

Group Health Plan Options: How Do You Choose?

Self-Funded vs. Fully-Insured ACA

by CHRISTY DIEHL

There are two major types of small group health insurance plans: fully insured Affordable Care Act (ACA) plans and self-funded plans. Some may think self-funded plans are a new concept; however, they have been around for decades, becoming more popular in recent years due to the rising cost of ACA plans. Depending on the demographics of your group, there may be advantages to both. Let's review some of the pros and cons of each.

SELF-FUNDED PLANS

Pros

- Self-funded plans can be a flexible, cost-effective alternative to ACA plans; build a plan to fit your needs.
- Self-funded plans are *not* required to meet the 10 essential health benefits of the ACA, but most do (see 10 essential health benefits at [healthcare.gov/coverage/what-marketplace-plans-cover](https://www.healthcare.gov/coverage/what-marketplace-plans-cover)).
- Monthly premiums are based on medical underwriting; the healthier the group, the lower the premium.
- Less regulation and taxation.
- Composite rates: average age within the group (this could be a con for younger employees).

Cons

- Groups can be denied coverage based on medical conditions or rated to the point where ACA plans are a cheaper option.
- Claims experience can have a negative impact on renewal rates.
- Some added liability for the plan sponsor.

FULLY INSURED ACA

Pros

- No health questions asked, everyone is approved.
- Ten essential health benefits and state mandates required on all plans.
- Premiums are age banded (could be a con for older employees).
- Claims experience not considered at renewal.
- The employer pays the premium without further liability.

Cons

- Depending on demographics of the group, premiums can be higher due to guaranteed issue.
- ACA taxes and fees apply.



REQUIREMENTS FOR BOTH PLAN TYPES

- Generally, the employer is responsible for at least 50 percent of the employee-only premium, not dependents.
- The employer cannot discriminate regarding employer contribution toward premium.
- All full-time employees averaging 30 or more hours per week are eligible for the plan. Part-time employees are not eligible; however, some carriers choose to make concessions and waive requirements, depending on the type of plan.

You can start a group health insurance plan anytime during the calendar year. Know the differences and shop the rates every year. My recommendation is to always try for the underwritten plan first. This will give you the baseline premium so you can compare it to ACA plans. Plan designs for the two options can be very similar. If employees have a history of major medical conditions, then ACA plans may be the best option for the group. Or if your group is fairly healthy, go through medical underwriting to see if you can save premium.



Make it easy on yourself to decide on an employee health plan: Contact MDIS and let us help you work through the options and find a plan to fit your needs.

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