Your Personal Health Plan™

A Consumer Driven Health Care Alternative

Frequently Asked Questions

What is the legal basis for this program?

This program is authorized under Section 105 of the Internal Revenue Code. The high deductible Core Plan is a partial self-funded ERISA program. The IRS has issued private letter rulings supporting the many 105 plans that currently exist, and on 6/28/03, issued a formal Letter Ruling validating the tax favored treatment of 105 plans.

What size groups can participate in this program?

Self Insured Plans LLC (SIP) has established liberal underwriting rules to allow any employer with at least 30 full time employees to participate. There is no maximum size limit and this program may be used as a partial carve-out or a full replacement for your current health plan.

Are there any required plan designs?

No. Like most SIP programs, plan designs will vary dependent upon the unique requirements of each individual employer and their employees. However, Section 105 does specifically state that the plan must be non-discriminatory and that funds may only be used for qualified medical expenses as outlined by the IRS, or any subset of qualified medical expenses as defined by the Plan.

How is the PHF™ funded?

The PHF™ is pre-funded by the employer on a monthly basis. Since the average amount paid from a typical PHF™ is only 50% of the allocated amount, SIP will require 1/12th of the 50%, billed monthly. These funds will be maintained in a separate trust account and will be used exclusively for PHF™ payment. The employer is responsible for additional funding should claims exceed 50%.

If the program is only partially funded monthly, what happens if a participant incurs large expenses early in the plan year?

It is unlikely that many employees will incur large expenses early in a plan year which will exceed the plans pre-funded schedule. However, in the event that claims exceed the pre-funded amount, SIP will call upon the employer to advance additional funds to cover the filed claims.

Are PHF™ funds subject to COBRA?

COBRA applies to any arrangement through which an employer provides health care coverage to employees or retirees. COBRA applies to the PHF™.

What happens if an employee terminates employment before the end of the plan year?

Since the employee PHF™ benefit accrues monthly, should a participant leave the program after having spent more than has actually accrued into their account, the plan has the right to demand repayment. However, the circumstances surrounding the termination may make repayment impractical or impossible. Although repayment is not precluded by Section 105, SIP suggests that this pre-payment risk may simply be a “cost of the plan”, and is more than offset by the other plan benefits.

Should an employee terminate prior to the end of the plan year, and not take COBRA, only eligible expenses incurred while covered under the plan will be eligible for reimbursement.

How are claims processed?

Each employee receives a personal identification card that reflects the coverage under the Core Plan, as well as the coverage under their PHF™ account. Providers or the employee will send claims to SIP, and if eligible, the claims will first be applied against the high deductible Core Plan. Automatically, the claims will also be processed under the PHF™ and checks will be issued to the provider on assignment, or the employee, if the bill has been paid. SIP will provide access to all claims and account data, via employer reports as well as access through their website, www.selfinsuredplans.com, plus telephonic access, subject to HIPAA.

What happens at the end of the year and all PHF™ funds have not been spent?

Any unspent funds will automatically be rolled over into the employee’s PHF™ account for the following year, to be added to any amount that the employer has deposited for the following year. The amount of the rollover may vary based upon individual plan design. It is not uncommon for an employer to allow 50% rollover, and retain the remaining 50% as savings.

Is rollover of excess PHF™ funds the only investment option?

The IRS Letter Ruling clearly prohibits any “cash out” options or rollover to a 401(k) plan. However, the IRS has invited public comments and may ultimately modify their rollover regulations.

High Deductible, Partial Self-Funded Health Plans

Developed and Administered by:

Self Insured Plans LLC

Phone 239-403-7884
Toll Free 800-720-1774
www.selfinsuredplans.com