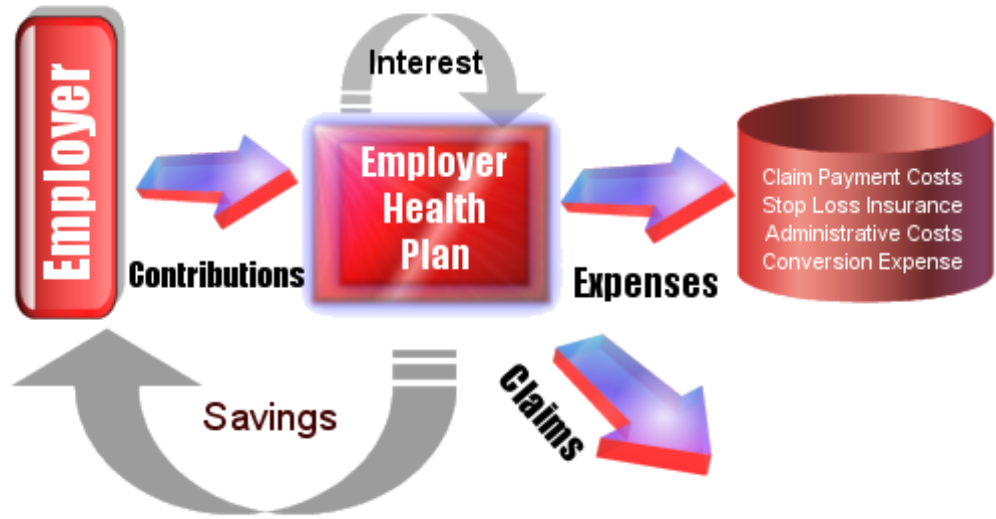


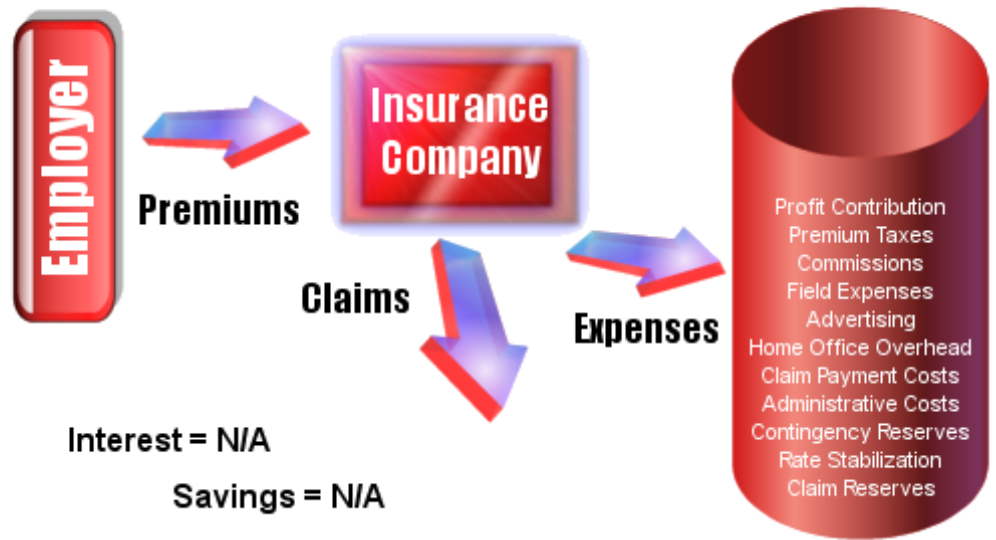
# Why Self Fund?

- **Self-funded plans may be tailored to fit the needs of the group.** This means the employer is able to develop a plan of benefits valuable to their employees. The employer may also re-design their plan to eliminate abuses if they are encountered.
- **Lower cost of operation.** Plan administration generally costs less through a professional third-party-administrator (TPA) than with fully insured plans.
- **The employer has complete control** and knowledge of where and how contributions are distributed with self-funded plans.
- **Eliminate carrier profit margin and risk charges.** Fully insured plans include carrier profit margin and risk charge. These expenses are substantially reduced and/or eliminated with self-funded plans.
- **Self-funding eliminates premium tax.** In most states there is no premium tax for the self-funded claim fund; thus an immediate savings equal to the amount of the premium tax is realized through self-funded plans.
- **Return on investment for reserves.** Interest on reserves established by the employer remain under the employer's control.
- **Claim cost and utilization controls.** Professional third party administration companies offer second surgical opinion programs, outpatient surgical programs, large case management, access to PPO's, RX management, and other programs through a variety of sources rather than an employer being able to use only the insurance company's in-house programs.
- **Cash flow benefits.** The employer's cash flow is improved when money formerly held by insurance carriers in the form of various reserves is freed for employer use.
- **Mandatory benefits avoided.** State regulations mandating costly benefits can be avoided because self-funded plans are subject to ERISA.
- **Risk management effectiveness.** The employer may choose the amount of risk to retain and the amount to be covered by Stop Loss coverage. Fully insured plans have set pooling levels allowing little flexibility.

### Self-Funded Programs



### Fully Insured Programs



- Self-funded plans are typically more cost effective than fully insured plans.
- Expenses associated with fully insured plans are eliminated or substantially reduced with self-funded programs.
- Gains from better than expected claims experience are realized by the employer with self-funding.
- Employers with favorable claims experience do not subsidize those with adverse experience.