individual and group health claims based on claims history.

Our optional stop-loss insurance is **rated A** by AM Best and offers financial security with prefunding of large claims to help with cash flow when large claims occur.

Stop loss—two types

Specific coverage

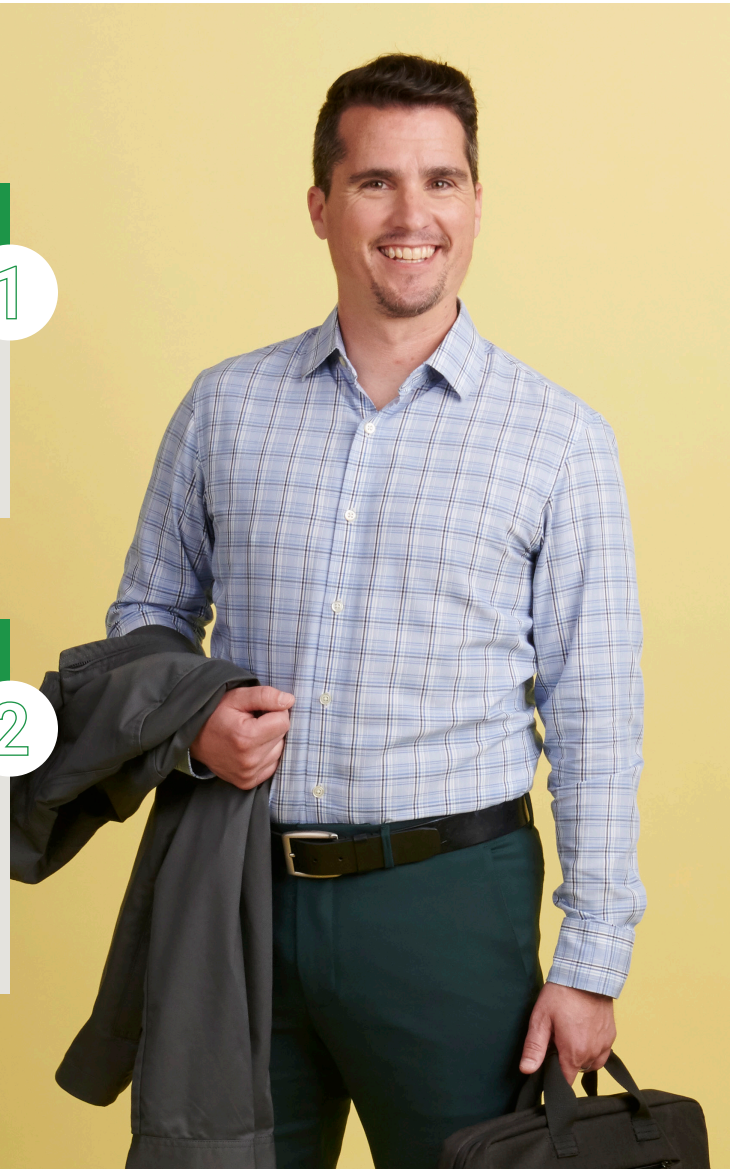
1

Specific coverage protects against unpredictable catastrophic claims for an individual—typically from \$25,000 to \$200,000.

Aggregate coverage

2

Aggregate coverage protects against an extraordinary year where the combined claims for the entire group exceed projections—usually 20% to 25% over estimated claims.





All insurance companies
are **not** created equal

Most insurance companies only pay claims.
We help our members manage their health
by ensuring they receive the right care, at the
right time, in the right place.

We keep your employees healthy and productive at work.

Our nationally recognized, award-winning care management program identifies a member's likelihood of needing services before an episode of care occurs, which improves health outcomes and lowers your costs related to absenteeism, as well as medical and disability expenditures.

Learn more



Contact your independent agent or
Priority Health sales representative to
see how self-funding can maximize the
value of your health care investment.

