



# 4 ways level funded health plans help manage costs for plan sponsors

Level funded plans are designed to offer plan sponsors predictability with the potential for upfront savings and a surplus refund.<sup>1</sup>

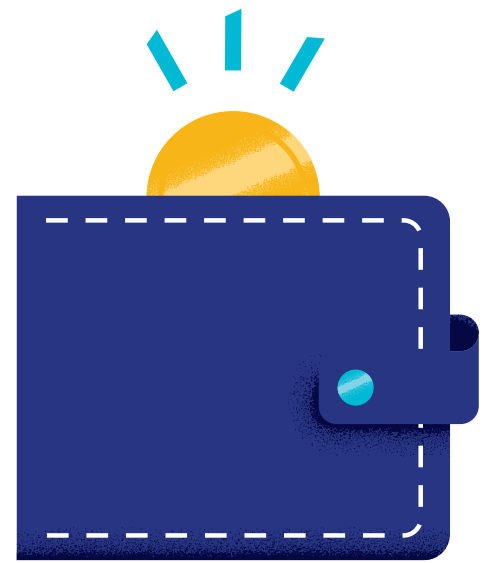
**Level funded plans** continue to gain traction in the health care marketplace. In fact, 37% of small firms in 2025 reported having a level funded plan, compared to just 7% in 2019, according to the Kaiser Family Foundation Employer Health Benefits Survey.<sup>2</sup> What's driving the increased adoption of these plans? As health care costs continue to rise and broader economic uncertainty persists, plan sponsors are seeking more cost-effective plan designs. Enter level funding.

Level funded plans may reduce costs by passing savings to the plan sponsor – unlike fully insured plans, where any savings remain with the insurer. With level funding, plan sponsors may earn a potential surplus refund for their health plan that can be applied to the following year's plan.<sup>1</sup> As a result, they may pay an average of 19% less with UnitedHealthcare Level Funded plans compared to **fully insured plans**.<sup>3</sup>

**“Our level funded plans give businesses more affordable options without sacrificing the ability to tailor benefits to meet employees’ needs.”**

**John Terry**

Vice President of Small Business Sales Account Management  
UnitedHealthcare Employer & Individual Local Markets



Plan sponsors may pay

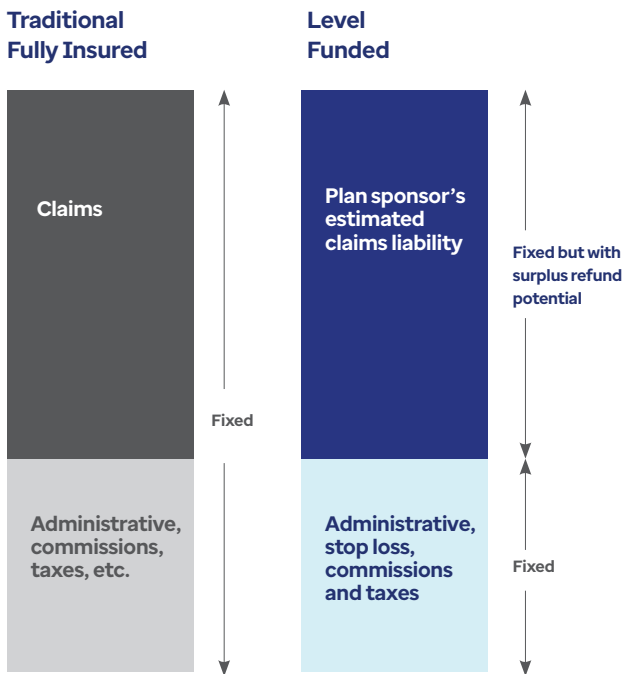
**19%**  
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on average under a UnitedHealthcare Level Funded plan compared to a fully insured plan<sup>3</sup>

# Understanding level funded plans

While there's been increased adoption of level funded plans, experts find that there's confusion about how they work.<sup>2</sup> This is understandable, given the complexity around how they're funded and their regulatory requirements. However, at their core, level funded plans are generally **self-funded plans** with 3 key differences (though certain plan components may vary based on the carrier):

- Stop loss insurance to help mitigate claims risk
- An opportunity for a surplus refund<sup>1</sup>
- A third-party claims administration agreement



Level funded plans can also include monthly reports with data that plan sponsors can use to track health care usage, as well as wellness programs that may increase plan participant engagement and reduce costs.

**“Level funded allows us to be more agile and able to react quicker to changes and the needs of the market. As a type of self-funded health plan, level funded plans are built to provide the pricing stability plan sponsors want and need, and provide them an opportunity for a surplus refund.”**

**John Koewler**

Regional Vice President of Small Business  
UnitedHealthcare Employer & Individual West Region

# To take a closer look at how level funded health plans help manage costs for plan sponsors, here's how they compare to self-funded and fully insured plans

## 1. Level funded plans offer predictability and mitigate the risks of self-funded plans

Similar to a self-funded plan, level funding allows plan sponsors to assume the financial risk of providing health services to their workforce by directly paying for plan participant medical and pharmacy claims.

How do these plans mitigate risk? Plan sponsors with level funded plans pay a fixed monthly fee, which covers the maximum claims liability, administrative fees and stop loss insurance to protect against unexpectedly high claims costs and utilization.

In a self-funded model, the plan sponsor pays more if claims costs are higher than anticipated and gets money back if claims costs are lower at the end of the plan year. Level funded plans, however, cover the cost of individual or aggregate claims that exceed the plan's maximum, while the plan may receive a surplus refund if lower-than-expected claims produce a surplus.

**“Level funded plans mitigate risk associated with the self-funded model. There is no risk of additional liability outside of what is being funded.”**

**John Koewler**

Regional Vice President of Small Business  
UnitedHealthcare Employer & Individual West Region

## 2. The plan may receive a surplus refund with level funded plans

With a fully insured plan, the insurer assumes the financial risk for providing health services to the plan sponsor group. For a fixed cost paid by the plan sponsor, the insurer pays covered health care claims costs and covers administrative costs, sales commissions and taxes. At the end of the plan year, if the actual medical and pharmacy claims costs are higher than expected, the insurer pays them. The insurer keeps the difference if they're lower.

In contrast, a plan sponsor with a level funded plan is insured against higher-than-expected claims costs, with the plan potentially receiving a surplus refund resulting from lower-than-expected claims costs.

In other words, plan sponsors have an extra incentive to keep their workforces healthy to increase their potential surplus refunds. UnitedHealthcare Level Funded plans, which include wellness programs and virtual care, can help achieve this goal.



### 3. Level funded plans offer greater insights to help manage costs

Plan sponsors with level funding can receive detailed monthly data reports to help them better understand participant utilization of health services and manage their benefits, which isn't the case with most fully insured plans.

“With our monthly reporting package, plan sponsors are able to see how their group is running and can see trends and utilization within their specific population. The report contains a lot of impactful and useful information,” Koewler says. “They don't have to wait until the renewal period at the end of the year before they can understand how participant behavior may be driving up costs.”

These insights may enable plan sponsors to alert individual participants that:

- Low-cost generic medications can often be substituted for brand-name medications
- Going to urgent care may be more appropriate and less costly than going to the emergency room
- Seeing their primary care provider virtually rather than in person can save them time and money

“Detailed data reports are a huge advantage, especially for small businesses, by giving them insights into their virtual care usage, ER use, pharmacy utilization and network strategy,” Koewler says. “Tracking these things over time and making informed decisions as needed can help drive a better member experience.”

And now the **Surest**<sup>®</sup> health plan is available for level funded groups – bringing cost transparency to a new subset of consumers. With Surest, plan participants are empowered to make decisions that may affect plan sponsor costs, since the plan features an easy-to-use app, with clear upfront copays – not estimates.

### 4. Member experience is key within the level funded model

UnitedHealthcare Level Funded plans include wellness programs and 24/7 virtual care options, which may help plan participants and their families play a more active role in their health care and save on out-of-pocket costs.

All Level Funded plan participants and their covered family members may be invited to join **UnitedHealthcare Rewards**, where they can earn up to \$1,000 for completing healthy activities. To offer participants more convenience, 24/7 virtual care is available for a variety of conditions, including general medical care and behavioral health counseling.

“The plan participant experience including virtual, health engagement and plan design options is what distinguishes our level funded plan,” Koewler says.



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<sup>1</sup> Please consult a tax and/or legal advisor to determine if, by receiving this surplus refund, there are any restrictions or obligations. Surplus refund available only where allowed by law.

<sup>2</sup> Kaiser Family Foundation Employer Health Benefits Surveys, 2019 and 2025. For the purposes of the surveys, a “small business” was defined as groups with 3-199 employees. 2019 survey available: <https://www.kff.org/report-section/eabs-2019-section-10-plan-funding/>. 2025 survey available: <https://www.kff.org/health-costs/2025-employer-health-benefits-survey/>. Accessed March 24, 2026.

<sup>3</sup> Average savings for UnitedHealthcare Fully Insured groups nationwide migrated to UnitedHealthcare Level Funded, Jan. 1, 2025-Dec. 31, 2025. Savings are not guaranteed.

UnitedHealthcare Rewards is a voluntary program. The information provided under this program is for general informational purposes only and is not intended to be nor should be construed as medical advice. You should consult an appropriate health care professional before beginning any exercise program and/or to determine what may be right for you. Receiving an activity tracker, certain credits and/or rewards and/or purchasing an activity tracker with earnings may have tax implications. You should consult with an appropriate tax professional to determine if you have any tax obligations under this program, as applicable. If any fraudulent activity is detected (e.g., misrepresented physical activity), you may be suspended and/or terminated from the program. If you are unable to meet a standard related to health factor to receive a reward under this program, you might qualify for an opportunity to receive the reward by different means. You may call us toll-free at 1-866-230-2505 or at the number on your health plan ID card, and we will work with you (and, if necessary, your doctor) to find another way for you to earn the same reward. Rewards may be limited due to incentive limits under applicable law. Components subject to change. This program is not available for fully insured members in Hawaii, Vermont and Puerto Rico nor available to level funded members in District of Columbia, Hawaii, Vermont and Puerto Rico.

Employee benefits including group health plan benefits may be taxable benefits unless they fit into specific exception categories. Please consult with your tax specialist to determine taxability of these offerings.

Person must reside within the United States. An employee residing in Hawaii is not an Eligible Person.

Administrative services provided by United HealthCare Services, Inc. or their affiliates, and UnitedHealthcare Service LLC in NY. Stop-loss insurance is underwritten by UnitedHealthcare Insurance Company or their affiliates, including UnitedHealthcare Life Insurance Company in NJ, and UnitedHealthcare Insurance Company of New York in NY.