

# What Is Level Funding?

*There's a trend within the health care industry that combines the appeal of increasing budget control and decreasing financial risk for employers. That trend is level funding, and it may be just what you've been looking for.*

It's fair to say that level funding is a hybrid financial strategy in health benefit planning. Similar to self-funding, level funding is facilitated with the help of a TPA. Level funding differs from self-funding, however, in that an employer pays the same monthly amount to cover the estimated cost for expected claims, the premium for stop loss insurance that covers health care costs over a set dollar amount, and the plan administration costs. The predictability of these monthly payments proves beneficial for organizations seeking to control their budget and maximize savings opportunities while incurring little to no risk in the process. An additional unique feature of level funding is the potential of receiving a year end refund if the total paid in monthly premiums exceeds what is paid out in claim coverage.

## Are there advantages of level funding?



### INFORMATION & INSIGHTS

Clients receive claim information on a regular basis indicating how claim funds are being spent. TPA shares valuable insights with data while identifying plan updates and employee education opportunities.



### BUDGET FRIENDLY

Monthly payments mean budget control with no fluctuation due to claim payments.



### LOW RISK

Plans are customized to meet specific financial goals while the addition of stop-loss coverage reduces risk throughout the policy year.



### FLEXIBILITY

No 'off the shelf' plans with level funding, each plan is customized to meet specific client needs.

## Frequently Asked Questions



**What kinds of companies are best suited for level funding?**



Level funding works best for companies that are:

- Interested in the cost saving attributes of self-funding but don't want the risk of unpredictable, big hit claim costs.
- Engaged and active in promoting and maintaining a culture of health and wellness.
- Small to mid-sized with 50 or more employees.



**How does Level Funding Work?**



- The employer pays the same monthly amount to cover expected claims, stop loss premium, and administration fees.
- 12/18 contract available for stop loss and administration to provide added coverage and protection for claims run-out.
- If claims are lower than expected, the employer receives 100% refund on the surplus in the claims account.