



## Small Businesses Leverage Self-Funding

The Affordable Care Act (ACA) caused a shift in the small business health insurance landscape. Small employers had to decide whether to let their employees shop the individual market under ACA or provide a group plan option. There are pros and cons to both scenarios. Offering a group health insurance plan can be imperative for a small business to attract and retain talent; however, navigating plan options and balancing costs is difficult. The ACA drove small groups to look for different ways to fund health plans, and as a result, health insurance carriers came up with self-funding solutions.

### Market Shift

In the last ten years, there has been significant growth in the employer self-funded and level-funded markets. These programs utilize stop-loss insurance to protect companies from unexpectedly high claims. According to A.M. Best, the self-funded market, based on net employer stop-loss premiums, has doubled in size since the ACA, expanding to over \$20 billion in 2019 from \$9 billion in 2013. Health insurance carriers, such as Aetna, have entered the market with specially designed self-funded small business options.

"Larger companies have traditionally reaped the benefits of self-funded plans," said Megan Nielsen, Aetna Strategic Planning Manager. "We designed Aetna Funding Advantage (AFA) to offer small businesses the competitive benefits, wellness programs, unique funding, and cost control that larger organizations often achieve through self-funded plans."

## A More Cost-Efficient Option

Small businesses can find cost savings with self-funded programs because of benefit flexibility and fewer premium taxes and fees. Another perk of self-funding is that employers can retain funds when health claims are lower than expected. Programs such as AFA provide small business savings through a unique funding structure that returns 50 percent of any left-over funds at renewal.

"Since companies are paying only for the health care costs of their own employees, there may be money left over at the end of the year that can go toward other business needs," says Nielsen.

## Transparency and Risk Reduction

Aetna utilizes FormFire, a front-end digital workflow for Small Group benefits, to help Brokers advise their Groups regarding self-funded options. FormFire's rating tool and Individual Medical Questionnaires (IMQ) portal allows Brokers to quote the AFA program easily and at no cost. The IMQ forms are sent digitally to the Aetna underwriting team for quoting, while the rate tool provides "illustrative rates" on-demand for both ACA and level funded products like AFA. This gives employers a comparison of underwritten products to non-underwritten ACA products so they can see what is best for their group.

"Our quote engines, whether community or medical underwritten, provide accurate rates and generate multiple quotes so Brokers can determine the best fit for their Groups," said Colin Ingram, FormFire CEO.

Assessment of employee medical histories through IMQ's leads to focused medical underwriting and enhanced pricing accuracy. Underwriting teams are provided with quality data that allows for a better assessment of group risk. FormFire parses out low-risk data so underwriters can focus on the high-risk data.

"IMQ data up front can potentially lead to lower monthly costs, more stable renewals and high surplus payouts for a group," said Nielsen.

## Consumer-Driven Approach

Small groups find that self-funded programs provide more access to claims data to better understand what drives healthcare costs and adjust their plan designs.

"With AFA, we're able to offer plans that meet the unique needs of small businesses. Groups can offer more flexible benefit designs based on their goals and employee needs," said Nielsen.

Instead of a one-size-fits-all approach, small businesses can take more of a consumer approach and shop the market for health insurance plans.

"Our Brokers want to provide their small business clients with more control over benefit design and how risk is managed," said Ingram. "Small businesses will continue to explore self-funding as a viable option for affordable group healthcare moving forward."



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