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Off and running: Self-funded employers may have head start in push for wellness

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Employee Benefit News • July 2005

Self-funding of employee medical expenses is not new, but consumer-driven health wantage is shedding new light on the opportunities presented by this type of arrangement. Many experts believe that a self-funded environment is the preferred approach for tapping the cost-cutting potential of the consumer movement because self-funding makes it easier to access and manipulate employer medical information.

"There is traction in aligning the economic interests of employers and employees," Phil Christianson, president of benefit administration services for Minneapolis, Minn.-based Corporate Benefit Services of America, says.

Christianson says that alignment should portend greater interest in self-funding, but neither he nor other industry watchers have seen it - yet. Benefits consultant Steve Hoffman, manager of Palmer & Cay's Houston office, says self-funding levels continue to remain relatively unchanged.

"It's pretty steady. I don't think a lot of plan sponsors are necessarily getting in or out," he says.

Still, some companies definitely believe the self-funded environment allows for greater flexibility and control over their wellness and disease management programs.

All about control

Paul Ness, CFO of apparel company Artisans Inc., based in Glen Flora, Wis., says that a self-funded medical environment promotes a greater urgency for wellness, disease management and other types of preventive approaches to health care.

"We are a small company, and doing things like disease management was initially outside our scope of expertise," Ness says. "With our [third party administrator], this is a service provided that allows better management for our employees and also the company."

A central tenet of the consumer-driven health movement is that employees, once aware of the fact that they are spending their own money, will pay closer attention to both the cost and types of services provided. Employers hope that the heightened level of inspection of the medical system will not only apply to first-dollar items, but also to procedures and services provided once the employees deductible has been satisfied.

The claims intimacy found in a self-funded environment puts the employer in a similar position.

"A lot of what's happening now is we're seeing the convergence of the clinical side of care with plan design," Hoffman says. A primary result of that convergence is that employers are increasing their reliance on claims information when structuring disease management and wellness programs. Hoffman says that the self-insured client has the opportunity to cater its programs to the specific health issues and problems affecting its workforce, not the broader population of people the fully insured carrier's products are designed to serve.

"The self-insured plan sponsor, instead of taking a one-size-fits-all [solution], can look at the drivers of their plan's costs and pick out the things that will save the most

money the fastest. That's what they go after," Hoffman says.

Artisans did not transition from a traditional fully insured carrier; instead, the doctors that owned the clinics in their area provided the plan. Nonetheless, the fully insured environment made progressive claims review difficult. Ness says that since the doctors owned the plan and the clinics, there was a tendency to overstate the data.

"This was highly frustrating and made us discount and ignore the data," he says. Now that they are self-insured and teamed with a third-party administrator they trust, things are much improved from a data analysis perspective. "The information from the TPA is clear and is reviewed regularly to see if there are specific areas of education needed," Ness says.

Artisans' is a unique case, but the difficulty of obtaining and leveraging claims information in a fully insured environment is tough to overstate.

"I think it is much easier to do in a self-funded environment," Cara Jareb, a senior health care actuary in Watson Wyatt's Washington D.C., office, says.

Employers' desire to aggressively analyze and leverage their claims information has given rise to dozens of companies whose mission it is to do just that. Employers equipped with a database of claims information can look at their population a hundred different ways in order to best determine how to spend their wellness and prevention budget.

"Are you going to be as sophisticated about it and really be able to review your data and figure out which disease you should target?" Jareb asks. "Probably not on the fully insured side."

Melissa Tobler, a principal and clinical strategies consultant for Palmer & Cay, recently concluded a wellness road trip, hosting several seminars on the issue across the country. She, too, believes that while wellness should be a priority for all employers regardless of their insured status, self-insured groups may have greater flexibility crafting and managing their programs.

"When you are fully insured you often have to buy a standard package from the carrier," Tobler says. The fully insured employer may have a hard time manipulating the plan, she says. For example, waiving the co-pays for pharmacy drugs for people who participate in the wellness program, increasing the number of visits or increasing the benefit limit of first dollar coverage for wellness visits or routine care might be a little bit harder for fully-insured employers, according to Tobler.

"When you are self-insured you are basically writing your plan description yourself and you can put in whatever you want," she says.

Opting for fully insured

That's not to say there isn't a market for fully insured plans. One permutation that continues to attract attention is the pairing of a high-deductible plan with a health reimbursement account, or in many of the newer plans, a health savings account. For some employers, this has some of the benefits of a self-insured arrangement while at the same time eliminating some of the concerns, namely stop-loss coverage. A TPA manages claims up until the deductible is reached. Once met, the arrangement is fully insured, obviating the need for stop-loss coverage, which is expensive and often drives an employer's decision whether to self-fund.

Clyde Rhodes, CEO of St. Paul, Minn.-based, MacArthur Co., recently made the switch back to a fully insured environment, opting for a high-deductible plan with the assistance of a TPA.

Rhodes isn't sold on the idea that self-funded companies have a greater interest in managing the health of their employees. In fact, he sees the need for a third-party case manager as a notable fissure in that logic.

"[Fully insured carriers] bring to bear what I would say is a lot better quality large case manager than what I've seen I could buy on the outside," Rhodes says. "They've got a vested dollar interest in this thing. Outside caseworkers you hire, they don't have any vested interest in what it costs to manage these cases for the employer. I don't think they have the same tools available to them." - R.L.W.

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