OVERVIEW
OF COMMON PAYMENT MODELS

CLARKE & COMPANY
BENEFITS LLC

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FULLY INSURED PAYMENT MODELS:

- The carrier assumes the financial risk of providing health insurance, and the employer is charged a flat monthly fee.
- The employer typically knows the costs ahead of time since it pays a flat fee every month.
- Fully insured plans are subject to state rules and regulations.
- With this type of payment model, costs are unlikely to decrease, even with a low previous-year utilization.

SELF-INSURED PAYMENT MODELS:

- The employer assumes the financial risk of providing health insurance and pays for medical claims out of pocket.
- These models can be more easily customized to fit the specific needs of an employer's workforce.
- The employer can contract with providers, or a particular provider network, that will best meet the needs of its employees.
- The employer will typically work with a third-party administrator (TPA), which assumes claims administration duties.
- Self-insured health plans are not subject to state health laws, but rather federal laws. These plans are not subject to state health insurance premium taxes.

LEVEL FUNDING PAYMENT MODELS:

- Level funding models are sometimes thought of as a hybrid of fully insured and self-insured payment models.
- In this type of model, the employer pays a set amount each month to a carrier, and the carrier then pays employees' claims throughout the year.
- If the employer's monthly payments exceeded the amount of claims filed, the employer will receive a refund from the excess they paid in monthly claim allotments. If the employer's monthly payments did not exceed the amount of claims filed, stop-loss insurance will typically cover the overage amount, if allowed by state law.
- Typically, an employer will be assisted or advised by a TPA on the previous two bullet points.
- Companies with smaller numbers of employees may benefit differently than those with larger numbers.