FUNDING OPTIONS FOR YOUR HEALTH PLAN

FINDING THE RIGHT SOLUTION FOR YOUR SPECIFIC NEEDS

Wellmark Blue Cross and Blue Shield offers several options for funding health plans to give you the choice and flexibility you need. It's part of our commitment to making health insurance affordable and accessible while delivering rich benefits to employees and cost savings to you.

Selecting the right option for your business

- Fully insured
- Self-funded
- Self-funded with stop loss
- Interim premium (Fully insured)
- Minimum premium (Fully insured)

Lean on Wellmark for expert help in building a health plan solution to keep your employees healthy — and keep your costs down. Whatever your needs may be, you'll get the right solution. Every organization is unique, so let's work together to determine the best funding for your business.

Available funding options at a glance:

Fully insured

The most traditional type of health insurance funding where you pay a fixed and easy-to-budget premium to Wellmark every month, and we process and pay all claims for covered services to your employees. Premiums remain the same throughout the year regardless of the claims paid for the employer, but are readjusted each year.

Self-funded

With self-funding, you directly fund the claims and only pay for the health care services actually used by your employees and their covered family members, but with this option there is no limit to your exposure. You pay for claims as they're incurred, which means variability from month to month, as well as fixed administrative costs and a network access fee paid to Wellmark to process your claims.

Self-funded with stop loss

You pay all your employees' claims up to a set limit, at which time your stop-loss coverage applies and Wellmark pays all claims that exceed that limit. Your costs are your claims up to the set limit, a premium for the stop loss coverage as well as fixed administrative costs and a network access fee paid to Wellmark to process your claims.

Interim premium (Fully insured)

You pay a level premium lower than a fully insured plan to Wellmark throughout the year, with the potential to pay up to the maximum interim premium at settlement.

Minimum premium (Fully insured)

Like a self-funded plan, you pay all the claims experienced by your employees. But, like a fully-insured plan, your financial liability is limited to a maximum monthly dollar amount, an annual cumulative dollar amount and a fixed cost to Wellmark.

	FULLY INSURED	SELF-FUNDED	SELF-FUNDED WITH STOP LOSS	INTERIM PREMIUM	MINIMUM PREMIUM
Monthly fixed premium	X				
Lower monthly fixed premium				X	
Readjusted each year	X	X	X	X	X
You pay all claims up to a set limit			X		X
You pay all claims with no set limit		X			
Stop loss premium			X		
Fixed admin cost and network access fee		X	X		X
You pay up to the maximum premium at settlement				X	
Limited to a maximum monthly dollar amount, an annual cumulative dollar amount and a fixed cost to Wellmark					X

Fully insured

The risk-free funding option

A fully insured funding option is where we process and pay claims for your employees according to the terms of the benefit options you choose. Your only responsibility is to pay your premiums.

Billing:

Fully insured employers pay a set rate regardless of actual claims activity during the year.

Example:

TIER	SINGLE	EMPLOYEE + SPOUSE	EMPLOYEE + CHILD(REN)	FAMILY	MONTHLY TOTAL
Enrollment	200	50	25	75	350
Fully Insured rate	$400	$800	$700	$1,200	$227,500

All examples are hypothetical and are meant to serve for comparative purposes only.

Ideal if you want to:

- **Assume zero risk,** since Wellmark assumes all risks and absorbs all the losses.
- **Protect yourself from the effects of high individual claims,** since those that exceed a predetermined amount are pooled with large claims of other fully insured employers.
- **Have a predictable cash flow,** as premiums remain constant for the year.
- **Not have to maintain claim reserves,** as Wellmark assumes that responsibility.

Things you should consider with this option:

- You'll have **limited flexibility** in controlling your financial liabilities.
- It's available for **employers with 1+ enrolled employees.**

Self-Funded

A self-funded approach with lower monthly premiums

You pay all your employees' claims, with no limit to your claims' exposure. Wellmark processes the claims and charges you an administrative fee plus a network access fee.

Billing:

Self-funded employers agree to pay actual claims as they're incurred. Without stop loss coverage, employers will not pay in stop loss premiums but there will be no limit to their annual claims liability.

Example:

TIER	SINGLE	EMPLOYEE + SPOUSE	EMPLOYEE + CHILD(REN)	FAMILY	MONTHLY TOTAL
Enrollment	200	50	25	75	350
Administrative costs	$75	$75	$75	$75	$26,250
Claims expenses	This amount will vary by month depending on actual employer claims activity.				

All examples are hypothetical and are meant to serve for comparative purposes only.

Ideal if you want to:

- **Pay less in monthly fees** since there are no stop-loss fees.
- **Save if your claims utilization is lower** than expected.
- **Improve your cash flow,** because you maintain your own reserves.
- **Assume risk and legal responsibilities** and are comfortable with those responsibilities.

Things you should consider with this option:

- **Risk of experiencing higher-than-expected claims** utilization.
- **You're responsible for all claim payments** and all benefit plan determinations.
- Claims fluctuations may be **difficult to budget**
- **You're responsible for all claim reserves.**
- Available for **employers with 101+ enrolled employees.**

Self-funded with stop loss

Protecting your workplace from extreme loss

Self-funded health insurance benefits don't come without risk. Your employees may be relatively healthy, but a sudden medical diagnosis could lead to higher-than-expected, major medical costs. That's when stop-loss coverage can help.

Stop-loss coverage is a financial and risk management tool that caps what you pay toward your employees' medical expenses at an agreed amount. Any services covered above that threshold are typically covered by the policy, unless the incurred and paid date of claims fall outside a stop-loss period. While the coverage reimburses employers above the set limit, you're still responsible for initially paying the medical expenses in full.

There are two different policy options for stop-loss coverage: individual and aggregate. The individual option limits financial liability for each individual member and can be carried with or without aggregate coverage. The aggregate option limits financial liability for your total amount of claims, expense as a whole and cannot be carried without individual coverage.

You can choose to have a monthly statement with stop-loss credits settled at the end of every month or choose to withdraw either a set amount or an actual claims amount every week. A weekly billing method offers stability and consistency in your stop-loss coverage up to your stop-loss amount, which is when your policy handles the rest — and you don't have to wait to be reimbursed.

Billing:

Self-funded employers agree to pay actual claims as they're incurred. By purchasing stop loss coverage, they can limit their financial liability for any one member and for total annual claims.

Example:

TIER	SINGLE	EMPLOYEE + SPOUSE	EMPLOYEE + CHILD(REN)	FAMILY	MONTHLY TOTAL
Enrollment	200	50	25	75	350
Administrative costs	$75	$75	$75	$75	$26,250
Stop-loss premium	$150	$300	$250	$450	$85,000
Claims expense	This amount will vary by month depending on actual employer claims activity. Group responsible for claims up to aggregate attachment point.				

All examples are hypothetical and are meant to serve for comparative purposes only.

Ideal if you want to:

- **Save money when your claims utilization is lower** than expected.
- **Limit your financial liability** via specific and/or aggregate stop-loss.
- Potentially improve your **company's cash flow** since you maintain your own reserves.
- **Assume a higher level of risk,** up to the determined stop-loss point.
- **Only pay premium tax on the stop-loss coverage.**

Things you should consider with this option:

- **Risk of experiencing higher-than-expected claims utilization** up to the attachment point.
- **You're responsible for all claim payments** regardless of stop-loss and benefit determinations.
- Claims fluctuations may be **difficult to budget.**
- **You're responsible for all claim reserves.**
- Available for **employers with 25+ enrolled employees to be eligible.**

Interim premium

A level lower premium

Interim premium allows you to pay a lower level premium rate than a fully insured plan. However, there is a possibility that you could pay more than a predetermined maximum premium at settlement if your employees have high claims utilization and administrative costs, up to a predetermined, maximum rate.

If claims and administrative costs exceed the billed amount (interim rate), you will be liable for those costs up to the maximum, agreed upon rate. If actual claims and administrative costs exceed the maximum amount, Wellmark absorbs the loss. If they fall between the interim and maximum rates, you pay the claims. You will always be responsible for costs up to the interim rate.

Individual claims over the account's predetermined pooling amount are not removed when calculating the settlement. Six months after the end of the contract period a tentative settlement is done, then the final settlement is completed 12 months after the end of the contract period.

Billing:

Employers will pay a set rate during the year. At the end of the year, there will be a settlement calculation that will compare actual costs to the interim premium rate and a maximum liability rate to determine if the employer owes additional funds. See interim premium settlement calculation for more details.

Example:

TIER	SINGLE	EMPLOYEE + SPOUSE	EMPLOYEE + CHILD(REN)	FAMILY	MONTHLY TOTAL
Enrollment	200	50	25	75	350
Fully insured rate	$360	$720	$630	$1,080	$204,750

All examples are hypothetical and are meant to serve for comparative purposes only.

Settlement examples

	SURPLUS	DEFICIT LESS THAN MAXIMUM LIABILITY	DEFICIT GREATER THAN MAXIMUM LIABILITY
Health and drug claims	$3,000,000	$3,500,000	$4,000,000
Administrative costs	$675,000	$675,000	$675,000
Total claims and administrative costs	$3,675,000	$4,175,000	$4,675,000
Interim premium paid	$3,780,000	$3,780,000	$3,780,000
Difference	$(105,000)	$395,000	$895,000
Maximum liability rates	N/A	$4,620,000	$4,620,000
Liability above interim rates	N/A	$840,000	$840,000
Employer owes	N/A	$395,000	$840,000
Wellmark liability	N/A	N/A	$55,000

All examples are hypothetical and are meant to serve for comparative purposes only.

Ideal if you want to:

- **Potentially pay less than the predetermined maximum** premium if member claims perform better than the average.
- **Have predictable monthly cash flow.**
- **Shift the responsibility to Wellmark for all claims and claims reserves.**
- **Assume limited risk** and have the financial ability to do so.

Things you should consider with this option:

- You pay premiums, plus the **potential for an additional premium** if costs are greater than the billed amount, up to the maximum amount.
- **Undetermined liability** at termination and the total cost of the annual plan won't be determined until settlement at six and 12 months after the contract period.
- It is **only offered to fully insured accounts.**
- Employers must have **101+ enrolled employees** to be eligible.

If total claims and administrative costs are less than the interim premium paid, Wellmark keeps the surplus and you don't owe any additional funds. If total claims and administrative costs are greater than the interim premium paid, actual costs will be compared to maximum liability rates to determine the amount you owe.

You would owe Wellmark the difference between the interim premium paid and the actual total costs up to the maximum liability rate. Wellmark is liable for any actual costs that exceed the maximum liability rate.

Minimum premium

The advantages of a fully insured plan — with the best features of a self-funded one

With minimum premium, it acts like a self-funded plan, in which you pay all incurred claims expenses. But, like a fully insured plan, your financial liability is limited to a maximum monthly dollar amount and an annual cumulative dollar amount.

Minimum premium also shields your company from the effects of high individual claims, as claims over $75,000 are Wellmark's responsibility for employers with 750 enrolled employees. If you have more than 750 enrolled employees, this amount goes up to $150,000.

Each month, in addition to claims expenses, you'll pay fixed costs that are determined by the number of employees and the type of coverage they have. These include operating costs, such as processing and payment of claims, benefits management, network access, large-claims pooling charges, premium tax and coordination of benefit provisions. You'll also pay a separate premium for run-out funding.

Billing:

You'll receive one bill at the end of each month that includes claims paid during that month, regardless of incurred date, and the applicable fixed fees. The employer pays a set cost for administration fees and run-out funding each month and then pays actual claims up to Maximum Claims Liability rate.

Ideal if you want to:

- **Limit your costs and claims exposure** and improve cash flow.
- **Retain the difference and lower your liability** if claims are lower than expected.
- **Shift responsibility to Wellmark** for claims that exceed runout funding at contract termination.
- **Protect yourself from the effects of high individual claims** because claims exceeding the pooling level become Wellmark's liability.
- **Fund your claim reserves through a run-out fund.** If the run-out fund is insufficient to cover run-out claims at termination, then Wellmark will apply available monies from the current year's cumulative maximum claims liability to this deficit.
- **Assume limited risk with an option that limits your cost and claim exposure.**

Example:

CONTRACT TYPE	MONTHLY CONTRACTS	MONTHLY ADMIN FEES	RUN-OUT FUNDING	NETWORK ACCESS FEES	TOTAL FIXED FEES	MONTHLY FIXED FEES	MAXIMUM EXPECTED CLAIMS FACTORS	MONTHLY MAXIMUM CLAIMS LIABILITY	MAXIMUM FIXED AND CLAIMS RATE	MAXIMUM FIXED AND CLAIM LIABILITY
Single	19	$117.11	$48.75	$3.46	$169.32	$3,217.08	$274.41	$5,213.79	$443.73	$8.430.87
Family	56	$292.78	$121.88	$8.65	$423.31	$23,705.36	$686.03	$38,417.68	$1,109.34	$62,123.04
Total	**75**					**$26,922.44**		**$43,631.47**		**$70,553.91**
Total Annual Projection (12 months)										**$846,646.92**

All examples are hypothetical and are meant to serve for comparative purposes only.

Establishing a run-out fund

As part of your fixed fees each month, you'll also contribute to a run-out fund. These funds are used to pay any remaining claims you have if you terminate your contract with us. For more information on establishing a run-out fund, see minimum premium brochure M-51379.

Things you should consider with this option:

- **Run-out funding remains with Wellmark** if claims are lower than projected and you terminate your contract.
- Employers must have **51+ enrolled employees to be eligible.**

All funding options include:

- **FLEXIBILITY** to choose plan and network options that help you save money.
- **ACCESS** to more providers, more specialists, more hospitals, in more places than anyone else.
- **CONSULTATIVE APPROACH** to improve your employees' health with fully integrated health management solutions to maximize health care savings.
- **UNSURPASSED SERVICE** for you and your employees.

Terms

The descriptions and terms used in this brochure are for example only. All financial terms and an explanation of provider savings can be found in your billing agreement.

- **Administrative fee:** Wellmark's operating fee (per contract holder) for administering your benefit plan.
- **Runout funding:** Your contribution (per contract holder) to reserve for incurred claims that have not been paid upon termination of the contract.
- **Network access fee:** Charged per plan member for access to Wellmark's relationships and contractual savings with in-network facilities and providers.
- **Total fixed fees:** The total amount you'll pay in fixed fees — including the administrative fee, runout funding, and network access fee — per contract holder.
- **Maximum expected claims factors:** The maximum amount in claims you'll pay per contract, per month.
- **Maximum claims liability:** Your total claims liability each month, or the maximum amount for all contract holders.
- **Maximum fixed and claims rate:** The maximum rate in fixed fees and claims you'll pay per contract, per month.
- **Maximum fixed and claims paid[1]:** The total maximum amount you'll pay each month.

[1] Impacted by surplus or deficit carried over.

Wellmark complies with applicable federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability, or sex.

ATENCIÓN: Si habla español, los servicios de asistencia de idiomas se encuentran disponibles gratuitamente para usted. Comuníquese al 800-524-9242 o al (TTY: 888-781-4262).

注意：如果您说普通话，我们可免费为您提供语言协助服务。请拨打 800-524-9242 或（听障专线： 888-781-4262）。

ACHTUNG: Wenn Sie deutsch sprechen, stehen Ihnen kostenlose sprachliche Assistenzdienste zur Verfügung. Rufnummer: 800-524-9242 oder (TTY: 888-781-4262).

New fees will be imposed on health plans and carriers effective Jan. 1, 2014, pursuant to the Affordable Care Act. Wellmark will inform you of the expected impact to your premiums or rates as a result of such fees once additional information is available from the applicable regulatory agencies.

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