



# 4 ways level-funded health plans help contain costs for employers

Level-funded plans are designed to offer employers predictability with the potential of upfront savings and a surplus refund

Level-funded plans continue to pick up steam in the health insurance marketplace. Forty-two percent of small firms in 2021 reported that they have a level-funded plan,<sup>1</sup> compared to just 7% two years ago, according to the Kaiser Family Foundation Employer Health Benefits Survey.<sup>2</sup>

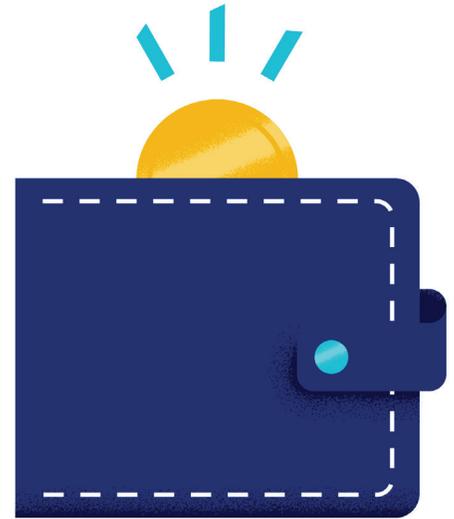
What's driven an increased adoption of these plans? As health costs have continued to rise, health insurers have designed level-funded plans to offer the potential savings of self-funded plans, but with reduced risk. They also offer the predictability of fully insured plans, but at a potentially lower cost due to an opportunity for lower premiums upfront and a surplus refund if medical claims are lower than expected.

In fact, employers with UnitedHealthcare Level Funded plans pay 18% less than they would have paid for a fully insured plan.<sup>3</sup> UnitedHealthcare prices level-funded plans based on risk profile so that healthier groups do not pay as much as less healthier groups.

**“Level-funded plans offer the consistency, flexibility and transparency that many fully insured, small group plans can’t provide. They’re designed to compete with fully insured plans.”**

**James Guemple**

Regional Vice President, Key Accounts, for UnitedHealthcare’s West Region



# \$306

average surplus  
refund per participant  
for a third of  
UnitedHealthcare Level  
Funded plan sponsors<sup>4</sup>

United  
Healthcare

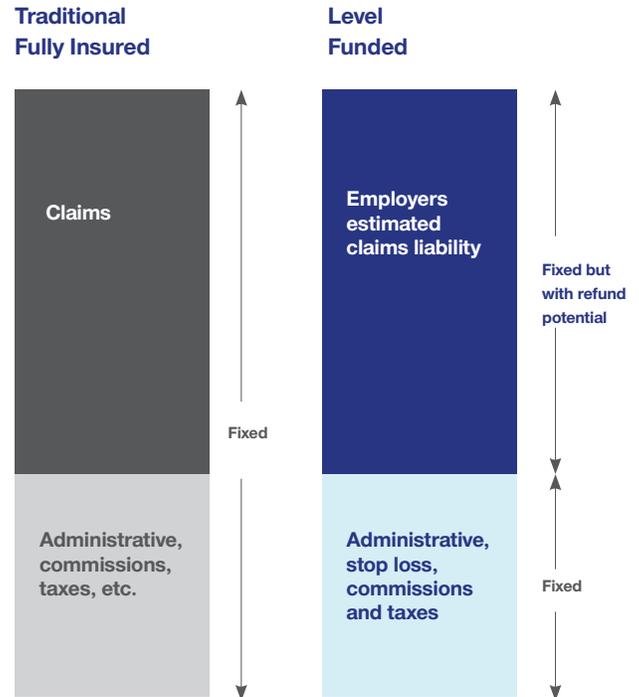
## Understanding level-funded plans

While there's been increased adoption, understanding the value of level-funded plans still requires some education in the marketplace. At their core, level-funded plans are generally self-funded plans that offer 3 distinct elements, with certain plan components variable among carriers:

- stop-loss insurance to mitigate risk
- an opportunity for a surplus refund<sup>5</sup>
- a third-party claims administration agreement

Level-funded plans also typically include monthly reports with data that employers can use to track health care usage and wellness programs that may increase member engagement and reduce costs.

“Level-funded allows us to be more agile and able to react quicker to changes and the needs of the marketplace,” says John Koewler, Director of Sales Operations for UnitedHealthcare Level Funding. “As a type of self-funded health plan, our plans are built to provide the pricing stability employers want and need, and provide them an opportunity for a surplus.”



## To take a closer look at how level-funded health plans help contain costs for employers, here's how they compare to self-funded and fully insured plans

### 1. Level-funded plans offer predictability and mitigate the risks of self-funded plans

Similar to a self-funded plan, level-funded allows employers to assume the financial risk of providing health services to employees by directly paying for employee medical claims.

How do these plans mitigate risk? Employers with level-funded plans pay a fixed monthly fee, which covers the maximum claims liability, administrative fees and stop-loss insurance to protect against unexpectedly large claims and high utilization.

In a self-funded model, the employer pays more if claims are higher than anticipated and gets money back if claims are lower at the end of the plan year. Level-funded plans, however, cover the cost of individual or aggregate claims that exceed the plan's maximum, while offering the health plan an opportunity to receive money back if lower-than-expected claims produce a surplus.

“Level-funded plans mitigate risk associated with the self-funded model. There is no risk of additional liability outside of what is being funded,” Guemple says.

### 2. The health plan may receive a surplus refund with level-funded plans

For a fully insured plan, the insurance company assumes the financial risk for providing health services to the employer group. For a fixed monthly premium paid by the employer, the insurer pays health care claims and covers administrative costs, sales commissions and taxes. At the end of the plan year, if the actual health care claims are higher than expected, the insurer pays them. The insurer keeps the difference if they're lower.

In contrast, an employer with a level-funded plan is insured against higher-than-expected claims while potentially receiving a surplus refund resulting from lower-than-expected claims.

**“For employers, there's an incentive to help keep their employer populations healthier to drive for a greater surplus refund. With wellness programs and virtual care included with our level-funded plans, we can help make this happen.”**

**Mary Zarn**

Chief Executive Officer for UnitedHealthcare Level Funding

### 3. Level-funded plans offer greater insights to help contain costs

Unlike with most fully insured plans, employers with level-funded can receive detailed monthly data reports to help them better understand employee utilization of health services and manage their benefits.

“The amount of reporting is determined by the employer, whether it’s receiving only high-level reports or taking more detailed looks at segments of the employee population,” Koewler says. “They don’t have to wait until the renewal period at the end of the year before they can understand how member behavior may be driving up costs.”

These insights may enable employers to alert individual members that:

- Low-cost generic drugs can often be substituted for brand name drugs
- Going to urgent care may be more appropriate and less costly than going to the emergency room
- Seeing their primary care provider virtually rather than in-person can save them time and money

“Detailed data reports are a huge advantage, especially for small employers, by giving them insights into their virtual care usage, ER use, pharmacy utilization and network strategy,” Guemple says. “Tracking these things over time and making informed decisions as needed helps drive a better member experience.”

### 4. Member experience is key within the level-funded model

UnitedHealthcare Level Funded plans include wellness programs and 24/7 virtual care options, which help employees and their families play a more active role in their health care and save on out-of-pocket costs.

Employees can participate in a fitness tracking program designed to reward up to \$1,095 for completing certain daily fitness goals either directly to pay out-of-pocket expenses or health savings account (HSA) dollars. Activities that qualify include walking, swimming, cycling and elliptical. To offer employees more convenience, 24/7 virtual care is available for a variety of conditions, including general medical care, back and neck care, and behavioral health counseling.

“The member experience including virtual, health engagement and plan design options is what distinguishes our level-funded plan,” Guemple says. “It helps to increase customer satisfaction and engagement for employees; for employers, it’s the opportunity for lower costs and the chance to achieve a surplus refund.”



**Learn more**

Contact your broker, consultant or UnitedHealthcare representative

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<sup>1</sup> 2019 Employer Health Benefits Survey. Kaiser Family Foundation, 2019.

<sup>2</sup> 2021 Employer Health Benefits Survey. Kaiser Family Foundation, 2021.

<sup>3</sup> Average savings for UnitedHealthcare Fully Insured groups migrating to All Savers for CY2020 and CY 2021.

<sup>4</sup> 2020 All Savers data. Data is based on surplus reconciliations processed Jan. 1, 2020–Dec. 31, 2020 for All Savers customers nationally. Average surplus is based on groups with a surplus amount. Please consult a tax and/or legal advisor to determine if, by receiving this refund, there are any restrictions or obligations.

<sup>5</sup> Please consult a tax and/or legal advisor to determine if, by receiving this surplus refund, there are any restrictions or obligations. Surplus refund available only where allowed by state law.

Administrative services provided by United HealthCare Services, Inc. or their affiliates, and UnitedHealthcare Service LLC in NY. Stop-loss insurance is underwritten by All Savers Insurance Company (except CA, MA, MN, NJ and NY), UnitedHealthcare Insurance Company in MA and MN, UnitedHealthcare Life Insurance Company in NJ, UnitedHealthcare Insurance Company of New York in NY, and All Savers Life Insurance Company of California in CA.

The UnitedHealthcare plan with Health Savings Account (HSA) is a qualifying high deductible health plan (HDHP) that is designed to comply with IRS requirements so eligible enrollees may open a Health Savings Account (HSA) with a bank of their choice or through Optum Bank, Member of FDIC. The HSA refers only and specifically to the Health Savings Account that is provided in conjunction with a particular bank, such as Optum Bank, and not to the associated HDHP.