Protect Plans

Employer Certification and Acknowledgement Concerning Self-Funding

Congratulations. Like an increasing number of small and mid-size employers, you're embracing the advantages delivered by fixed-cost self-funded plans (sometimes called "level premium plans"). While there are a lot of similarities between fully-insured and self-funded employee benefit arrangements, there are significant differences and responsibilities, too. This Employer Certification and Acknowledgement form assures you understand those differences.

Self-Funding: Important Considerations

Self-funding is an alternative approach to financing an employee benefit plan. Large employers have long used self-funding to directly fund their expected claims while separately purchasing Excess Loss coverage (often referred to as "Stop-Loss coverage") to protect against catastrophic claims.

In choosing a self-funded plan, here are some important things to know:

- **Your Plan of Benefits:** The Protect Plan offers several PPO plans including some that are HSA-compatible. You, as the employer and Plan Sponsor, may choose to make one or more—or all—of these plans available to your employees.
- **Your Third Party Administrator**: The Protect Plans are administered by Meritain Health, an Aetna company. As your third party administrator (or "TPA") Meritain Health will, among other services:
    - Maintain proper funds on deposit for claims payment as received from you, the Plan Sponsor
    - Pay claims according to your plan document
    - Prepare claim reports or provide other data to you as Plan Sponsor and your Excess Loss insurer
    - Provide plan information and assist with filing government-required reports
    - Bill, collect and disperse fees, taxes and Excess Loss insurance premium for your Plan.
- **Your Plan Document**: Meritain Health will provide you with a plan document that contains all the provisions governing the Protect Plans. This includes important eligibility, benefits, limitations, exclusions, and termination provisions related to your coverage. Meritain Health will also provide you with employee benefit descriptions, employee and dependent identification cards and other documents related to the administration of your plans.
- **Your Excess Loss Carrier**: The Protect Plans cap your risk as Plan Sponsor by providing stop-loss coverage. These limits address the amount you, the Plan Sponsor, are required to pay for an individual's eligible medical claims (*Specific* Stop-Loss coverage) and the combined amount of all eligible medical claims the plan must pay during a given period (*Aggregate* Stop-Loss coverage). Together, they protect you from both high individual medical claims and a high volume of medical claims and prescription drug claims across your entire group.
    - **Specific Stop-Loss Coverage** protects against unexpected, high dollar claims on any one individual. Your Protect Plan quote identified the per-person "attachment point" or deductible. This is the amount you are responsible to cover of eligible medical claims for each member of your plan. A minimum amount may be required by law. Eligible claims above this attachment point are reimbursed by your excess loss coverage.
    - **Aggregate Stop-Loss Coverage** provides a cap on the amount of eligible medical and prescription expenses that you will pay, in total, for all members of your plan during a Contract Period. Aggregate Excess Loss coverage accumulates each month to the end of the Contract Period. If eligible claims paid out exceed the amount you've contributed to the claims fund up to that time don't worry. With the Protect Plans you're advanced these funds. Your subsequent claim fund contributions "pay back" this advance. **IMPORTANT NOTE**: Since Aggregate Excess Loss coverage is determined by your Contract Period, in the event you terminate coverage prior to the end of your Contract Period you will be responsible for all eligible medical claims that would have been covered by the Aggregate Excess Loss coverage.
- **Your Contract Period**: The Protect Plans all feature a 12/18 Contract period. This means that eligible medical claims incurred within the first 12 months of your coverage and paid within the 18 months from the start of the Contract Period are covered by the plan or Stop Loss coverage. The plan's total maximum costs for a 12/18 Contract period

includes the costs for the six months of run-out claims—claims incurred in the first 12 months of coverage, but not submitted until the 13th month or later. **IMPORTANT NOTE**: Claims incurred during the first 12 months of coverage, but submitted after the 18th month of the Contract Period are *not* covered by your stop-loss coverage and are the responsibility of the member or you, the Plan Sponsor.

- **Claims Fund:** Your claims fund includes money set aside for eligible claims and expenses incurred by employees or dependents of the plan. These should not exceed the specific or aggregate stop loss limits, and can help reduce employer liability. There are situations, however, when additional claims funding may be required. These include:
  - Covering a fee for prescriptions not covered under the stop loss policy.
  - Having a shortage of funding stemming from the termination of an employee. Claim overpayments and/or adjustments may have to be paid depending on the timing of the termination.
  - Rising employee head count over the course of the stop loss policy. A change in the employee census could increase the attachment point calculation.
  - Covering a shortage of funds while more information regarding a claim is being collected.

Self-Funding Advantages and Disadvantages

Self-funding typically offers you, the Plan Sponsor, several advantages including:

- No premium tax is owed on the self-funded claim fund
- You may offer the same health plan in multiple states
- You have the opportunity to receive any surplus in your claims fund at the end of your 12/18 Contract Period. With the Protect Plans, you receive 100% of this surplus.

There are also disadvantages:

- You, the employer, assume all risk up to the Excess Loss coverage attachment points. Your monthly payments covers this exposure. And with the Protect Plans, if incurred eligible claims exceed the amount you've paid into the claims fund up to that time, and it's within the Contract Period as outlined in your policy, your Excess Loss carrier advances you the difference
- Employers' assets are exposed to liability created by legal action against the self-funded plan. This risk is reduced by working with reputable administrators and carriers like those available to you through the Protect Plans
- You, working through the Protect Plan underwriters and administrators, are providing services normally provided by an insurance carrier. This requires you to exercise discipline over exceptions concerning eligibility for benefits and other discretionary payments.
- There are some circumstances in which you may need to supplement your fixed payments to the claims fund.

Fixed-Cost Self-Funded programs with excess loss protection like the Protect Plans offers are an innovative way for many employers to maximize their employee benefit dollars. By signing, below, you certify that you have read and understand the above information and that the Protect Plans are part of a self-funded program and not a fully-insured program.

______________________________	____________________
Your Company Name	Date Certified
______________________________	____________________
Your Name	Your Title or Position
______________________________	
Your Signature	