

Funding Options

OUR FUNDING OPTIONS allow you to choose a more conservative arrangement or one with higher risk but potentially greater reward. All four large employer funding arrangements are available with any SelectHealth provider network or product.

TRADITIONAL FULLY INSURED

Employers are responsible to prepay premium, which includes expected claims and fixed costs (administrative fees and risk allocation). We pay for all covered claims as defined by the Group Health Insurance Contract.

Advantages:

- > Set monthly premium
- > No risk to the group

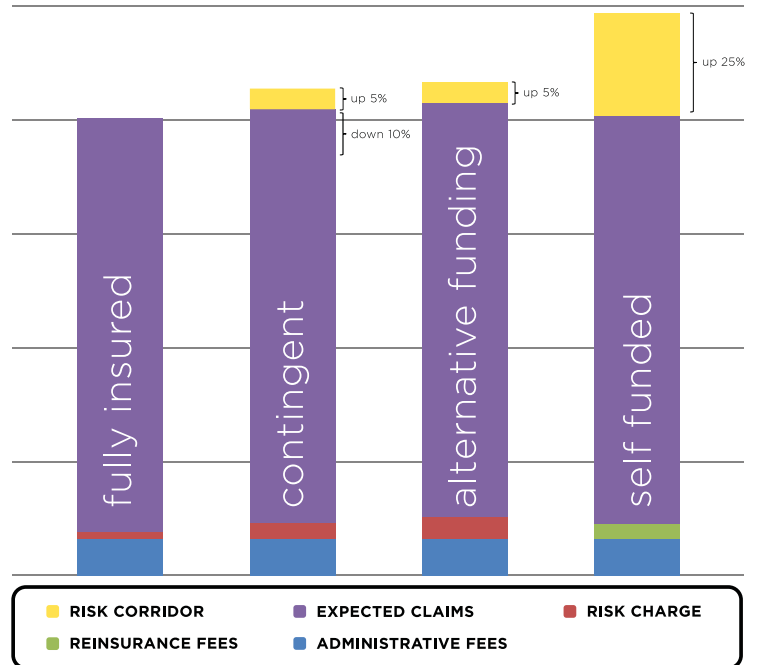
Eligibility Requirements:

- > Minimum of 51 benefits-eligible employees

CONTINGENT FUNDING

An employer's maximum liability is typically set at 5 or 10 percent above an established premium, which is comprised of expected claims and fixed costs (administrative fees and risk allocation). An employer's minimum liability is generally set at 10 to 20 percent below the established premium.

Employers are billed for the established premium throughout the contract year, and a final settlement occurs during the 17th month. Employers are responsible for costs up to the maximum liability, and we are responsible for costs that exceed the maximum liability. If costs are lower than the established premium, the employer is refunded the difference down to the minimum liability.



graph based on a group size of 350 employees

Advantages:

- > Set monthly premium
- > Lower fixed costs than the alternative and self-funding options
- > Low annual maximum liability – 105 or 110 percent of established premiums
- > No need for specific stop loss reinsurance
- > Possibility of partial premium refund

Eligibility Requirements:

- > Minimum of 100 enrolled employees



ALTERNATIVE FUNDING

This fully insured funding arrangement provides greater cash flow advantages and lower risk exposure than self funding. Each month, the employer pays fixed costs (administrative fees and risk allocation) for the current month and claims expenses for the previous month.

An annual maximum is established at either 105 or 110 percent of expected claims, and we cover claims expense exceeding this annual liability limit. The annual maximum is spread over 12 months, limiting exposure on a month-to-month basis.

Advantages:

- > Low annual claims maximum at 105 or 110 percent of expected claims — may eliminate need for specific stop loss reinsurance
- > Monthly claims maximum — limits monthly claims exposure
- > Cash flow — claim payments are due following the month in which they occur
- > 12/24 maximum liability contract — claims maximum covers all claims incurred during the 12-month contract year

Eligibility Requirements:

- > Minimum of 100 enrolled employees



SELF FUNDING

Self-funded plan administration is available for employers that want to assume financial risk for the medical claims of their employees. With self funding, employers are responsible for fixed costs (administration fees, specific and aggregate reinsurance) and incurred claims up to a maximum liability (usually 120 to 125 percent of expected claims).

We provide self-funded employers the same high-quality services our fully insured business receives (e.g., claims administration, customer service, disease management, pharmacy benefit management).

Advantages:

- > Cash flow advantage superior to traditional fully insured or contingently funded plans
- > Employers benefit if they have low utilization
- > Aggregate and specific stop loss coverage are available at very competitive rates

Eligibility Requirements:

- > Minimum of 200 enrolled employees

