Where Your Fully Insured Premium Dollar Goes

A structural breakdown for fully insured companies

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You approved the renewal. Maybe it came in at 10%. Maybe it was 20%. Maybe it was closer to 40%. Either way, your broker told you it was the market. You had no line-item breakdown, no data to push back with, no explanation of what changed and why. You approved it because you were working without the full picture.

What most fully insured employers haven't had access to is a line-item breakdown of what that premium is made of.

On a $3 million fully insured premium, $420,000 to $600,000 a year goes to carrier administration, profit, taxes and risk loads, not to a single employee claim. Not all of it is recoverable, but you can't even weigh that decision without seeing the line items. Most fully insured employers never have. Over five years, it adds up to $2.1 million or more (NAIC 2024, KFF 2025, HUB National Actuarial Team). For organizations evaluating funding alternatives, this is the part of your premium worth understanding first.

And unlike claims costs, you cannot manage these structural costs down. But they're the smaller share of your premium. The larger share — your claims — is the part you can influence. It's also the part a fully insured arrangement keeps you from seeing. That's the real trade you're evaluating: not "fully insured versus self-funded," but "no view of your claims data versus a view of it."

WHAT YOUR PREMIUM IS MADE OF

Here is what makes the fully insured model different from the alternatives — and why the renewal conversation always ends the same way.

Where your premium goes	Fully insured	Level-funded	Self-funded (ASO)
Medical claims	You pay this	You pay this	You pay this
Carrier administration	You pay this	Reduced	Reduced
Carrier profit margin	You pay this	Reduced	Reduced
State premium taxes†	You pay this	Eliminated	Eliminated
Risk and contingency loads	You pay this	Reduced	Reduced
Pharmacy rebates kept by carrier	You pay this	Reduced	Eliminated
Stop-loss protection†	Does not apply	You pay this	You pay this
Claims data and transparency	None	Summary-level	Full
Worst-case annual cost	Known (fixed premium)	Known (capped monthly max)	Known (stop-loss attachment)

†State premium tax treatment of level-funded plans varies by state; confirm applicability for your state. Stop-loss is purchased separately under level-funded and self-funded arrangements to cap catastrophic claim exposure — its cost is typically more than offset by eliminating carrier profit margin, premium taxes and risk loads.

The table tells one story clearly: in a fully insured arrangement, every structural cost line is present. In the alternatives, several are reduced or eliminated. Claims data access — what gives you the ability to manage costs rather than simply absorb them — shifts from absent to present.

WHY THE COST BASIS COMPOUNDS OVER TIME

The fully insured cost basis does not reset. If your group had a difficult claims year at any point in the last decade, that cost is embedded in your base rate today. Every renewal since has been calculated on top of it. Without visibility into your own claims data, the renewal conversation stays one-sided. The Funding Strategy Assessment is designed to change that.

Most CFOs walking into this conversation believe the choice is binary: stay fully insured or take on the risk and administrative complexity of going self-funded. It is not. Between those two points sits a spectrum of arrangements, and the right place on that spectrum depends entirely on what your organization needs and its appetite for change.

For some, the priority is monthly cost predictability with no budget surprises. For others, it is full transparency into the data, knowing why the number moved and not just that it did. For others still, it is access to pharmacy rebates, the ability to design a plan around their workforce or simply reducing the administrative weight the current arrangement carries. These are not features of a single solution. They are outcomes that different points on the spectrum deliver in different combinations.

Working through where your organization sits and which of those outcomes matter most is the first conversation. The Funding Strategy Assessment is where that conversation starts.

WHAT ABOUT A BAD CLAIMS YEAR?

If you're fully insured today, structural cost probably isn't what keeps you there. What keeps you there is the picture of an uncapped bad year: claims you can't predict and can't stop. That risk is real, and it's exactly why moving off fully insured isn't all-or-nothing. Specific stop-loss caps what any one claimant can cost you. Aggregate stop-loss caps what your whole group can cost you. In a level-funded arrangement, your maximum outlay is fixed before the plan year begins. You don't trade certainty for transparency; you can hold both, at the point on the spectrum that matches your appetite for risk, not someone else's. You see your worst-case number before you sign it.

See how the five funding structures compare. [Link: The funding spectrum]

SEE WHAT THIS MEANS FOR YOUR PLAN

HUB's Funding Strategy Assessment

The Funding Strategy Assessment models your actual premium against both a fully insured and an alternatively funded trajectory, year by year, so you can see your fully insured cost path, your alternative funding path and where the gap between them opens up, against your own numbers, before you make any decision.

That includes a direct look at transition considerations specific to your group, so the question in front of you is not just what the savings could be, but what the path to get there actually looks like for your situation.

Request your funding strategy assessment

Contact a HUB Advisor at hubinternational.com