Fully Insured, Self-Insured, and Level Funded Plans

Fully Insured Plans

- Employers contract with the carrier, who assumes the financial responsibility and risk for medical claims and administrative costs.
- Less flexibility on plan design, depending on carrier and size of group.

Self-Insured Plans

- Employers assume the financial responsibility and risk for medical claims and administrative costs (essentially act as their own insurers).
- Typically uses a TPA to collect premiums, pay claims and/or provide administrative services.
- Most employers purchase coverage for catastrophic claims (stop loss/reinsurance).
- More plan design flexibility but more responsibility and compliance concerns for employers to be aware of.

Level Funded Plans

- Can be described as a hybrid plan. These plans look and feel like a fully insured plan but combine elements of self-insured and fully insured plans. Employers take on some risk of insurance costs and claims but not as much as with a self-insured plan.
- Potential for employers to get a year-end refund if under their predicted expense. The carrier keeps a portion, and the rest is offered back to the employer.
  - Employers typically don't get a refund if they move to another carrier or if they stay with the same carrier, but move to fully insured or to a true self-insured plan.

Compliance Considerations

Plan Documents:

- All plans governed by ERISA must have a Plan Document and SPD.
- Fully insured plans: carriers provide certificate of insurance and benefit summary. Most plans will require a Wrap Document in order to comply with SPD regulations. The benefit summary is not the SPD.
- Self-insured plans: TPA usually provides Plan Document and SPD. May still require a Wrap Document if required language is missing.
- Level funded plans: carrier usually provides Plan Document and SPD. May still require a Wrap Document if required language is missing.

Premium Calculations

- Fully insured plans: premiums are fixed, based on certain factors, and paid to the carrier.
- Self-insured plans: a premium equivalent calculation is used to generate the premium. This consists of claims costs, administration, and stop-loss premiums.
- Level funded plans: premiums are fixed and paid to the carrier, with the potential for year-end refund if certain conditions are met.

Non-Discrimination

- Fully insured plans: ACA expanded IRC section 105(h) nondiscrimination rules (already applicable to self-insured plans) to fully insured plans, but effective date has been delayed.
- Self-insured plans: are subject to nondiscrimination testing under IRC section 105(h) which prohibits discrimination in favor of highly compensated individuals (generally, the top 25% paid) as it pertains to eligibility and benefits.
- Level funded plans: are subject to nondiscrimination testing under IRC section 105(h) which prohibits discrimination in favor of highly compensated individuals (generally, the top 25% paid) as it pertains to eligibility and benefits.

Patient-Centered Outcomes Research (PCOR) Fee

- Fully insured plans: the carrier pays this fee to the IRS.
- Self-insured plans: the employer must pay this fee to the IRS.
- Level funded plans: the employer must pay this fee to the IRS.

State Mandates

- Fully insured plans: state insurance mandates apply.
- Self-insured plans: most state laws do not apply due to ERISA preemption.
- Level funded plans: most state laws do not apply due to ERISA preemption.