nova
An Independent Health company

Level Up with
LEVEL FUNDING

Nova's Level Funding solution combines the best elements of self-funding and fully funded benefits. By offering the predictability of monthly payments found in fully insured plans with the opportunity to achieve savings found in self-funded plans, this unique solution provides control, flexibility, and savings, while avoiding some of the typical concerns of self-funding.

How does it compare to fully insured and self-funding plan designs? Let's explore.

Breakdown of Funding Options

	FULLY INSURED	LEVEL FUNDING	SELF-FUNDING
COST	Company pays fixed annual premium to an insurance carrier; Predictable costs	Company pays monthly fixed costs (admin fees and stop loss premiums) in addition to a monthly pre-determined claims fee	Company pays monthly fixed costs (admin fees and stop loss premiums) as well as cost for plan participant's medical claims
CLAIMS	Insurance carrier is responsible for claims payments	Third party organization manages banking/funding and processes claims, which are 100 percent transparent to the employer	Third party organization process claims and administers payments on behalf of the employer; claims are 100 percent transparent to the employer
PLAN DESIGNS	Carrier-designed plan options	Limited, pre-established options optimized with a stop loss carrier for a level funded plan	Flexible and compliant with federal requirements
GROUP SIZE	Flexible, often impacts plans available to enrollees	25-200 employees/subscribers	Generally limited to larger organizations (250+ employees) with the ability to fund fluctuating claims cost
REGULATION & STATE MANDATES	Must comply with state insurance law. Federal laws, such as the ACA, HIPAA, etc., also apply to fully insured health plans	If it is an ERISA plan, it must comply with ERISA as well as other federal regulations; ERISA plans are exempt from state insurance laws but in some cases, may "opt-in" and will follow the state law. If non-ERISA, the plan must comply with state regulations, however, all plans require resources and/or guidance from outside legal counsel to ensure compliance	If it is an ERISA plan, it must comply with ERISA as well as other federal regulations; ERISA plans are exempt from state insurance laws but in some cases, may "opt-in" and will follow the state law. If non-ERISA, the plan must comply with state regulations, however, all plans require resources and/or guidance from outside legal counsel to ensure compliance
RISK	Low (Insurance company assumes the risk)	Medium (Plan sponsor assumes risk related to claims expense in excess of pre-established monthly expectations, but has a lower set point for stop loss to keep risks manageable for the group size)	Medium to High (Plan sponsor assumes the risk. Risk can be managed with insight from a third-party vendor who will help analyze plan performance. A third party will also cap liability at a risk level comfortable to the group)
PREMIUM TAX	Entire monthly premium is taxable by where the plan is domiciled	Only the stop loss premium is taxable by where the plan is domiciled	Only the stop loss premium is taxable by where the plan is domiciled

Let's see how this pans out for One Company under each of these plan designs

FULLY INSURED

One Company pays a premium to insurance carrier. Claims from One Company's employees roll in. Insurance carrier pays claims based on purchased plan design/benefits package. Employees and dependents are responsible for paying deductible amounts and/or copayments required for services under the policy.

LEVEL FUNDING

Claims from One Company's employees roll in. The TPA partner processes and pays eligible claims based on plan utilization. Some months the paid amount may be less than anticipated, in those months the reserves are rolled over to help cover claims expenses that may be higher than expected. At the end of the plan year if claims paid are less than the annual anticipated spend, One Company has the option to have either: 1) the funds returned to them or 2) roll the reserve over to cover claims cost in the next plan year (if TPA fees and stop loss premiums don't outweigh the allowance.)

SELF-FUNDING

One Company works with TPA to process and pay claims as enrollees seek care and services. Monthly claims costs will vary based on plan utilization and services needed. With claims expenses as the largest portion of the cost in a self-funded arrangement it is critically important to partner with an administrator who will focus on helping manage cost and health outcomes.

Want to learn more about Nova's self-funded plan options? Let's chat.

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