

Self-Insurance 2018 Q4 Update

Presented by Marcy Syman, Human Resources Director

Management Committee 4-10-2019



What is Self-insurance?

A self-funded plan is where the employer....

- assumes direct financial responsibility for the costs of enrollees' medical claims
- contracts with a third-party administrator or insurer to provide administrative services for the plan
- buys stop-loss coverage to protect against very large claims

Compared to fully insured plan where....

- employer contracts with a health plan that assumes full financial liability for enrollees' medical claims and associated administrative expenses

Stop Loss Insurance

- Individual Stop Loss
 - Protects the plan against individual catastrophic claims above a specified amount per claim
 - Based on risk tolerance and ability to handle fluctuating claims experience
 - Current Council deductible: \$750,000
- Aggregate Stop Loss
 - Limits the plan's exposure to large fluctuations due to a high incidence of claims
 - Based on a percentage of the expected claims
 - Dependent on the size of the covered group and employer's risk tolerance
 - Council is insured at the common level of 125% of expected claims

Reserves

Sound practice to establish reserves for unpaid claims liability to provide protection against unforeseen claims or expenses that could exceed the amount of “premium” revenue collected to cover overall plan costs

Reserves are adjusted annually based on the current claim estimate and trend

- Reserve categories:
 - IBNR: Claims Incurred But Not Reported (run-out)
8 – 12% of annual claims
 - Contingency for rate stabilization
 - Reserve for unpaid retention costs

Advantages of Self Funding

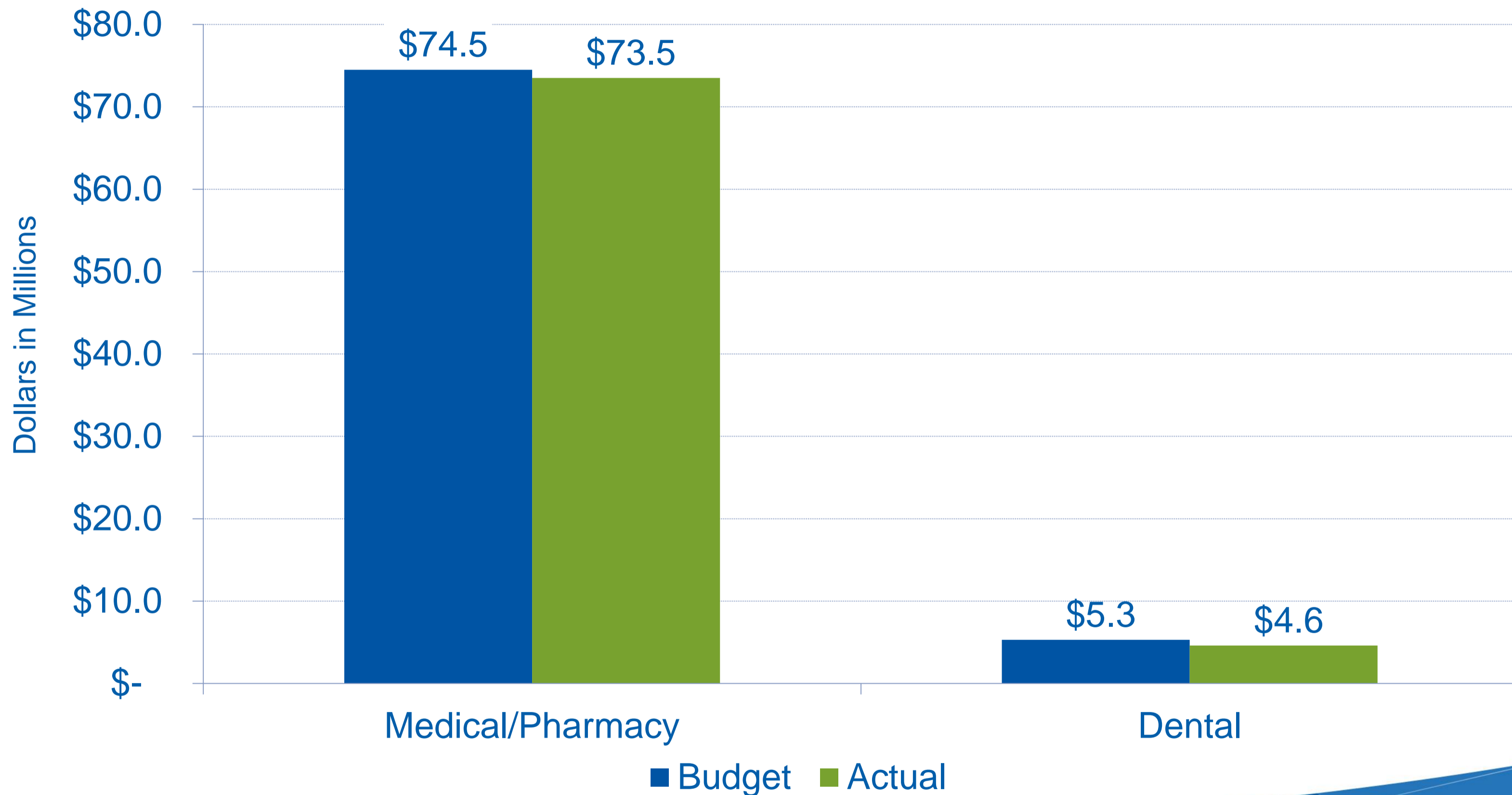
- Reduction in taxes and administrative fees
- Reserves are held by the employer
- Employer determines the amount of acceptable risk
- Greater flexibility in plan design
- Pass-through savings
- Claims adjudication and administrative services are provided by a third party administrator
- COBRA requirement conform to state vs.

Council Self Insurance

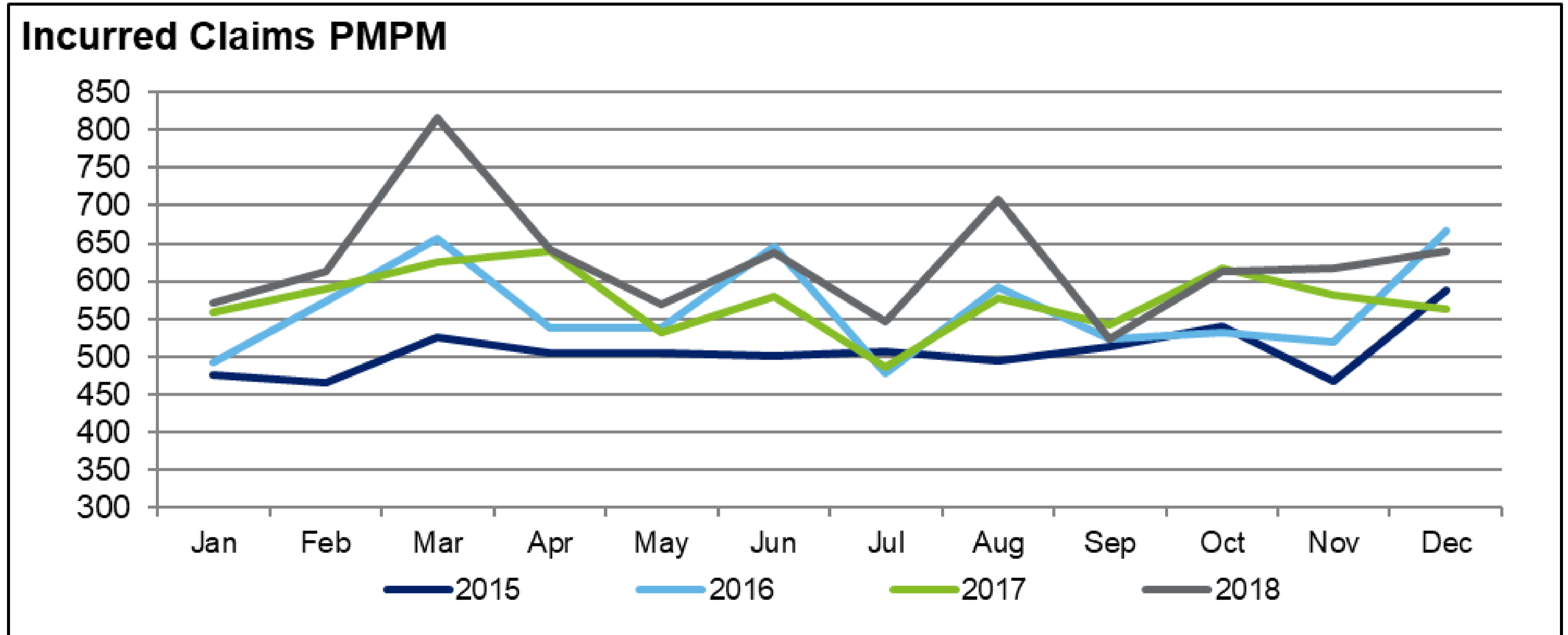
- Medical: 2013
- Dental: 2014
- Savings to employees in the form of lower premium increases
- Savings to the Council in the form of lower taxes, administrative fees and premium increases
- Goal to have employer cover 80% of premiums - employees cover 20%
- Currently cover 9,825 members

Self-Insured Plan Costs – Q4 2018

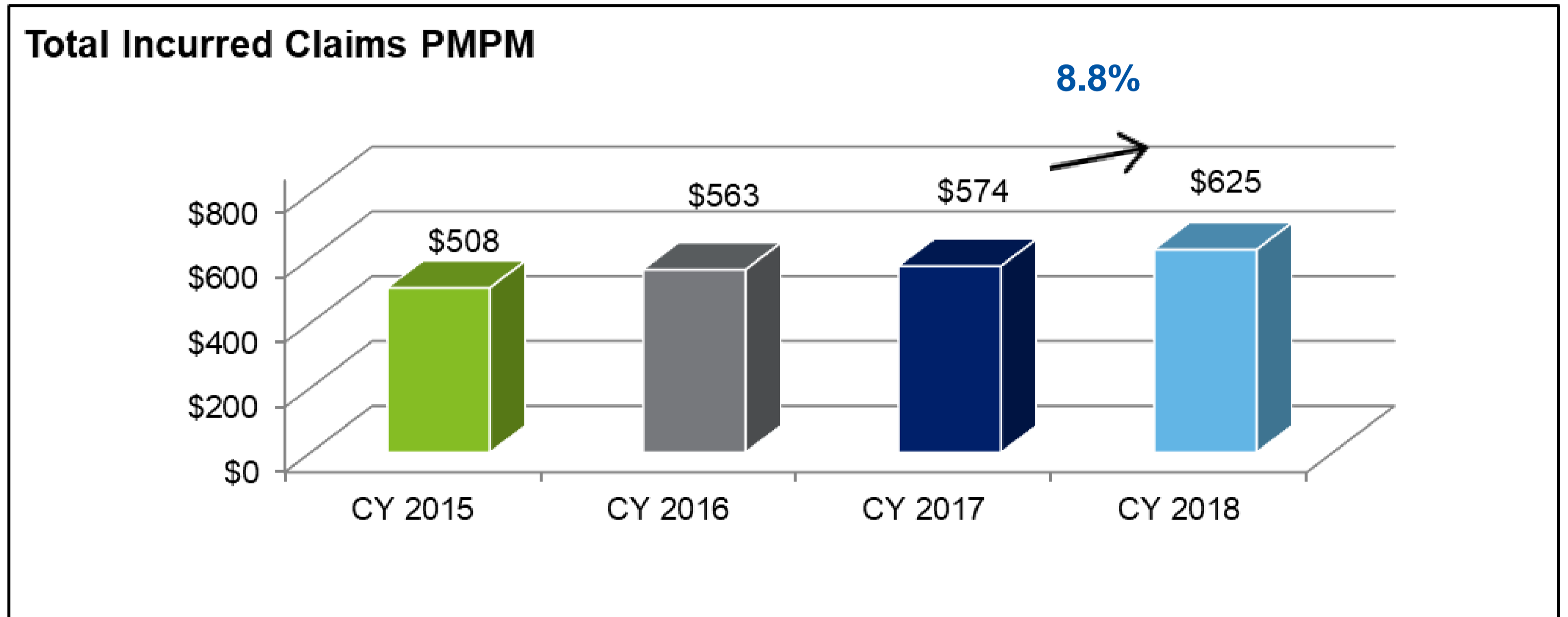
(Claims, admin fees and stop loss premium)



Incurred Claims: Medical & Pharmacy



Total Incurred Medical Claims Per Member Per Month (PMPM)



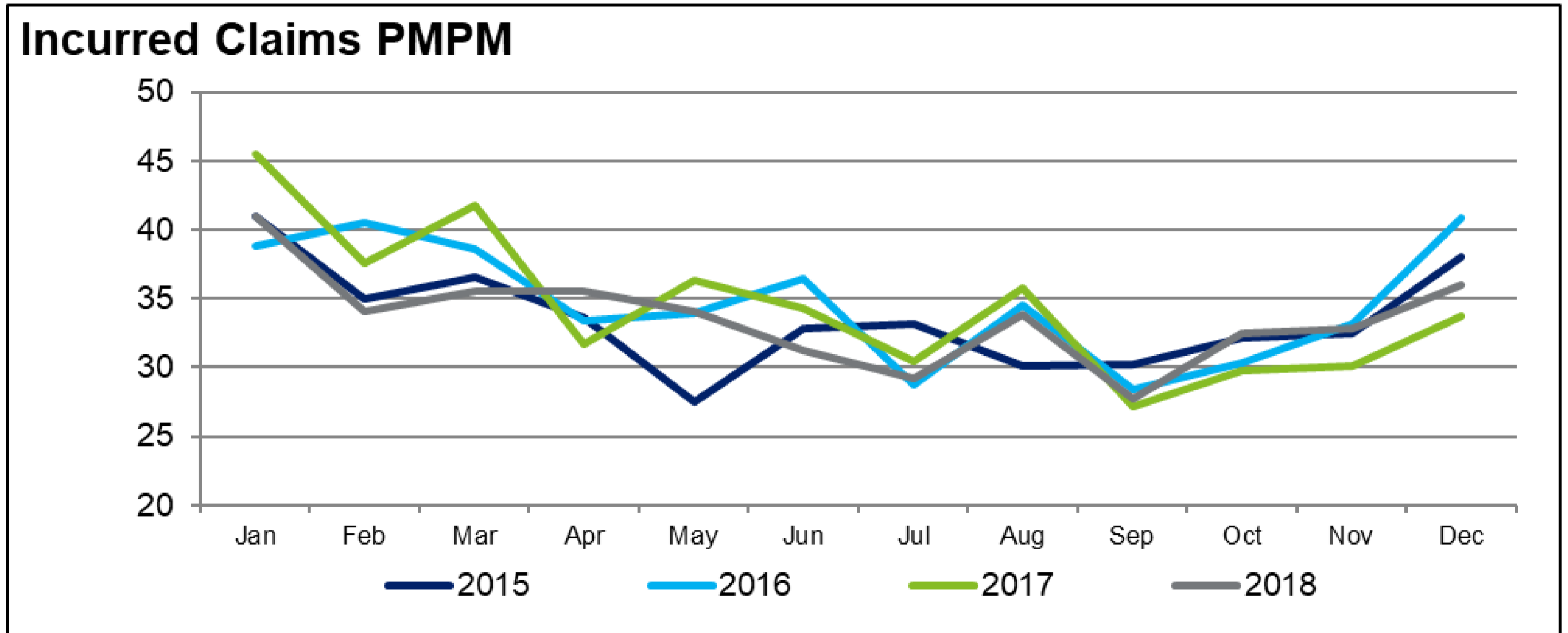
CY 2018 with stop loss reimbursement is \$590 PMPM (2.7% over prior year)

Key Points

- Medical Claims:
 - ❖ 1.8% increase compared to Q1 2017
 - ❖ Medical trend matches current market increases with the large claims
 - ❖ Significantly large claims in 2018 – covered by stop loss insurance

- Pharmacy Claims:
 - ❖ 7.7% increase from last year
 - ❖ Pharmacy trend was close to the market rate

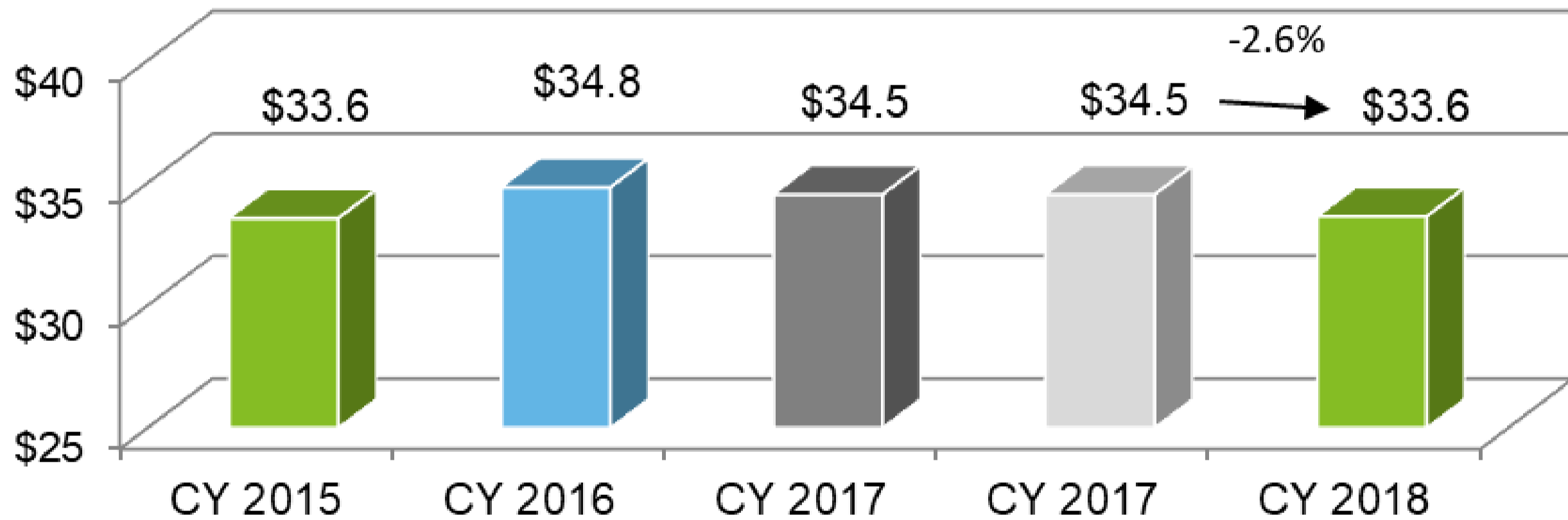
Incurred Dental Claims - PMPM



Dental coverage is defined; history is consistent over four years

Incurred Dental Claims - PMPM

Total Incurred Claims PMPM



Self-Insured HealthCare Plans - Activity

December 31, 2018

Medical

Dental

Revenues:

Premiums	\$74.68	\$5.23
Investment Income	0.64	0.05
Other (drug rebates)	2.10	-
	\$77.42	\$5.28

Expenses:

Claims, Admin & Insure	\$75.41	\$4.74
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Change in Reserves

	\$2.01	\$0.54
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Unaudited – Dollars in Millions

Self-Insured HealthCare Plans - Reserves

	Medical	Dental
Ending Reserve Balance 12.31.17	\$26.93	\$2.19
Change in Fund balance	2.01	0.54
Ending Reserve Balance 12.31.18	\$28.94	\$2.73
2018 Actual Operating Expenses	\$75.41	\$4.74
	38%	58%

Questions?

Marcy Syman - Director, Human Resources
651-602-1417 Marcy.Syman@metc.state.mn.us

Terri Bopp - Manager, Benefits
651-602-1370 Terri.Bopp@metc.state.mn.us