

How to Set Up a Self-Funded Health Plan in Ten Steps

Setting up a self-funded health plan is a fairly simple process when you and your consultant work with the self-funding professionals at ARM. While it is possible to set up a self-funded health plan in just a few days, you should normally allow 15 to 30 days to complete the following ten steps.

Step 1: Collect Data

You will need the following information to set up your new health plan:

- Census of current employees
- Any claims experience reports you have from your current carrier going back two years. You will also need to know the status of any large ongoing claims.
- A schedule of benefits that you want to provide to employees.

Step 2: Provide the data to your consultant and Third Party Administrator (TPA)

Your consultant and TPA will obtain stop loss quotes and provide you a list of PPO Networks that make sense for your group demographics. They will also recommend a vendor for utilization review and large case management. If your plan offers life insurance or any other insured benefits, they also will obtain quotes from appropriate carriers.

Step 3: Make decisions on vendors and provide underwriting information

You and your consultant will work together to select the most appropriate vendors for your self-funded plan. In the process of obtaining stop-loss coverage, you will need to complete a Disclosure Statement where you will attach any claims information you may have and provide updated status on individuals that have had large claims, are on COBRA Continuation, or who are otherwise not actively at work.

Step 4: Formalize your plan in a Plan Document and Summary Plan Description.

Your TPA will prepare a draft Plan Document for your review. This document is required under ERISA and clearly describes the benefits offered to your employees. You should review the document carefully and have your legal counsel review it if necessary.

Step 5: Adopt a HIPAA Privacy policy and the procedures to implement the policy

Self-funded plans are subject to the regulations under HIPAA. It is important that an employer that sponsors a self-funded health plan have procedures in place to protect the Private Health Information of employees. Your consultant and TPA will provide you with guidance and assistance to establish this policy.

Step 6: Banking

Establish an account at your bank that is specifically used for transactions related to the self-funded health plan. Your TPA will normally be paying claims with checks that are issued from this account. Provide the TPA with a signature card for this account and all bank routing information.

Step 7: Open Enrollment

Provide each employee with a Summary Plan Description for your plan and have employees elect coverage and fill in enrollment forms for the plan. Provide this information to the TPA.

Step 8: ID Cards

Once the TPA has entered the eligibility information for your plan, they will produce ID Cards for individuals that have elected coverage under the plan. This card will be used whenever plan participants receive medical services or purchase prescription drugs. You should provide the TPA with your company logo in electronic format

Step 9: Distribute ID Cards and other information about the plan

Once the ID cards are produced, distribute them to covered employees along with any other information you would like to provide. This will likely include instructions on how to utilize web-based employee resources provided by the TPA, and possibly a letter welcoming them to the plan.

Step 10: Ongoing Management

Work with your consultant and TPA to implement programs that will encourage the good health of your employees and reduce healthcare utilization where possible.