



Labor/Management Health Insurance Committee

MINUTES – APPROVED 3/18/14

Date: Tuesday, February 18, 2014
Time: 3:00 p.m.
Place: Lyle Shields Meeting Room
Brookens Administrative Center
1776 E. Washington St.
Urbana, Illinois

Committee Members

Present: Chris Alix, Donna Blumer, Deb Busey, Debbie Heiser, Tea Jones, Barb Doyle-Little, Angela Lusk, Betty Murphy, Ed Sexton, Nora Stewart, Amanda Tucker, Steve Ziegler
Absent: Doug Bluhm, Stan Harper, Josh Jones, Michelle Mennenga, Brad Morris, Astrid Berkson, Josh Reifsteck
Others: John Malachowski (Gallagher Benefit Services), Beth Brunk (recording secretary)

Call to Order

Ms. Busey called the meeting to order at 3:06 p.m.

Approval of Minutes from January 14, 2014 Meeting

MOTION by Mr. Sexton to approve the January 14, 2014 minutes from the Labor/Management Health Insurance Committee; seconded by Ms. Jones. Upon vote, the **MOTION CARRIED** unanimously.

Worksite Wellness Challenge Program Update

Ms. Heiser should get the login code for Champaign County employees this week for the *wechoosehealth365* program. Once it has been received, Ms. Heiser will e-mail the department heads to see who is interested in participating.

County Health Fair Subcommittee Update

Brookens gym availability was limited to afternoon hours only so Ms. Tucker will explore scheduling the health fair at the Urbana Civic Center over lunch hours. Ms. Lusk suggested filming vendor presentations so employees who do not get a chance to attend will still be able to participate. A raffle for vendor products and a grand prize drawing may be additional incentives for employee attendance. Ms. Busey suggested that each group – Management, AFSCME and FOP – could agree on an amount to contribute for the grand prize. The subcommittee will examine the expenses for the health fair and propose a budget at the March Labor/Management Health Insurance Committee meeting.

Self-Funding versus Fully-Insured Comparison

Mr. Malachowski discussed a comparison of the County's fully-insured plan if it had been self-funded based on last year's numbers. The following assumptions were made in the comparison for both fully-insured and self-funded plans:

Third Party Administrator	Health Alliance
Carrier	Summit Re
Specific Deductible per person	\$150,000
Coverages Included	Medical & prescription
Contract horizon	Claims incurred within 12-month period payable within 15-months

In the fully-insured plan, the County paid a premium of \$4,935,972 which was divided into 12 approximately equal payments. The insurer assumes all the risk of aggregate claims above that figure. In the self-funded option, the cash flow is much less predictable as the monthly premiums will vary depending on the claims numbers and enrollment. The County would purchase aggregate insurance protection to establish a maximum claim liability. Any claims higher than the maximum would be assumed by the insurer. The price of the aggregate insurance premium is based on the County's claims history and the insurer's book of business. It will also depend on the amount of risk that the County is willing to

take – the higher risk to the County translates to a lower premium. As of last year, the approximate price of \$5,949,606 worth of aggregate insurance was \$17,636 which Mr. Malachowski thought was very reasonable.

Under the self-funded plan, the County would pay for exactly what the plan spends. Administrative costs like coverage booklets and ID cards printing; claim processing; PPO access fees from outside networks; and utilization reviews would be itemized expenses to the County. This is an opportunity for County employees to play an active role in saving money on insurance costs for *their* plan. In the scenario provided using last year's actual claim numbers, the fully-insured plan cost was \$112,484 less than the self-funded option.

If the County goes with the self-funded plan, Mr. Malachowski stressed the importance of sticking with that plan for at least five years to ascertain the value for the County. In this way, both good and bad claims years will be averaged over time to better reflect the true cost of the self-funded plan. Mr. Malachowski confirmed that the Carle discounts would be the same in Health Alliance's fully-insured and self-funded plans.

In this year with the Affordable Health Care Act, the County's fully-insured insurance plan pays approximately \$160,000 in additional fees/taxes that would not be imposed on a self-funded option. However, Mr. Malachowski thought that this savings may be transitory as the law may change in the next Presidential election to impose similar fees/taxes on self-funded insurance plans.

Mr. Malachowski also discussed an "artificial" savings in the first year of a self-funded plan where the additional claims that come in after the 12-month period are pushed into the following plan year. This claim lag is usually about 8.5% of total claims which would equate to \$400,000 when using FY13 figures. If the insurance plan changes from the self-funded model to some other insured arrangement, then this delayed claims lag would "catch up" and be charged in the last self-funded plan year.

Ms. Lusk commented that Kraft provides incentives for their employees who choose to participate in wellness initiatives and thought County employees would participate in such a plan. Mr. Alix stated that the County could do that if savings are generated in the health plan.

Mr. Alix requested that Mr. Malachowski bring a short list of things to do in a self-funded County plan that cannot be done in the fully-insured plan to reduce the cost. At this point, there does not seem to be a clear financial advantage in going fully-insured versus self-funded. Perhaps customizing the plan by identifying what benefits are not being used or disproportionately used by the employee group may be an advantage to the self-funding option. Mr. Malachowski explained that charging employees an up-front deductible, increasing the employee out-of-pocket cost and buy-in by employees to improve their health are examples of actions which would reduce the premium in a plan. Ms. Busey asked Mr. Malachowski to compile some choices in what the County is currently purchasing in health insurance from Health Alliance that might reduce premiums if discontinued.

Other Business

None

Next Meeting – March 18, 2014

The next meeting will be on 3/18/14 in the Jennifer Putnam Meeting Room at 3:00 p.m.

Adjournment

Ms. Busey adjourned the meeting at 4:40 p.m.