



# Level-Funded Health Plans:

## Mitigate Risk and Control Costs

For many, the idea of self-funded insurance can feel like an uncomfortable and unknown prospect. The most common hesitations are often centered around financial risks, administrative complexity, the inability to budget for monthly costs, and regulatory requirements associated with self-funded plans.

With level-funding you can have the predictability of monthly payments found in fully insured plans with the opportunity to achieve savings found in self-funded plans. This unique solution provides control, transparency, and savings, while reducing some of the employer responsibilities found in self-funding.

### Is Level-Funding Right for Your Company?

#### Group Eligibility Requirements:

- Minimum of 25 enrolled employees
- No retirees covered on the plan
- 75% participation after valid waivers
- Group currently has a medical plan

### Level-Funding as an Introduction to Self-Funding

Level-funded plan options address some of the common concerns of self-funding.

Here's a summary of some of the main areas where the two health plan approaches are similar or different:

Claims	Regulations/ State Mandates	Risk
<p><b>TPA manages banking/funding and processes claims</b></p> <p><b>LF:</b> Third-party organization manages banking/funding and processes claims, which are 100 percent transparent to the employer.</p> <p><b>SF:</b> Third-party organization processes claims and administers payments on behalf of the employer; claims are 100 percent transparent to the employer.</p>	<p><b>ERISA/ non-ERISA</b></p> <p><b>ERISA:</b> the plan must comply with ERISA as well as other federal regulations; ERISA plans may be exempt from state insurance laws but in some cases, may "opt-in" and will follow the state law.</p> <p><b>Non-ERISA:</b> the plan must comply with state regulations, however, all plans require resources and/or guidance from outside legal counsel to ensure compliance.</p>	<p><b>Plan sponsor assumes risk, but has lower set point for stop loss</b></p> <p><b>LF: Medium</b> (Plan sponsor assumes risk related to claims expense in excess of pre-established monthly expectations, but has a lower set point for stop loss to keep risks manageable for the group size. Plans are responsible for full claim funding annualized to retrospectively review stop loss funding required in relation to need.)</p> <p><b>SF: Medium to High</b> (Plan sponsor assumes the risk. Risk can be managed with insight from a third-party vendor who will help analyze plan performance. A third-party stop loss carrier can support the plan to manage risk based on aggregate and specific stop loss policies.)</p>

## What To Look For In A Level-Funded Partner

Not all level-funded plan administrators are created equal. In theory, the arrangement's structure will largely remain the same with fixed monthly costs (administrative fees and premiums for stop loss administration) and the cost for members' medical claims. However, finding a partner that understands level funding is vital for the success of your plan.

While there are many contributing factors to a healthy level-funded arrangement, let's take a closer look at four that will shape your experience:



### Stop Loss Contract

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With a level-funded plan, monthly plan costs are based on the number of participating employees and cover all claims, premiums, and fees. But what happens when claim spend exceeds the agreed upon funding limit? Having solutions in place to mitigate risk is crucial to your bottom line.

To address these concerns, Nova works with an established stop loss partner to determine the maximum monthly costs. If claim spend exceeds the agreed funding limit, the stop loss partner will fund the excess liability as a protection from catastrophic risk.



### Reporting

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Unlike most fully insured arrangements, a level-funded plan provides plan sponsors with access to enrollment, claims, stop loss, and financial reporting.

Nova's level-funded solution provides transparency and access to data on-demand through our Employer Information Center.



### Pharmacy

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Nova partners with best-in-class, transparent pharmacy benefit managers (PBMs) that pass rebates back into the employer's claim accounts and leverage formularies to drive utilization to more cost-effective solutions. Our data analytics process utilizes medical and pharmacy claims data to identify gaps in care and reviews pharmacy claim data to identify plan participants for case management or chronic condition management opportunities.



### Claims Surplus

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With Nova's level funded solution, 100% of unspent claims dollars are returned to the plan sponsor. If there were \$175,000 remaining in the claim account at the end of the plan year's 6-month runout, all \$175,000 would be returned to the employer. After the 6-month runout, the plan sponsor has the option to withdraw the balance of funds or leave as a reserve to pay future claims.

# Learn What's Possible with Self-Funded Insurance Solutions

If you're looking for a clear and concise guide to self-funded insurance and employee benefits, you've come to the right place.

Whether you're an employer or a benefits consultant, you'll find valuable insights and tips on how to make the most of your health plan options.

For small and mid-sized businesses, level-funding can be a comfortable, cost-effective blend of a self-funded and fully insured arrangement. With Nova's level-funded solution, you'll have insight into the health of your plan through reporting and the reassurance of capped, fixed monthly costs.

This reduced-risk introduction to the self-funding space comes with the backing of Nova's 40+ years of experience in the industry and a team of data analysts, care navigators, trend spotters, and thinkers that aim to take the complex out of a complicated health care system.

Are you interested in  
learning more about our  
level-funding solution?

Let us show you

**What's**  
**POSSIBLE**

**nova**  
An Independent Health company

