

Health  Choices

**SmartFunding**  
You choose your plan.  
You determine your cost.



Empowering Health. Ensuring Access.

# What Is SmartFunding?

**SmartFunding** is an innovative approach for businesses to self-fund their health care benefits. Large corporations have long used self-funding as a means to save on health care costs by directly funding their expected claims and buying insurance coverage (Stop Loss Protection) for excess claims.

Consumers purchase car insurance to cover accidents – not oil changes. You have homeowner's insurance to replace a home that burns down – not burned out light bulbs. Essentially, you are self-funding these routine costs. Similarly, business owners can choose to self-fund their group health benefit plan.

HealthChoices enables small business owners to budget health care costs, control expenses, and capture savings. HealthChoices provides a single source solution for small employers to self-fund their group health benefits by including administrative services, Stop Loss insurance coverage, monthly claim reports, and banking arrangements in one easy turn-key program.

The employer funds the group health plan's claim expenses, up to pre-established amounts. If the plan's actual expenses are less, the plan may keep the savings or use it to offset next year's contributions. If the plan expenses exceed these amounts, Stop Loss Protection is provided. With self-funding, the employer receives a monthly snapshot report provided by HealthChoices explaining where their money is going and how their health care dollars are being spent.

## How Does The Cost Compare To A Fully Insured Plan?

The costs associated with self-funded and fully insured health plans are similar; however, with self-funding, the plan has the potential to save money.

**Example:** 64-employees with a self-funded plan may pay \$25,800 a month; the fully insured Plan may cost \$25,000. An employer may pay a little more for a self-funded Plan; however, the money that is set aside for claims is reimbursed to the Plan if the group has a low claims year. In a high claims year, the Plan is protected by Stop Loss insurance. This potential to save money doesn't exist with a fully insured Plan. The fully insured health plan retains all premium dollars.

## Why Should I SmartFund?

You have more control over your benefit dollars with self-funding. You know where your money is going and what it is being used for. If medical claims are less than a predetermined limit for the year, the Plan keeps the money. In addition, the Plan can use that money for the following year's benefit expenses or to reduce the following year's contributions for you or your employees.

## How Does SmartFunding Work?

Self-funded plans provide smaller employers an opportunity to save on health care expenses by directly funding expected claims and buying Stop Loss insurance for excess claims. We know employers want security as well as savings, which is why the HealthChoices plan includes Stop Loss insurance with administrative services provided by Mayo Clinic Health Solutions. Stop Loss insurance puts a cap on the plan's medical claims payment responsibility. This cap is based on the amount the plan must pay for an individual's medical claims (Specific Stop Loss insurance) as well as the combined amount of all eligible medical claims the plan must pay in a given period (Aggregate Stop Loss insurance). With Stop Loss insurance, the plan is protected from both high individual medical claims costs and high volume claims costs.

### Specific Stop Loss Coverage

**Specific coverage protects the plan from unexpected large-dollar medical claims incurred by covered individuals.**

- *Employers select a per-person attachment point for the amount of claims responsibility the Plan will assume or the minimum as required by the state.*
- *Eligible claims above the Specific Stop Loss amount are reimbursed by Excess Loss insurance.*

## Aggregate Stop Loss Coverage

**Aggregate coverage limits the Plan's financial responsibility for total eligible medical claims:**

- *An expected monthly claims cost is determined by using the number of the Plan participants and other factors, such as covered spouses and children. This amount may change from month-to-month if the number of Plan participants changes. If your enrollment decreases, you will continue to be responsible for 85% (90% for 51+ Life Groups) of the monthly Maximum medical claim liability determined for the first month of the plan year. This is referred to as the minimum aggregate attachment point.*
- *The Aggregate Stop Loss insurance accumulates each month to the end of the contract period.*

## Contract Period

**Stop Loss insurance offers businesses several options for how medical claims are processed. The following is a brief explanation:**

### 12/18 Option

Eligible medical claims incurred within the contract period and paid within the contract period or paid within six months immediately following the end of the contract period will be covered by the Plan or Stop Loss insurance. With a 12/18 Plan, the cost for six months of run-out claims will be included in the Plan's total maximum costs. This Plan option is required for all employer Plans with less than 100 covered employees.

### 12/15 Option

Eligible medical claims incurred within the contract period and paid within the contract period or paid within three months immediately following the end of the contract period will be covered by the Plan or Stop Loss insurance. With a 12/15 Plan, the cost for three months of run-out claims will be included in the plan's total maximum costs.

### 12/12 Option

Eligible medical claims incurred and paid within the contract period will be covered by the Plan or Stop Loss insurance. The cost of claims incurred and paid in the 12-month contract period will be included in the Plan cost.

The Terminal Liability Protection Option is required with the 12/12 incurred/paid contract.

If Terminal Liability Protection option is not exercised, the Plan Sponsor may purchase administrative services from us for processing run-out claims.

## Additional Definitions

**Run-out Claims:** Medical claims that were incurred but not processed and paid before the end of the Plan's contract period.

**Terminal Liability Protection Option:** If the Stop Loss insurance Policy terminates at the end of the contract period, medical claims that were incurred during the contract period but not yet paid by the end of the contract period, would be eligible for payment when the Plan Sponsor elects the Terminal Liability Protection option and remits the premium for run-out claims payment.

**Important Note:** *Aggregate Stop Loss insurance is calculated by contract period. If the Plan Sponsor terminates prior to the end of the contract period, the Plan Sponsor will assume all financial risk for all medical claims that have been/would be covered by the Aggregate Stop Loss insurance.*