

Fully Insured vs. Self-Funded

Two ways to pay for employee health benefits. The difference: who carries the claims risk, the carrier or the employer?

	Fully insured	Self-funded
How it works	Fixed monthly premium to a carrier, which pays the claims	Employer pays actual claims plus admin fees, usually with stop-loss
Risk	The carrier	The employer, up to stop-loss limits
Cost	Predictable; set at renewal	Varies with claims, up or down
Plan design	The carrier's filed plans	More flexibility
Claims data	Limited, often only at renewal	Detailed reporting
Rules	Mainly state insurance law	Mainly federal (ERISA)

OFTEN A FIT FOR

- **Fully insured:** a set monthly cost, a simple structure, the carrier holding the risk
- **Self-funded:** favorable claims history, wanting data and design control, comfort with some variability

QUESTIONS TO ASK

- How much claims variability could our budget absorb in a bad year?
- What does stop-loss cover, and what stays with us?
- What does our claims history say versus what the carrier charges?
- Who administers claims, and what reporting would we get?

Takeaway: Neither is better for everyone. Fully insured trades possible savings for predictability. Self-funded trades predictability for control.