

Carve-Out of Benefits

Introduction

The carve-out of benefits is a means by which a plan sponsor may transfer the financial obligation for a particular health care service to a third party. Typically, these would be categories that are either high cost or unpredictable, such as transplants or premature babies. Carve-outs also often cover rapidly changing categories of service, such as pharmacy risk, or chronic conditions such as diabetes.

Advantages to Plan Sponsor

- Predictability the plan sponsor is able to trade unknown, highly variable service and losses into known costs.
- Management of regional variations – certain populations have higher incidences of diabetes or low birth weight babies. Carve outs allow the plan sponsor to manage these issues.
- Increased breadth of services offered at same or similar costs.