

## ALTERNATIVELY FUNDED BENEFIT PLANS

Insuring a risk, such as the need for health care or Workers' Compensation benefits, has three core components: a plan of benefits that describes those services that will be covered and when, an entity whose responsibility it is to adjudicate claims for the payment of benefits, and the funds from which those claims are paid.

Most people familiar with insurance understand how different levels of benefits and the competency of the commercial insurance carrier or Third Party Administrator can impact plan costs. What many have difficulty understanding is a group's ability to reduce costs by paying the majority of their member's claims as they happen and at the time they occur. Understanding the risks and rewards of this type of funding mechanism requires actuarial and financial skills that most insurance agents and brokers just don't possess.

One of the ways a self funded plan saves money is by earning interest on funds that are not yet spent on claims. In a fully insured plan the insurance carrier would be earning money on the premiums they accrue before they are required to pay claims. Obviously, in this scenario, the larger the group the more money is accrued and the more interest is earned. This is just one example of how self funding is an option that every group with at least 150 members or more should explore.

KBM Management's success is built on our knowledge and experience in developing and maintaining viable self funded and self insured benefit plans. Our clients rely on our independent and unbiased recommendations to achieve savings that are unattainable in a fully insured plan.