

Three Funding Paths and What Each Requires

Table / Comparison | Part III | A Better Financing Vehicle | Chapter 11 - Self-Funding Mechanics in Plain English | Book p. 74

Approach	How the employer pays	Cash-flow pattern	Control and responsibility	Usually fits best when...
Fully insured	Fixed premium paid to the carrier; carrier pays covered claims.	Most predictable month to month.	Lowest direct claims responsibility; generally less visibility and flexibility.	Payment certainty matters more than direct claims control.
Level funded	Fixed monthly amount typically combines a claims component, administration, and stop-loss protection.	More predictable than traditional self-funding.	Some connection to claims performance, but contract terms determine surplus, data access, and flexibility.	The employer wants a bridge toward greater control without full claims-payment volatility.
Traditional self-funded	Employer pays actual claims, TPA fees, stop-loss premium, and other plan expenses.	Variable claims payments plus reserves and reimbursement timing.	Highest potential control and highest operating responsibility.	The employer has adequate cash capacity and is willing to actively manage claims economics.