

SELF-FUNDED TOOLKIT

# Five steps to take before initiating a self-funded RFP



# Contents

- 3** Introduction
- 5** Assess your readiness for self-funded benefits
- 6** Set financial expectations for transitioning to self-funded benefits
- 7** Gain clarity on how your healthcare dollars are being spent
- 8** Establish your core team and communication plan for success
- 9** Create a personalized benefits plan that puts your members first







Are you considering a move to a self-funded insurance health plan to enhance your plan's flexibility and savings potential?

Before sending out requests for proposals (RFPs) to potential partners, there are key internal tasks to tackle for your preparation.

With a self-funded benefits plan, you, as the employer, take on the financial risk and directly provide health benefits to your employees. This differs from a fully funded model, where employers buy insurance from an insurance company that manages the financial risk on their behalf. Self-funded insurance plans grant employers more control over how their health plans are structured.

Through customization, employers can better address the health needs of their workforce and lower overall claims expenses for their population.

Typically, employers collaborate with their benefits consultant or broker to assess the crucial aspects of self-funded coverage and determine their priorities before making this shift.

Identifying the type of benefits you aim to offer your employees, understanding your financial readiness, and honestly evaluating the company's preparedness to embrace risk are arguably the most important steps when contemplating a shift to self-funded insurance. The uncertainty you may face during a transition to a self-funded plan can be significantly minimized by teaming up with a trusted third-party administrator (TPA).



Working closely with an established TPA can empower you to achieve greater independence, take charge of your benefits plan, reduce administrative workload, and access tech-driven analytics to enhance healthcare benefits for your employee base. Brokers and consultants can leverage these advantages by partnering with TPAs, such as Personify Health, to alleviate administrative burdens, forge additional vendor partnerships, and gain deeper insights into overall plan performance.

Once you've made the decision to move forward, it's essential to prepare your organization before embarking on the process of evaluating suitable TPA partners.

You'll need strong support from top leadership, including your CEO, COO, CHRO, and other key stakeholders. This support will lay a foundation for success in your benefits plan and company by boosting engagement, bridging employee knowledge gaps, and delivering immediate benefits for the plan and employee savings.



# 01

## Assess your readiness for self-funded benefits

Introducing self-funded benefits is a decision that directly impacts your organization's success and your employees' welfare.

How can you ensure that your organization is ready for implementation when the time comes? Before starting the RFP process, it's crucial to clearly define your organizational needs and priorities. The better you understand your organization, the easier it will be to determine which vendor will best meet your current and future needs.

Taking the time to clearly understand and communicate your company's unique needs will enable a reliable TPA to identify the most impactful elements of its services and to suggest how they can provide support that fosters growth and cost savings for your organization. This awareness can also provide insight into which benefits solutions should be prioritized.

**As you set out to bid, here are some essential questions to contemplate:**

- What are your current employee benefits?
- How will your employees react and adapt to this initiative?
- What potential pain points and barriers should you anticipate?
- What are your goals for this initiative?





# Set financial expectations for transitioning to self-funded benefits

Make sure you understand the financial implications of your benefits investment.

Employee benefits plans are one of the most significant expenses a company budgets annually. Beyond the financial aspect, implementing, training, onboarding, and rolling out these plans demands substantial time and effort.

**Carefully consider the cost disparities between fully insured and self-funded plans.**

TPAs specialize in benefits administration, ensuring optimal plan utilization to minimize waste. The initial investments in establishing a self-funded plan pay off with modest year-over-year medical trend growth. Personify Health clients typically experience a 2% medical trend, contrasting the more notable 6% medical trends seen in fully insured plans.

Take a close look at each existing benefits program for your employees. Obtain data from your current plan provider to gain insight into program utilization and identify areas where potential savings can be realized. Opting for a TPA for your employees' healthcare requirements is a well-considered decision that prioritizes flexibility, control, and financial prudence.



# 03

## Gain clarity on how your healthcare dollars are being spent

Self-funding emerges as a strategic tool for employers to oversee employee medical benefits effectively. By delving into the volume and types of employee health claims from the past five years, valuable insights can be uncovered to drive informed decision-making.

Take a closer look at the age distribution within your workforce and identify whether most claims stem from chronic conditions or isolated incidents. This data serves as a compass for customizing the benefits plan to cater to the specific needs of your employees.

Knowing the total dollar value of claims enables more precise budgeting for future claims. By assessing these elements, employers can refine their medical benefits strategy, paving the way for a healthier and more financially sustainable benefits plan. Understanding your claims also empowers you to evaluate the level of stop-loss protection that can help mitigate the overall financial risk you are comfortable assuming as the plan sponsor.





# 04

## Establish your core team and communication plan for success

To embark on this transformative journey, securing the backing of your company's senior leadership team is vital.

**This investment demands not just support but active engagement from your C-suite.**

Beyond endorsing your cost-saving strategy, they must champion it to drive progress. Enlist key figures from your CEO and CFO to leaders from your internal benefits, finance, IT, and HR teams to form a robust core team.

This core team is the linchpin for a seamless implementation, integration, and rollout process. As you navigate the TPA selection, involving a diverse mix of stakeholders and leaders expedites evaluations and vendor assessments. These team members are indispensable for sustaining the success of your program, encouraging participation, fostering engagement, and becoming advocates for employee well-being.

Once your decision-makers are aligned, maintain their engagement by actively involving them in pivotal milestones. Craft a comprehensive communication plan detailing internal updates, next steps, and timelines to ensure everyone stays informed and prepared to keep their teams in the loop. Seizing the momentum with this core team from the outset will yield significant benefits when it's time to launch the revitalized benefits plan across the entire organization.





# Create a personalized benefits plan that puts your members first

When exploring the switch to a self-funded benefits plan, be mindful of the many regulatory and compliance requirements. Pay particular attention to tax, fiduciary, and compliance considerations to ensure a smooth transition.

## Tax considerations

- **Tax benefits:** Self-funded plans generally offer tax-free perks for claims, employee contributions, and company contributions. This tax advantage can significantly outstrip that of traditional fully funded plans.
- **Exemption from certain taxes:** Self-funded insurance plans are not subject to some federal and state taxes that apply to traditional fully funded insurance plans, resulting in substantial cost savings for your company.

## Fiduciary considerations

- **Exemption from state laws:** Private self-funded benefits plans are generally exempt from state insurance laws, unlike fully funded plans. They must, however, comply with federal benefits laws.

- **Responsibility of trustees:** Companies with self-funded health plans must choose trustees to oversee and manage the policies. Trustees' names must be listed in the plan documents, emphasizing their critical role in governance.

## Compliance considerations

- **Federal over state laws:** Administrators and fiduciaries are primarily ruled by federal laws when it comes to adhering to federal regulations on employee benefits.





Consulting with legal and financial experts is advisable to ensure compliance and optimize the benefits of such a transition. Your future TPA partner should offer compliance support as part of their administrative services.

By personalizing your benefits plan and putting your members first, you can access a range of tax and legal benefits that have the potential to save you both money and hassle in the long run.

It's normal to not have all the answers today. To kickstart your journey, we've put together a Buyer's Guide to support you as you delve into the advantages of a TPA partnership in a self-funded plan. This guide also provides additional resources to help you navigate the RFP process alongside a broker or consultant.



# Because health is personal™

## About Personify Health

Virgin Pulse and HealthComp have merged to become Personify Health, the company driven to engage and empower people to live healthier lives. By bringing industry-leading health plan administration, holistic wellbeing, and navigation solutions together, all in one place, we have created the industry's first and only personalized health platform. With decades of experience and global operations, we empower diverse and unique businesses – and diverse and unique people – to engage more deeply in health at a lower cost. Through our proprietary combination of data-driven personalization, science-backed methodology, and concierge-level clinical expertise, our end-to-end platform makes it easier to proactively address people's needs across their lives. With a personalized, holistic, and powerfully simple experience, we are redefining industry expectations and what it means to manage health.

Contact us

Learn more at [personifyhealth.com](https://personifyhealth.com)

Find us on [facebook](#) | [twitter](#) | [linkedin](#)

~personify™  
HEALTH