



Is Your Small Business a Candidate for Health Insurance Self-Funding?

Could your small business enjoy the benefits of health insurance self-funding? Don't be too quick to say no. Many people overestimate the risk, complexity, and size requirements involved. Use this guide to see if you're a good candidate to enjoy the flexibility and cost savings of self-funding.

Self-Funding in a Nutshell: The Payer Has the Power

The core difference between a self-funded health plan and a traditional fully funded plan comes down to one thing: **Who is the payer?**

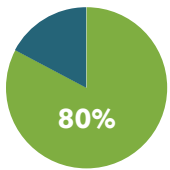
The payer is responsible for paying claims. While this may seem like a burden, it's actually a source of leverage. The payer exercises control over the plan, including the benefits it provides and the out-of-pocket costs that plan members pay to receive care. The payer is also in a position to save money by keeping claims costs down.

- + In a traditional fully funded health insurance plan, the insurance carrier is the payer. The employer pays a premium, and in exchange, the carrier covers claims.
- + In a self-funded health plan, the employer is the payer. Instead of paying a premium, the employer uses its funds to pay claims.

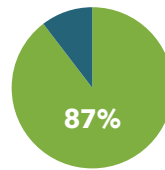
One way or another, the employer is going to have to pay money for coverage. By adopting self-funding, the employer gains control over that coverage.

Is Self-Funding Within Reach?

Self-funding is often associated with very large corporations. It's true - large companies often use self-funding. According to the [2025 KFF Employer Health Benefits Annual Survey](#):

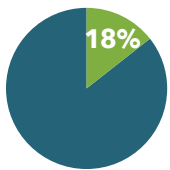


At larger firms (defined as having 200 or more employees), **80%** of covered workers at larger firms are enrolled in self-funded plans.

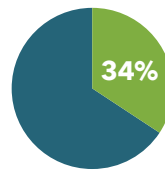


At firms with 5,000 or more employees, **87%** of covered workers are enrolled in self-funded plans.

However, KFF data also shows that small companies can use self-funded plans.



Among firms with just 10 to 49 workers, **18%** of covered workers are enrolled in self-funded plans.



Among firms with 50 to 199 workers, **34%** of covered workers are enrolled in self-funded plans.

The good news: Smaller employers CAN leverage self-funding.

Is Your Company A Strong Candidate for Self-Funding?

Does your company have the following?



Size

It's possible to be too small for self-funding, but the threshold is lower than you might assume. Companies with as few as 20 employees may be suitable candidates for self-funding.



Financial Strength

Self-funded employers are responsible for paying claims, so they need sufficient cash flow and reserves to cover typical claims.



Motivation

Self-funding is most successful when employers are willing to take a hands-on approach to control claims and support worker wellbeing.

Why Aren't More Small Businesses Using A Self-Funded Solution?

If self-funded health insurance is such a great option for many small businesses, you may be wondering why more companies aren't leveraging it. The answer is fear of change. Many employers are afraid to step outside their comfort zone. Brokers can fall into this trap, too.

However, you will never achieve a different result by doing the same thing. The health insurance industry is broken, and if employers don't want to keep paying high premiums, they must find a better way. New programs are making it easier and easier for smaller businesses to embrace self-funding, and it's catching on.

The sooner we can dispel common misconceptions about self-funding, the easier it will be for even more companies to take advantage of this model.



Myth #1: Self-funding is too risky.

Truth: Self-funded employers typically secure stop-loss coverage for catastrophic risk protection. If claims are higher than expected, your stop-loss coverage will shield you from higher costs.



Myth #2: Self-funding requires too many resources.

Truth: When employers self-fund, they typically are partnered with experts who help manage claims, pharmacy benefits and provider networks.



Myth #3: Self-funding is too complicated.

Truth: There is a learning curve, but that's true of any new system. Once you have your program set up, you'll benefit from increased control and the potential for major cost savings.

A Smart Alternative to the Broken Carrier Model

In a traditional, fully funded health insurance model, carriers...	In the self-funded model, employers can manage these roles in other ways - often for a lot less money...
Pay routine claims.	Employers can reallocate the funds that would have been spent on premiums to pay claims.
Process claims.	Third-party administrators can process claims.
Provide catastrophic risk protection.	Stop loss coverage can provide catastrophic risk protection.
Provide pharmacy access and benefits.	Pharmacy benefit managers can provide access and benefits.
Provide network access.	Employers can contract directly with local providers.

Is Self-Funding Worthwhile?

When you self-fund your employee benefits, you take charge of your plan. It's a whole new ball game, and you will need to put in some effort to make it work. In exchange, you will finally be freed from runaway annual rate hikes. Plus, you'll gain control over your plan design and plan decisions.

With a self-funded plan, your costs can go down while your employee benefits level up. If your plan spends less than expected, you can repatriate funds back into your program to offer even richer benefits the following year.

You're truly in the driver's seat, but you're not alone.

Health2Business (H2B) is your experienced copilot. We help you set up and coordinate every aspect of your plan, using our proven vendor partners and direct partnership programs.

If you're at all intrigued, take the next step and find out what other employers have to say about their H2B experience. Don't let misconceptions or the fear of change stand in your way.

H2B helps smaller businesses like yours free themselves from carriers. We administrate direct contracts that allow self-funded employers to work directly with community providers for even greater control over costs and benefits. Contact us to learn more.

Ready to transform your healthcare program?

Call 888.422.4220 or email info@myh2b.com to start a conversation.