AGENDA
SCHOOL BOARD OF SANTA ROSA COUNTY
WORKSHOP
June 26 2014-4:00 PM

Items for Review and Discussion

A. Review Self Funded Health Insurance Model

Mr. Wyrosdick asked Karen Retherford, Human Resource Services Risk Manager to come forward as he expressed his appreciation to the committee for their hard work on obtaining the information to share with the board. The purpose today is to review what self-funding is; definitions and the financial components.

Ms. Retherford introduced Mr. Kevin Godfrey and Mr. Matthew Downs, of GodfreyDowns Self-Funding Consultants. As they came up to the podium, she shared with the board that about two years ago we began to check into self-funding. We asked for proposals but they came in a little high compared to the proposals we received from health insurance companies. Last November, they put together a committee to look at both self-funding and medical clinics. The committee decided pretty quickly that medical clinics would have to be revisited once our financial condition improves.

Mr. Godfrey has experience working with the self-funded industry and Mr. Downs has worked with fully insured health insurance. Together they have over 40 years combined experience. Both gentlemen work with and are paid by Fisher Brown Insurance Company.

Mr. Godfrey began his presentation by explaining that self-funding includes a lot of concepts that are confusing and it has both positive and negative aspects. It used to be only very large companies could afford to self-insure. Over the past ten years medium and small size companies have been able to self-insure provided they have what is known as "Stop Loss" protection. The real definition is "partially self-funded" plan.

In a self-funded program, the employer assumes all or a portion of the risk for health benefits. The employer funds/pays its own claims rather than buying traditional health insurance. They delegate administrative responsibilities to a Third Party Administrator, such as Blue Cross and Blue Shield. The employer can manage its exposure to catastrophic claims expense by purchasing stop loss insurance.

The third party administrator will charge administrative fees for claims adjudication, billing, eligibility, customer service, plan document maintenance and network access fees.

Stop Loss insurance is specific and is protection on the individual, usually claims that exceed $150,000.

Aggregate Coverage reduces the employer's exposure to high levels of claim utilization on the group as a whole, rather than specific individuals. The stop loss carrier reimburses the self-funded employer for all eligible claims that exceed the aggregate deductibles. Aggregate accommodation provides monthly limits for claims.

Expected Costs means the total claims the underwriter expects you to have in a policy year. Maximum Claims Cost is the maximum cost allowed in a plan year.

Mr. Godfrey reviewed some of the advantages of a self-funded system. In a self-funded program the group controls the plan, not the insurer. Historically, every five years, groups have 4 good years where their claims are at or below expectations and then they will have one year where claims will exceed expectations. Unspent reserves stay with the group and can help them get through a bad year. The group can take advantage of their own good medical experience. It can result in more effective healthcare cost control, by employees becoming good consumers and their use of network facilities and physicians. Employers can be very flexible in health plan design. Self-Funded plans eliminate most state premium taxes (savings of 2-3%).

A chart was shown to the board based on the current expenses and current insurance plans. The chart shows the savings the board should experience based on various claims rates. The average norm or expected rate is 75-80%. Our current rate is much lower at 70%. Plans would remain the same and be on a year to year contract basis. We can expect the rates to be 8-12% more competitive even in bad years.

Mr. Winkles asked about Mr. Godfrey's statement that they could possibly pull expenses 5-6% by making the plans better or more efficient. Mr. Godfrey gave him a few examples of things that could be done (such as requiring patients to try dieting & exercise before gastric bypass surgery and helping patients avoid being hospitalized for not taking their medications).

Under the self-insured plan, employees and the school district would continue to pay the same percentage of the premium. Depending on if the auditors require the district to use the maximum claims or the expected claims figure, we would have to set aside from $1 Million to $600,000 dollars plus one month of premiums to get the program started. The money would have to be set aside as "restricted funds" in the budget.

Dr. Scott stated she noticed some companies have switched back to being fully insured after going self-funded and she was wondering if Mr. Godfrey knew why. He stated he doesn't have a track record of many school districts going back to being fully insured after trying the self-funding option.

Mr. Wyrosdick asked Mrs. Retherford about the time frame if the board decided they want to go the self-funded route. Mrs. Retherford has asked Blue Cross and Blue Shield for a quote. When those figures come in, the board will need to discuss the options and a decision would need to be made by August in order to have time to put everything in place by January, 2015.

Mr. Wyrosdick thanked Mrs. Retherford, GodfreyDowns and the committee for a great job.