



## SELF-FUNDING VS. FULLY INSURED DENTAL

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### WHAT IS A SELF-FUNDED DENTAL PLAN?

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Self-funding refers to an employer assuming the claims risk for a plan internally rather than paying a dental carrier or insurance company to assume the risk. Because a dental plan operates differently than a medical plan, this risk has a ceiling – the annual plan maximum. This annual plan maximum and ceiling for risk offers a predictable option for employers to both experience with a self-funded platform and maximize savings and flexibility.

The self-funded plan operates with two main components:

- The administrator who offers a network and administers the plan design regarding medical necessity, offers clinical programs, and pays claims to providers.
- The employer who funds claims with reserves from employee and employer contributions.

Third-Party  
Administrator  
(TPA)

+

Claims Funding  
Account  
(Employer)

=

Self-funded  
Dental Plan



## SELF-FUNDING VS. FULLY INSURED DENTAL

Taking on the risk of self-funding has rewards for both employee and employer. Below is a comparison of the two funding platforms for dental plan design:

	Fully-Insured	Self-Funded / ASO
Cost Comparison	<ul style="list-style-type: none"><li>Fully insured “premium” as flat monthly rate per tier</li><li>Cost includes claims and margin or profit to the insurer</li></ul>	<ul style="list-style-type: none"><li>Combination of administrative fee to a third party administrator (TPA) plus variability of actual claims</li><li>No margin or profit to the employer – lowering overall costs and trend increases over time</li></ul>
Cost Predictability	<ul style="list-style-type: none"><li>Plan costs only partially based on actual claims cost as carriers able to create larger pools of risk with lower “credibility” of individual groups</li><li>Higher overall costs but consistent expenses month-to-month as carrier takes all risk and all rewards</li></ul>	<ul style="list-style-type: none"><li>Plan costs 100% based on actual claims history</li><li>Lower costs overall as no margin paid to carrier but increased volatility as claims funding adjusts month-to-month</li></ul>
Risk	<ul style="list-style-type: none"><li>Low relative risk but renewal adjusted based on funding ratio (premium paid/plan expenditures)</li></ul>	<ul style="list-style-type: none"><li>Increased relative risk overall but mitigated by plan maximums for dental and vision plans</li></ul>
Flexibility	<ul style="list-style-type: none"><li>Limited by the carrier options filed and approved in your state annually</li><li>Carriers subject to state requirements for covered services and minimum levels of care</li></ul>	<ul style="list-style-type: none"><li>Limited only by the adjudication capabilities of the TPA partner</li><li>Employer makes decisions on coverage levels and limits subject to the needs of the population</li></ul>
Taxes and Fees	<ul style="list-style-type: none"><li>Fully-Insured carriers required to pay federal and state taxes associated with operating in the state</li></ul>	<ul style="list-style-type: none"><li>Self-funded plans not subject to state taxes</li></ul>

### About Aldrich Benefits LP

We assist employers with employee benefit consulting including medical, dental, group life, and disability insurance for their employees and executive benefits for high level and key employees. Our services include plan design, implementation, and annual review of benefits. Aldrich Benefits LP is known as Aldrich Insurance Solutions LP in California.

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