

HR Team Resource – Benefits Risk Assessment

Self-Funded Health Plan

Risk Assessment

A practical checklist for HR managers and benefits teams evaluating organizational readiness for self-funding, the exposure each risk area represents, and the gaps to close before signing.

Use as a working tool. Walk each section, assign a status to every item, and document any gaps before the next benefits committee meeting.

Plan Name:

Date:

Completed by:

— — —

How to Use This Checklist

This checklist helps you and your benefits team evaluate organizational readiness for self-funding and identify where the real exposure sits before making the move. Work through each section, assign a status to every item, and document any actions required in the Priority Action Log.

Items marked Gap Identified should be addressed before moving forward with a self-funded arrangement. The completed document should be retained as part of the organization’s benefits decision-making record, particularly to support a procedural prudence narrative if the move is later reviewed.

STATUS LEGEND

IN PLACE Confirmed and documented	IN PROGRESS Underway, needs follow-up	GAP IDENTIFIED Needs immediate attention
---	---	--

HOW THE SECTIONS FIT TOGETHER

The first four sections cover the four substantive risk areas: claims volatility and financial exposure, stop-loss coverage evaluation, TPA selection and oversight, and ERISA compliance readiness. The fifth section converts any gaps surfaced into a Priority Action Log with owners and due dates. The sixth section captures sign-off and recommended next review. Run this assessment before sending a self-funding RFP, again after vendor selection but before contracts are signed, and at least annually thereafter as part of ongoing fiduciary oversight.

BEFORE YOU BEGIN

The assessment is most useful when the people closest to each risk area are in the room or have provided input. That typically means HR / benefits leadership for plan operations and TPA performance, finance leadership for claims volatility and reserve sizing, and ERISA counsel for compliance items. A first pass can be done by HR alone to surface obvious gaps; the second pass benefits from cross-functional input.

Plan to spend roughly 90 minutes on a first complete pass. Items where the answer is genuinely unknown should be marked Gap Identified rather than guessed at, since a wrong assumption documented as In Place is worse than an honest gap.

Claims Volatility & Financial Exposure

01

Self-funded plans expose the employer directly to claims costs that vary year to year. This section evaluates whether your organization has a clear picture of its financial exposure and the capacity to absorb volatility.

ITEM	STATUS	NOTES / ACTION REQUIRED
At least two years of fully credible claims data are available for analysis.	☐ In Place ☐ In Progress ☐ Gap Identified	
Claims history has been reviewed for high-cost claimants and catastrophic events that materially affected prior years.	☐ In Place ☐ In Progress ☐ Gap Identified	
Workforce demographics (age distribution, family size, known chronic conditions) have been assessed for risk profile.	☐ In Place ☐ In Progress ☐ Gap Identified	
A worst-case claims scenario has been modeled and the organization has confirmed it can absorb that exposure.	☐ In Place ☐ In Progress ☐ Gap Identified	
A claims reserve strategy has been developed or is being evaluated with a qualified actuary or benefits consultant.	☐ In Place ☐ In Progress ☐ Gap Identified	
The CFO or finance leadership has been briefed on cash flow variability under a self-funded structure, including timing differences from premium-based budgeting.	☐ In Place ☐ In Progress ☐ Gap Identified	
The organization understands the difference between specific stop-loss (per-claimant) and aggregate stop-loss (total plan) coverage.	☐ In Place ☐ In Progress ☐ Gap Identified	
Stop-loss attachment points have been evaluated at multiple thresholds to find the right balance of coverage and cost.	☐ In Place ☐ In Progress ☐ Gap Identified	
The organization understands what a layering provision is and how it could affect high-cost claimants at renewal.	☐ In Place ☐ In Progress ☐ Gap Identified	
The financial impact of a bad claims year in year one, before stop-loss thresholds are met, has been modeled separately.	☐ In Place ☐ In Progress ☐ Gap Identified	

Stop-Loss Coverage Evaluation

02

Stop-loss insurance is the primary tool for managing claims volatility in a self-funded plan. Coverage terms, exclusions, and attachment points vary significantly across carriers. The first five items below address specific stop-loss (per-claimant exposure); the last five address aggregate stop-loss (total plan exposure).

ITEM	STATUS	NOTES / ACTION REQUIRED
The specific stop-loss attachment point has been set at a level the organization can comfortably absorb on a per-claimant basis.	☐ In Place ☐ In Progress ☐ Gap Identified	
The specific stop-loss policy has been reviewed for exclusions, pre-existing condition limitations, and any conditions or claimants subject to laserling.	☐ In Place ☐ In Progress ☐ Gap Identified	
The carrier's process for handling lasered claimants at renewal is understood and documented.	☐ In Place ☐ In Progress ☐ Gap Identified	
Run-in and run-out provisions on the specific stop-loss policy have been reviewed to confirm which claims period is actually covered and whether gap exposure exists.	☐ In Place ☐ In Progress ☐ Gap Identified	
The specific stop-loss carrier's financial strength rating has been confirmed (typically A.M. Best A- or better).	☐ In Place ☐ In Progress ☐ Gap Identified	
The aggregate stop-loss attachment point has been set at an appropriate percentage of expected claims (typically 120 to 125%).	☐ In Place ☐ In Progress ☐ Gap Identified	
The corridor between specific and aggregate stop-loss is understood and has been modeled for plausible utilization scenarios.	☐ In Place ☐ In Progress ☐ Gap Identified	
The aggregate policy's definition of covered claims has been reviewed for consistency with the specific policy and the plan document.	☐ In Place ☐ In Progress ☐ Gap Identified	
Monthly aggregate accommodation (advance funding for aggregate claims) has been considered and a position taken on whether to elect it.	☐ In Place ☐ In Progress ☐ Gap Identified	
The aggregate stop-loss carrier is the same as, or contractually compatible with, the specific stop-loss carrier.	☐ In Place ☐ In Progress ☐ Gap Identified	

TPA Selection & Oversight Criteria

03

The third-party administrator handles claims processing, network access, and day-to-day administration. The duty to prudently select and monitor service providers is a continuing fiduciary obligation, not a one-time vendor decision. The first seven items address selection; the last four address ongoing oversight.

ITEM	STATUS	NOTES / ACTION REQUIRED
The TPA has demonstrated experience administering plans of similar size and industry.	☐ In Place ☐ In Progress ☐ Gap Identified	
The TPA's provider network access has been evaluated for adequacy in the organization's geography and across the workforce footprint.	☐ In Place ☐ In Progress ☐ Gap Identified	
The TPA's claims adjudication accuracy rate and turnaround time benchmarks have been reviewed and compared to industry norms.	☐ In Place ☐ In Progress ☐ Gap Identified	
References from current employer clients of similar size have been obtained directly and checked.	☐ In Place ☐ In Progress ☐ Gap Identified	
The TPA's fee structure is transparent, fully disclosed, and has been benchmarked for reasonableness against comparable arrangements.	☐ In Place ☐ In Progress ☐ Gap Identified	
The TPA's process for handling out-of-network claims and ensuring network compliance has been reviewed.	☐ In Place ☐ In Progress ☐ Gap Identified	
The TPA can provide data and reporting that gives the employer ongoing visibility into claims trends, utilization, and high-cost claimants.	☐ In Place ☐ In Progress ☐ Gap Identified	
A TPA performance review schedule has been established (at minimum annually) and added to the benefits committee calendar, reflecting the continuing fiduciary duty to prudently select and monitor service providers.	☐ In Place ☐ In Progress ☐ Gap Identified	
The service agreement defines key performance indicators, what constitutes adequate performance, and what triggers a formal review or corrective action.	☐ In Place ☐ In Progress ☐ Gap Identified	
A process is in place for employees to escalate claims disputes or service issues, with the path back to the plan administrator made clear.	☐ In Place ☐ In Progress ☐ Gap Identified	
The TPA's process for identifying and addressing improper claims payments has been reviewed, and the contractual right to audit claims processing has been confirmed.	☐ In Place ☐ In Progress ☐ Gap Identified	

ERISA Compliance Readiness

04

Self-funded health plans are governed by ERISA, which generally preempts state insurance law under ERISA Section 514. Plan document drafting, SPD preparation, federal reporting, and HIPAA obligations sit more directly with you under a self-funded arrangement, where a fully insured carrier typically supplied much of that content. The items below are grouped in three blocks: plan documentation and fiduciary designation; reporting, filings, and nondiscrimination; and HIPAA, MHPAEA, and state-law interaction.

ITEM	STATUS	NOTES / ACTION REQUIRED
A written plan document has been drafted or reviewed by qualified ERISA counsel and is consistent with actual plan operations.	☐ In Place ☐ In Progress ☐ Gap Identified	
The Summary Plan Description (SPD) is current, accurate, and has been distributed to all eligible employees, with content authored or directed by the plan sponsor rather than supplied by a carrier.	☐ In Place ☐ In Progress ☐ Gap Identified	
A Summary of Benefits and Coverage (SBC) has been prepared and distributed as required under the ACA and PHSA Section 2715.	☐ In Place ☐ In Progress ☐ Gap Identified	
The plan document and SPD are consistent with each other and with how the plan is actually administered.	☐ In Place ☐ In Progress ☐ Gap Identified	
A process is in place for issuing Summary of Material Modifications (SMMs) when plan terms change, consistent with ERISA Section 104(b) and 29 CFR 2520.104b-3.	☐ In Place ☐ In Progress ☐ Gap Identified	
A named fiduciary and plan administrator have been formally designated in the plan document, consistent with ERISA Sections 402(a) and 3(16).	☐ In Place ☐ In Progress ☐ Gap Identified	
Form 5500 filing responsibilities have been assigned and a process is in place for annual filing under ERISA Sections 103 and 104.	☐ In Place ☐ In Progress ☐ Gap Identified	
PCORI fee filing responsibilities under IRC Section 4376 have been assigned, with a process in place for the annual Form 720 filing on the schedule the IRS sets for the applicable plan year.	☐ In Place ☐ In Progress ☐ Gap Identified	
ACA reporting under IRC Section 6055 (Forms 1094-B/1095-B, or Forms 1094-C/1095-C with Part III completed) has been assigned and a process is in place. If using the alternative furnishing method under the Paperwork Burden Reduction Act, a clear and conspicuous notice of the right to request a statement has been posted, and forms are furnished on request by the later of January 31 or 30 days after the request. (Note: the IRS e-filing obligation is unchanged.)	☐ In Place ☐ In Progress ☐ Gap Identified	
IRC Section 105(h) nondiscrimination testing has been completed or assigned, with documentation that the plan does not discriminate in favor of highly compensated individuals.	☐ In Place ☐ In Progress ☐ Gap Identified	

ITEM	STATUS	NOTES / ACTION REQUIRED
COBRA administration responsibilities have been assigned to the TPA or a dedicated COBRA administrator, with workflow consistent with ERISA Sections 601 to 608 and IRC Section 4980B.	☐ In Place ☐ In Progress ☐ Gap Identified	
HIPAA privacy and security obligations applicable to the plan have been reviewed, on the understanding that the group health plan, not the employer, is the covered entity.	☐ In Place ☐ In Progress ☐ Gap Identified	
Business Associate Agreements are in place with the TPA and any other vendors with access to protected health information.	☐ In Place ☐ In Progress ☐ Gap Identified	
Mental health parity compliance under MHPAEA has been evaluated, including financial and treatment limit comparability.	☐ In Place ☐ In Progress ☐ Gap Identified	
The Non-Quantitative Treatment Limitation (NQTL) comparative analysis required under MHPAEA, as amended by the Consolidated Appropriations Act of 2021, has been completed or assigned, with documentation retained.	☐ In Place ☐ In Progress ☐ Gap Identified	
Transparency in Coverage requirements (machine-readable files and the price comparison tool) have been addressed.	☐ In Place ☐ In Progress ☐ Gap Identified	
Whether any state laws survive ERISA preemption in states where employees are located has been confirmed with qualified benefits counsel.	☐ In Place ☐ In Progress ☐ Gap Identified	

Priority Action Log & Review Summary

05

Use the table below to document all items marked Gap Identified during this review. Assign an owner and due date for each action before the next benefits committee meeting. The completed log should be retained alongside this checklist as part of the decision-making record.

PRIORITY ACTION LOG

#	RISK AREA	ACTION REQUIRED	OWNER	DUE DATE

REVIEW SUMMARY & SIGN-OFF

Review Completed By	
Date of Review	
Organization Name	
Plan Year	
Total Items Reviewed	
Items · In Place	
Items · In Progress	
Items · Gap Identified	
Recommended Next Review Date	
HR / Benefits Lead Signature	
Date of Sign-Off	

About First Hill Trust

First Hill Trust is a retirement plan solution provider that delivers a comprehensive employee benefits back office for plan sponsors who want clearer accountability, stronger governance, and fewer operational handoffs. Our work is grounded in helping sponsors understand and strengthen the oversight of their plan. We focus on clarifying where responsibility sits, how decisions are executed, and how oversight functions in practice, not just on paper.

We work behind the scenes to support plans that value clarity, consistency, and confidence in how they are managed. If you'd like more information or a high-level review of how your plan is managed today, click the link to schedule a brief review, or contact us (206)-625-1800.



[Schedule a Brief Review](#)

Important Disclosures

Educational purpose only. Provided by First Hill Trust Company for general informational and educational purposes only. It is not legal, tax, accounting, investment, or fiduciary advice, does not constitute a recommendation regarding any plan, investment, strategy, or course of action, and does not consider any recipient's specific circumstances. Consult your own qualified advisors before acting.

No offer, agreement, or commitment. Nothing in this material constitutes an offer, solicitation, agreement, or commitment to provide any particular service or to assume any particular responsibility. Descriptions of what a trustee, administrator, adviser, committee, employer, or other party "may" or "can" do are illustrative of how such arrangements commonly work and do not describe the terms of any specific engagement. The actual services provided, the allocation of responsibilities, the scope of any delegation, and the duties of any party are governed solely by the applicable plan documents, trust agreement, advisory agreement, and written service agreements. In the event of any inconsistency, those documents control.

Services and regulatory status. First Hill Trust Company and its affiliates offer retirement plan services, recordkeeping and administrative services, trust and fiduciary services, investment advisory services, and group benefits services, in each case subject to applicable regulatory requirements and the terms of the relevant agreements. Not all services are offered to all clients, in all states, or in all circumstances. Investment advisory services are offered through an affiliated investment adviser; a copy of its Form ADV Part 2A is available upon request. Insurance and group benefits products are offered through appropriately licensed entities. The availability and scope of any service depend on eligibility and the applicable agreements.

Fiduciary status under ERISA. Fiduciary status under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), is determined based on the functions performed and the authority exercised, not on titles or labels. Whether any particular party is acting as a fiduciary, and the scope of any related duties or potential liability, depends on the facts and circumstances specific to the plan and the relationship. Engaging a trustee, adviser, or other service provider does not eliminate a plan sponsor's or committee's own fiduciary responsibilities, including the duties to prudently select and monitor any party to whom responsibilities are delegated.

Affiliated entities and conflicts of interest. First Hill Trust Company is affiliated with other entities, including an affiliated investment adviser and entities providing administrative, trust, or other services. These relationships may create conflicts of interest, including where an affiliate is engaged or compensated in connection with a plan. Such conflicts and compensation are described in the applicable service agreements and the affiliated adviser's Form ADV Part 2A; fiduciaries should consider them when evaluating any engagement.

Statutory and regulatory references. References to ERISA, the Internal Revenue Code, and related statutory or regulatory provisions are general summaries only. They are not a substitute for review of the actual statutory text, regulations, or guidance from the Department of Labor, Internal Revenue Service, or other relevant authorities, and they do not address how those provisions may apply to any particular plan, sponsor, fiduciary, or individual. Laws, regulations, and guidance are subject to change and to interpretation by the relevant agencies and courts. Examples, categories, and situations described are simplified for illustration and may not reflect the requirements or circumstances of any particular plan or person.

No guarantee of results; investment risk. References to governance, fiduciary practices, risk reduction, or outcomes describe common industry approaches and potential benefits, not promises or guarantees of any result, of compliance, or of protection from liability, loss, or claims. All investing involves risk, including possible loss of principal; diversification does not ensure a profit or protect against loss. Past performance does not guarantee future results.

For more information, contact First Hill Trust Company at (206) 625-1800 or visit firsthilltrust.com.