

Self-Funded Health Insurance Basics

Keith Lucius - Assistant Superintendent, Ashwaubenon School District

What is Self-Funded Health Insurance?

- ▶ The District becomes the insurance company
- ▶ Instead of paying premiums to insurance company, the District retains the premium equivalent and uses it to pay actual claims and fees
- ▶ District hires a TPA (Third Party Administrator) to review and pay claims according to insurance plan document
- ▶ District buys Stop Loss insurance to protect against large claims
 - ▶ Aggregate Stop Loss coverage protects against total claims for the plan
 - ▶ Specific Stop Loss protects against high claims for an individual insured
- ▶ District saves profit margin that Insurance company would retain

Possible Cost Savings of Self-Funding Compared to Fully Insured Plans

- ▶ District can customize coverages and does not have an insurance company making changes without your approval/review
- ▶ Insurance company maintains a profit margin and must cover overhead costs (i.e. marketing)
- ▶ Data on actual usage can help staff understand the importance of being a smart user of health care
- ▶ Ability to bid out and/or negotiate stop loss insurance coverage
 - ▶ Fully Insured plans may only use one stop loss carrier and other clients bad experience may impact your rate
 - ▶ Multiple proposals allow you to select the lowest cost option
 - ▶ You can negotiate with the stop loss provider and explain what is being done to reduce future claims (very valuable after a high claim year)

Possible Cost Savings of Self-Funding Compared to Fully Insured Plans

- ▶ You can add low cost providers and provide incentives for staff to use them
 - ▶ Smart Choice MRI
 - ▶ NOVO network
 - ▶ Patient Care
 - ▶ On-site clinic
- ▶ Bid out Network selection to find best discounts
- ▶ Prescription Benefit manager selection
 - ▶ Negotiate discounts/rebates
 - ▶ Mail order programs
 - ▶ Step therapy
- ▶ Cash balance from premium equivalents can reduce cash flow borrowing

Insurance Consultant Services

Consultant can help with

- ▶ Plan benefits
 - ▶ Keeping benefits current with what is in other insurance plans
 - ▶ Estimating savings of possible benefit changes
- ▶ Administration and compliance
- ▶ Bidding out stop loss protections
- ▶ Network/provider agreements
 - ▶ Negotiating network discounts
 - ▶ Identifying providers that are in network
 - ▶ Transition comparison of networks when bidding out
- ▶ Prescription Drug provider
- ▶ other plan providers (i.e. EAP, clinic partner...)

How Ashwaubenon Handles Premium Equivalents

- ▶ Instead of sending premiums to insurance company, we move the premium equivalents into a separate SFI (Self-Funded Insurance) checking account
- ▶ TPA and/or Network authorizes/verifies charges from medical providers and issues checks and ACHs from the SFI account
- ▶ Unused balance at the end of the year is carried over for future health insurance claims
 - ▶ What is an appropriate amount to have at year end?
 - ▶ What happens if there is a shortfall?
 - ▶ What has been Incurred But Not Reported (IBNR)?

Staff Insurance Committee

- ▶ Important to have input and understanding of staff leaders
 - ▶ Builds trust
 - ▶ Helps ensure that benefits are helping attract and retain staff
 - ▶ Evaluate special programs/incentives to determine if they are valuable
 - ▶ NOVO packaged services
 - ▶ Smart Choice MRI
 - ▶ Health Risk Assessment
 - ▶ They help communicate plan changes and the need for change
 - ▶ They give input on rate setting for the next year
 - ▶ District makes final decision on benefits, but the input is valuable and staff know about what was considered when making decisions
 - ▶ No names are used in committee - privacy of information must be maintained
- ▶ Monthly reports on plan usage and account balance

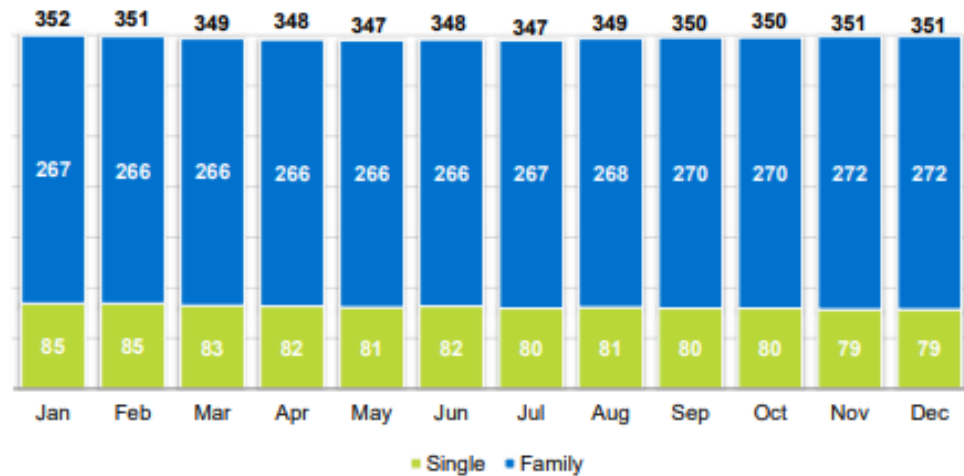
Ashwaubenon School District

Total Group

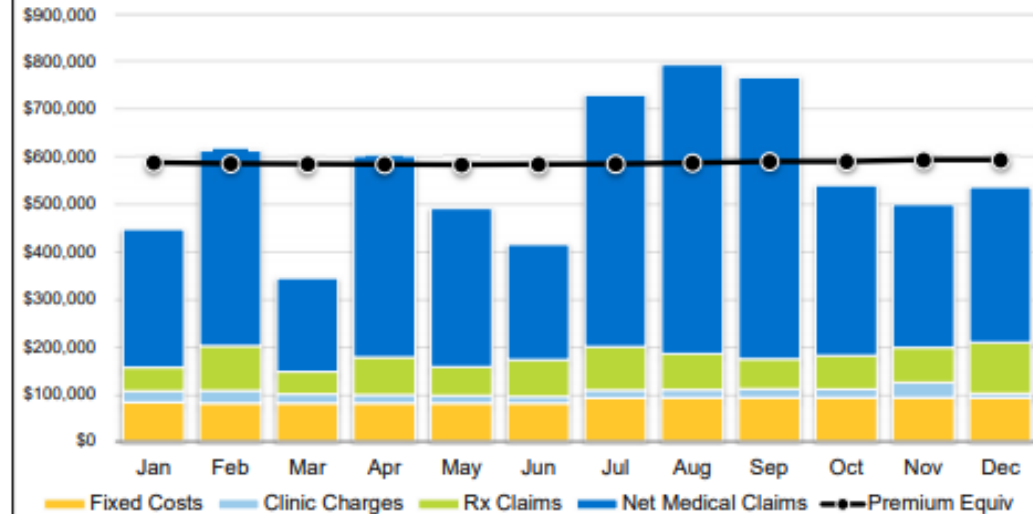
2021 Medical/Rx Drug Plan Performance

Claims and Enrollment through December 2021

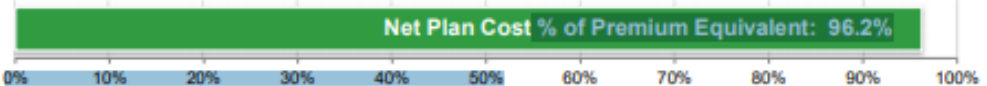
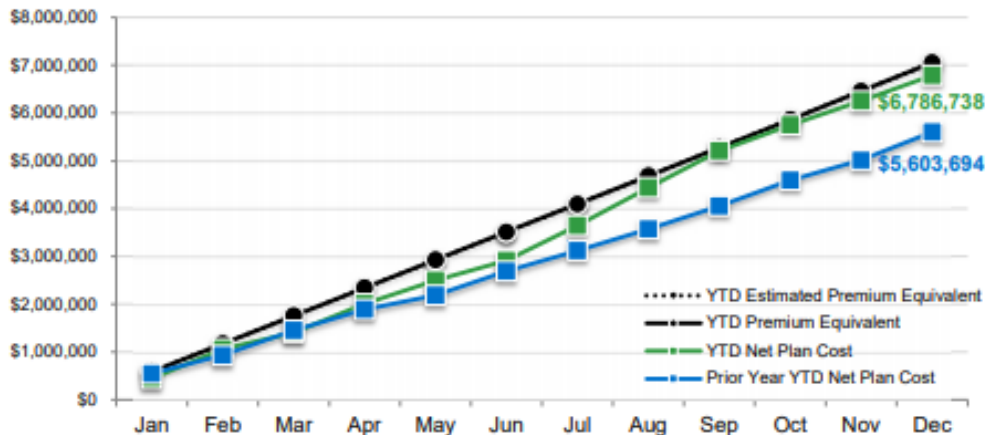
Medical Enrollment by Coverage



Medical/Rx Drug Cost Summary

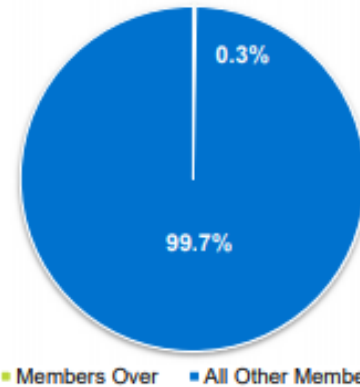


YTD Medical/Rx Plan Cost Trend

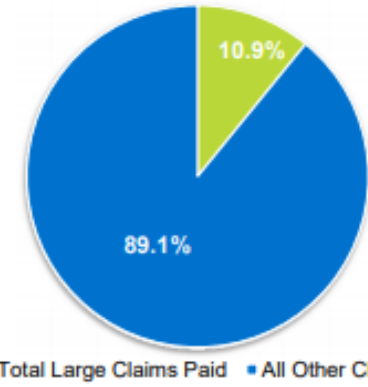


Current Year Specific Large Claims Analysis - Members over \$62,500

% Members over Threshold



Large Claims as a % of Total



Based on Specific Contract Period (Begins July 1)	2019-20	2020-21 ytd	2021-22 ytd
Number of Members Over	9	11	3
Total Large Claims Paid	\$2,190,960	\$1,746,061	\$251,106
Large Claims as a % of Total Paid	38.6%	29.8%	10.9%

Included in SFI Account

- ▶ In Ashwaubenon:
 - ▶ Medical Claims
 - ▶ Dental Claims
 - ▶ Prescription Drug Claims and Rebates
 - ▶ Consultant fees
 - ▶ Stop Loss Insurance
 - ▶ Flex payments when spent (unspent balance is not included)
 - ▶ On-site clinic costs
 - ▶ Wellness program costs
 - ▶ Staff incentives for using low-cost providers (Smart Choice MRI)

Reconcile Actual Claims to Premium Equivalents

- ▶ This is a BIG difference between self-funded and fully insured programs
- ▶ Year end total health and dental expenditures must match actual claims and IBNR
- ▶ Adjustment made to expenditure accounts used in payroll
- ▶ This must be done at year end, but we recommend doing it monthly
- ▶ Depending on the year, this can significantly change expenditures
 - ▶ Do you adjust other expenditures if you are over or under budget
 - ▶ Impact District total cost and following year Equalization Aid
 - ▶ Impact current year grant claims

Entries - When Payroll is run

- ▶ Cash is transferred from our operating bank account into the SFI account (instead of issuing a check to Insurance company)
- ▶ Transfer amount is posted by payroll system in account 10 L 8151xx
- ▶ Debit SFI cash 10 A 711301 \$200,000
- ▶ Credit Operating cash 10 A 711000 \$200,000

Paying Claims and Other Fees

- ▶ When the TPA/Network pays medical claims, dental claims, Flex payments...
 - ▶ TPA/Network Issues checks from the SFI account once a week
 - ▶ We send positive pay file to bank for checks issued
 - ▶ Post Journal Entry for total of payments monthly
 - ▶ Debit Payable account 10 L 8151xx \$1,000
 - ▶ Credit SFI Cash 10 A 711301 \$1,000

Questions?

Send follow up questions to Keith Lucius
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