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Self-funding: a better way to fund healthcare

A smarter approach to cost and control.

The challenge with traditional healthcare funding

Healthcare costs aren't just rising — employers have limited visibility into where their healthcare dollars are going and little control over how they're spent. Annual premium increases and rigid plan designs make it difficult to respond — and even harder to manage costs effectively over time.

One approach more employers are exploring is self-funding.

Over the past decade, self-funded plans have grown by 16 million workers, while fully insured plans have declined by 14 million - reflecting a significant shift in how employers approach healthcare funding *(Peterson-KFF Health System Tracker, December 2025).*

Two ways to fund a health plan

Fully insured

Employer pays a fixed premium → carrier pays claims

- Predictable monthly costs
- Carrier assumes risk
- Limited visibility and control

Self-Funded

Employer pays claims → retains control of costs

- Costs are based on actual claims
- Employer assumes risk (with stop loss protection)
- Full visibility and plan flexibility

self-fund·ing *(noun)*

A way of financing healthcare where the employer pays for employee medical claims — instead of paying fixed premiums to an insurance carrier.

Also known as: self-insurance

Why it matters

Self-funding turns healthcare from a fixed expense into something employers can actively manage — providing greater control over costs, clearer insight into spend, and more flexibility to design benefits that work for their business and employees.

How self-funding works

Self-funding doesn't mean doing everything yourself. You'll partner with experienced vendors who handle the day-to-day operations – making the model simple to manage and easy to scale.

Most employers already rely on partners to run their health plans – self-funding simply gives you more control over how it works and how costs are managed.

Claims administration

A third-party administrator (TPA) processes claims, manages payments, and handles day-to-day plan operations on your behalf – so you don't have to.

Stop-loss protection

Insurance that protects your business from large or unexpected claims, limiting financial risk and supporting budget stability.

Provider access & support

Employees have access to providers and receive help navigating care, supporting a smooth experience throughout their healthcare journey.

Together, these components help employers stay in control of their healthcare spend – without taking on the administrative burden.

Where healthcare costs add up — and how to change the equation

Fully insured health plans don't just cost more — they make it hard to see where your money goes. Embedded fees, unclear pricing, and limited access to data leave employers with little visibility into what they're paying for or how to influence it.

What's really driving healthcare costs

You're often paying more than you realize

Fully insured plans bundle administrative costs, taxes and regulatory fees, and built-in margins into a single premium — making it difficult to see where your healthcare dollars go.

With self-funding:

Employers gain visibility into actual claims and spending — making it easier to identify trends and manage costs over time.

Pricing isn't always transparent — or consistent

Healthcare pricing can vary widely for the same services, and traditional funding models don't always give employers insight into how those costs are determined.

With self-funding:

Employers gain clearer insight into pricing and more opportunity to align payments with actual costs.

You're paying for estimates — not actual usage

Fully insured premiums are built on projected claims, administrative costs, and built-in risk margins for the insurer — so you may pay more than actual costs in a given year.

With self-funding:

Costs reflect actual claims experience — giving employers more control and the ability to capture savings when claims are lower than expected.

Why it matters

Self-funding doesn't just reduce costs — it changes how those costs are managed, giving employers the insight and flexibility to make more informed decisions about how their healthcare dollars are spent.

Turn insight into action

Self-funding gives employers more than a different way to pay for care — it empowers them to actively manage their health plan and make adjustments throughout the year instead of reacting to rising premiums at renewal.

What self-funding makes possible

- **More control over healthcare spend** | Access to real data gives employers a clearer understanding of what's driving costs — and the ability to take action instead of reacting to annual increases.
- **Smarter, more flexible plan design** | Benefits can be tailored to the unique needs of your workforce — from adjusting coverage and cost-sharing to introducing targeted programs — with the flexibility to adapt as those needs evolve.
- **Better support for employees** | With greater visibility and control, employers can invest in programs and services that improve access to care, reduce financial stress, and enhance the overall healthcare experience.
- **The ability to reinvest savings** | When costs are better managed, savings can be reinvested into richer benefits, lower out-of-pocket costs, or broader business priorities.

What this means

Self-funding transforms healthcare from a fixed expense into a strategic advantage — helping employers manage costs more effectively while delivering better benefits and a better employee experience.

A smarter way to pay for care

One of the most effective ways employers can control costs in a self-funded plan is by changing how providers are paid — and that's where reference-based pricing comes in.

What is reference-based pricing?

Reference-based pricing (RBP) uses a trusted benchmark — often Medicare — to determine what a health plan will pay for medical services. This means the plan sets a defined reimbursement level for services, rather than relying on billed charges and negotiated discounts. Unlike traditional models that start with high prices and apply discounts, RBP starts with a transparent benchmark — then builds to a fair, reasonable payment.

Why it works

- **More consistent, predictable pricing** | Payments are based on a defined standard — not wide variations between providers.
- **Meaningful cost savings** | By avoiding inflated starting prices, employers can significantly reduce overall healthcare spend.
- **Greater control over costs** | Payments are tied more closely to actual cost — helping create a more sustainable system for both employers and providers.

What this makes possible

RBP helps employers take control of one of the biggest drivers of healthcare costs — while still supporting access to quality care.

Make self-funding work — with the right partner

When done right, self-funding gives employers more control, visibility, and flexibility in how care is delivered — helping reduce costs, improve the employee experience, and create long-term stability for the business.

Today, self-funding is the dominant model for employer-sponsored coverage, with adoption spanning all employer sizes and growing among mid-sized and smaller organizations.

Nearly 65% of U.S. workers

are covered by a self-funded health plan — up from 44% in 1999.

Source: Kaiser Family Foundation Employer Health Benefits Survey

Make self-funding work for your organization

The right strategy — and the right partner — make all the difference.

At Imagine360, we work with employers and brokers to design and manage self-funded health plans that:

- Control costs without compromising care
- Simplify the experience for employees and HR teams
- Provide the insight needed to make smarter decisions over time
- Protect against high-cost claims with stop loss coverage

This approach helps employers reduce healthcare costs by 15-30% while supporting them every step of the way — from implementation through ongoing plan management.

A better health plan starts here.

Self-funding gives you the control and visibility traditional plans can't — and we make it easier to lower costs while creating a better experience for your team.

Let's build something better together.

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