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Level-Funded Health Plans: A Broker's Guide to Combat Rising Health Insurance Costs for Employers

By Mike Lambert

In an era marked by soaring healthcare costs and uncertainty, insurance brokers face the challenge of guiding their employer clients through a complex benefits landscape. With a median health care cost increase of 7% projected for 2024, employers are desperate for solutions that offer affordability and flexibility. This is where level-funded health plans come into play, offering a financially sustainable and customizable option. Here's why brokers should have this option at the top of their recommendation list.

The Rising Tide of Healthcare Costs: A Broker's Concern

The Inflation Equation

With a 7% cost increase on the horizon for 2024, following a similar increase in 2023, brokers have to act fast. According to new data from the International Foundation of Employee Benefit Plans (IFEBP), a nonpartisan group with more than 31,000 members, U.S. corporate employers project a median health care

cost increase. It's the second year in a row that employers have projected a 7% hike. The IFEBP survey highlights how inflation is impacting multiple dimensions of healthcare, from labor costs to medical supplies, thereby pushing the costs onto employers. (www.ifebp.org/store/employee-benefits-survey)

Specific Cost Drivers

Factors contributing to this spike include chronic conditions, catastrophic claims and costly treatments and therapies. With 22% of employers in the IFEBP survey pointing to chronic conditions as a main driver of costs, the urgency for a sustainable solution has never been greater.

Balancing Employee Benefits and Costs

While some employers might consider shifting the financial burden to employees, most are wary of doing so. Competitive labor markets make it essential for employers to offer attractive benefits packages, making it a challenging tightrope to walk for brokers advising their clients.

Level-Funded Health Plans: The Broker's Silver Bullet

A Rising Star Among Options

The Kaiser Family Foundation 2022 Employer Health Benefits Survey revealed that 42% of small businesses opted for level-funded plans in 2021, a dramatic increase from just 7% in 2019. This upward trend is a strong indicator of its growing appeal.

Balancing the Scale: Costs and Flexibility

Level-funded plans offer a middle-ground solution by blending features from both fully insured and self-funded plans. They allow for the predictability of fixed premiums while providing flexibility in plan design, which can be a compelling selling point for brokers to their clients.

The Case for Cost Containment

Level-funded plans enable better cost management through more transparent claims data. This data can inform future premium negotiations and employee education around making cost-effective healthcare choices. **Brokers should highlight this as a significant advantage when presenting options to clients.**

Compliance Demystified

One challenge of level-funded plans is the increased responsibility regarding compliance. However, a skilled broker can ease this burden by helping employers navigate through the intricacies, reinforcing why brokers are valuable partners in the benefits selection process.

Customization and Suitability: Making it Work for Your Clients

The Small to Midsize Business Sweet Spot

These plans are particularly well-suited for small to midsize businesses looking for a blend of cost efficiency and customization. Brokers can carve out a niche by specializing in advising these types of companies.

Versatility for Larger Clients

Don't rule out larger businesses; level-funded plans can also be used strategically to address specific classes of employees within a larger enterprise.

Utilization Insights

By offering detailed utilization data, level-funded plans enable more targeted cost-containment strategies. **Brokers can add value by helping employers analyze this data to make informed decisions that benefit both the company and the employees.**

The Broker's Role: More Than Just a Middleman

As a broker, you're not just selling insurance; you're selling peace of mind and financial sustainability. Leveraging your expertise to navigate compliance challenges and helping employers make sense of utilization data can set you apart from the competition. **It's not just about recommending a health plan; it's about crafting a holistic healthcare strategy that resonates with employer needs while keeping an eye on the bottom line.**

The Future is Level-Funded

Given the ongoing challenges posed by rising healthcare costs, brokers who can proficiently guide their clients towards adaptable and cost-effective solutions like level-funded health plans will be in high demand. Offering an optimal balance between cost containment and plan flexibility, these plans represent a win-win scenario for brokers and their clients alike. By making this option a cornerstone of your advisory portfolio, you can be the go-to broker who not only understands the market but also knows how to adapt to its ever-changing dynamics.



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