

Benefits of Self-Funding With PEHP

Self-funded plans offer flexibility and cost savings. This primer explains how.

Self-funding is a proven, cost-effective method for providing employee benefits. With a self-funded medical plan, you put money into a trust (PEHP) to pay claims. Any money that isn't used to pay claims belongs to you. It's unlike fully insured arrangements, where the insurance company keeps the difference (profit).

Self-funding is the choice of most large employers. Reports show about 85% of employer health plans use some form of self-funding. Employers choose self-funding to control costs, save money, and customize benefits.

Below are some more reasons why so many employers choose self-funding.

No Profit Margin or Risk Charge

The profit margin and risk charge of an insurance carrier are eliminated through self-funding. Typical profit margins and risk charges are about 4%, but can be higher or lower depending on various factors.

Flexibility

Design the benefit plan to meet your group's specific needs. You can even redesign the plan at any time. You can implement cost-control measures. This level of flexibility isn't available with fully insured plans, as the designs are determined by the insurance company.

Low Administrative Costs

Self-funded plans have lower overhead and administrative costs than fully insured plans. PEHP's administrative costs average about 5% of premium, whereas the largest insurance carriers in Utah average about 15%. This is a significant savings, especially over time.

Mandatory Benefits are Optional

PEHP can opt out of many costly mandates because we are a governmental, self-funded program.

Tax Savings

There is no premium tax on claim expenditures, which can mean considerable savings over fully insured plans.

Rated for Your Experience

Experience rating is based solely on your claims data. Fully insured plans pool trend and increases together so multi-employers share the cost increases. If your experience is better than expected with a fully insured plan, the insurance company keeps the excess as profits and you could still have a large rate increase.

Earn Interest

Any money you have in reserves earns interest—it's your money held in trust.

Pharmacy Savings

Fully insured carriers keep any pharmaceutical rebates and pass along minimal prescription drug discounts to employers. With PEHP, rebates earned or discounts received are passed on to you. Last year PEHP received \$9.6 million in pharmacy rebates and paid it all back to the risk pools that earned them.