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Is Self-Funding Even the Right Question?

Most self-funding conversations start with the employer or broker already convinced of the answer before the diagnosis has happened. The quoting process can sometimes reinforce that shortcut: it filters primarily on employee count and price, then moves straight to a rate.

What gets lost is the actual problem the employer is trying to solve, whether that is an unaffordable renewal, a lack of claims transparency, rising pharmacy spend, cash-flow volatility, stop loss uncertainty, or limited visibility into plan performance. Each of those challenges may warrant a different approach, and self-funding is not automatically the most appropriate option in every circumstance.

Problems Employers Are Trying to Solve

- **Unaffordable renewal**
- **Cash-flow volatility**
- **Lack of claims transparency**
- **Stop loss uncertainty**
- **Rising pharmacy spend**
- **Limited visibility into plan performance**

THE FIRST MISREAD

Size is a data point, not the full picture.

A quoting process built around headcount treats two employers with identical employee counts as comparable risks. In practice, financial tolerance for risk, cash-flow capacity, workforce demographics, geographic footprint, existing claims experience and long-term benefits objectives often carry more weight than size alone. These nuances can be easy to miss when a single quote is the primary deliverable, which is why many brokers and employers' may find value from a broader review.

NOT A ONE-TIME CHOICE

Self-funding is rarely a single decision.

Some employers start with level funded arrangements to get their first real look at claims transparency before taking on full risk. Others move directly into traditional self-funding or explore captive participation because they want more control over risk-sharing from the outset. As healthcare costs continue to climb, more employers are evaluating level funding, captives, and traditional self-funding side by side rather than treating them as sequential steps.

Ryan Specialty Benefits' (RSB) approach is designed to support ongoing evaluation of those considerations rather than a one-time review. The same team that evaluates self-funding considerations may also contribute actuarial, clinical and pharmacy perspectives, so the diagnosis draws on one coordinated view of the employer's risk rather than being handed off between separate specialists. That integrated view can provide additional perspective when evaluating traditional stop loss, level funding, or a captive structure that aligns with the employer's objectives, informed by RSB's visibility across the broader carrier and capacity landscape rather than a single quoted outcome.

A question worth asking before any renewal conversation begins: if cost were not the deciding factor, would this employer still want to self-fund? If the honest answer is no, the issue underneath is rarely the funding mechanism itself.

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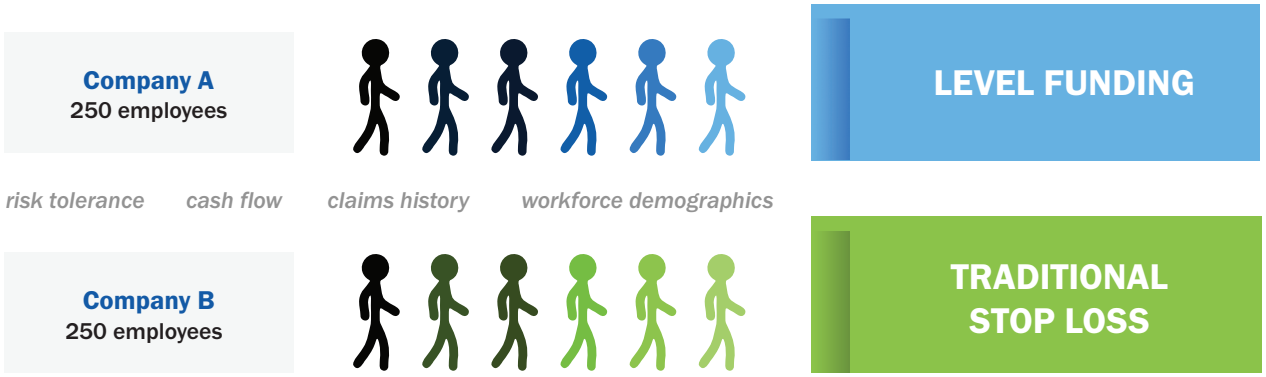
THE SAME NUMBER, TWO PATHS

Two employers with the same headcount may have opposite recommendations.

Consider two manufacturers, each with 250 employees. One has a young, geographically concentrated workforce, three years of clean claims experience and an ownership group comfortable absorbing a bad year in exchange for long-term savings. The other has an aging, multi-state workforce, a recent high-cost claimant and a finance team that cannot tolerate an unplanned mid-year cash call. On paper, a quoting process built around size alone might route both toward the same self-funded proposal. In practice, the first employer is a strong candidate for traditional self-funding, possibly layered with a captive to smooth volatility over time. The second may wish to evaluate level funding, or by self-funding paired with tighter aggregate corridors and cash-flow arrangements designed to help address reimbursement timing considerations. **The size didn't change. The risk profile did.**



Brokers evaluating employers this way should treat financial tolerance, cash-flow capacity, workforce demographics, geography, claims history and long-term objectives as inputs to be weighed together. An employer with strong reserves but a geographically dispersed, high-turnover workforce faces different network and plan design pressure than one with stable, single-site staff. An employer focused on short-term cost objectives may have a different risk appetite than one evaluating a longer-term captive strategy. Asking these questions early, before a quote is even in hand, is what separates a recommendation grounded in the employer's actual circumstances from one grounded in what happened to be quoted. It's also where a broker's diagnosis, not the carrier's rate, becomes the real value delivered.

If you are evaluating a group's funding options ahead of the January 1 renewal cycle, RSB's broking, underwriting, actuarial, clinical, and pharmacy teams can assist in evaluating funding options, including traditional stop loss, level funding, and captive structures, based on the employer's circumstances and objectives.