



UNDERSTANDING LEVEL-FUNDED HEALTH PLANS

BenZen Insurance. We Make Benefits Easy.

As a small business owner, healthcare is one of the bigger line items you'll take on. If you're looking at a quote and wondering what all the numbers mean, why level-funded options cost less than traditional plans, and how stop-loss insurance works — here's the answer.

HOW IT WORKS

Your monthly payment is made up of two parts:

1. Claims Fund *(or Maximum Employer Claim Liability)*

This is the portion that covers your employees' everyday healthcare expenses — doctor visits, prescriptions, labs. It's built up over the year through your regular monthly contributions. If claims come in under the projected amount, the unused portion comes back to you as a refund at year-end.

2. Stop-Loss Premium

This is the insurance layer built into your payment. It protects your business against a single large, unexpected claim. Once any individual employee's claims exceed the stop-loss limit shown on your quote, the carrier covers every dollar above that threshold. One major health event won't derail your budget.

Together these two components are what make the monthly payment "level" — fixed, predictable, and all-inclusive. No additional invoices, no surprise bills at the end of the year.

FREQUENTLY ASKED QUESTIONS

"What is the Claims Fund / Maximum Employer Claim Liability?"

It's not a bank account with a balance sitting in it. It's a projection of what your group's claims will total over the year. A portion of every monthly payment goes toward this fund.



"If someone has a big claim early in the year, where does the money come from?"

The carrier or third party administrator (TPA) covers it upfront from their own reserves. They're not waiting for your fund to build up. They recover it over the rest of the year from your ongoing monthly payments and from the stop-loss carrier.

"What happens if claims stay low?"

At year-end the TPA reconciles actual claims against your fund. If your group came in under the projected liability, the unused portion comes back to you as a refund.

"What if claims go over the projected amount?"

That's what the stop-loss is for. Once any single employee's claims hit the stop-loss limit on your quote, the carrier takes over every dollar above that threshold.

"Are big claims a loss for the carrier? How does that math work?"

No. It's the same reason your car insurance or homeowners policy works: pooling. Your stop-loss premium is combined with thousands of other small businesses like yours. Most groups have an average year. A small number have a bad one. The pool covers it — and the carrier prices accordingly across their entire book.

If your neighbor files a \$40,000 flood claim, your insurance company isn't going under. They've collected premiums from thousands of homeowners. Stop-loss works exactly the same way.

And if your group has a tough year, renewal pricing may reflect that — standard across all insurance products.

Questions? Let's talk.

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