



**SAINT PETER SCHOOL BOARD**  
**Study Session**  
**Monday, May 3, 2021**  
**Saint Peter Middle School-Media Center, 100 Lincoln**  
**Dr. , SAINT PETER, MN 56082**  
**6:30 PM**

**I. Call Meeting to Order**

**II. Consideration and Adoption of the Agenda**

**III. Consider Requests to Speak on the Agenda**

**IV. Information Items**

1. Group Health Insurance Carrier Discussion

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**V. Upcoming Meetings of the School Board** Policy Review

Tuesday, May 4, 2021

8:30AM

SPMS-Conference Room A/B

Study Session

Thursday, May 13, 2021

6:30PM

SPMS-Media Center

**VI. Regular School Board Meeting**

Monday, May 17, 2021

6:30PM

SPCC-Governor's Room

**VII. Adjournment**



## ADDENDUM

**STUDY SESSION**  
**Monday, May 3, 2021**  
**SPMS-Media Center**  
**6:30PM**

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### IV. INFORMATION ITEMS

<b>1. AGENDA ITEM #1</b>
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**Subject:** Group Health Insurance Carrier Discussion

**Background:** Given current circumstances and market rates we have an opportunity to consider. Moving to a self-insured model to provide for long-term stability may be prudent at this time. Our insurance advisors will be sharing information about the process of self-insurance as well as the benefits and challenges of doing so.

**Presentation:** Bill Gronseth, Tim Regner, Aaron Casper, Nancy Bushard, Pierre Guilfoile

# SELF-FUNDING PRESENTATION

Saint Peter Public Schools

School Board Finance Committee

May 4, 2021



## 2021 HITA RFP Responses

### The district received responses from:

- South Central Service Cooperative
- HealthPartners
- Medica
- Blue Cross Blue Shield
- United HealthCare
- Sourcewell
- PEIP

### The district received best and final responses from:

- Blue Cross Blue Shield
- HealthPartners
- Medica
- PEIP



# RFP INFORMATION



## BLUE CROSS BLUE SHIELD

### Financial Summary—Insured

- 11% decrease for July 1, 2021
- Revenue from premium for 2020/2021 is \$3.7M
- Decrease in 2021/2022 to \$3.28M
  - Decrease of \$405K
- BCBS is providing a cap on the 2022 renewal of 7.5%
- If the cap is applied on the 2022 renewal, the rates would still be 5% under 2020 rates

BCBS direct quote provides  
\$405K in initial savings



## BLUE CROSS BLUE SHIELD

### Financial Summary—Self Insured

Estimated maximum claim rate of: \$3.18M

- Claim rates determine the aggregate protection of the plan
- Aggregate protection is the policy that protects the entire claim cost of the plan

Administrative costs:

- Per Contract Per Month: \$26

Specific stop-loss rate: \$75,000

- Single: \$155.49
- Family: \$388.73
  - Specific stop-loss is the policy that protects expenses for individual high claimants

Estimated costs to self-insure \$3.7M

Maximum costs to self-insure \$3.9M



## SELF-INSURANCE

Many public sector employers have chosen to become proactive about controlling/containing their medical benefit costs while making their plans affordable and sustainable. One effective way they are doing this is by self-funding their health insurance.

**Self-Insurance**— a funding arrangement in which the employer assumes direct financial responsibility for the costs of the employee’s medical claims.

### Costs considerations for Self-Insurance

- ◆ The **fixed costs** include administrative fees, stop-loss premiums and any other set fees charged per employee. These fees are billed monthly by a third-party administrator
- ◆ The **variable costs** include the payment of health care claims; these costs vary from month to month based on health care utilization by employees
- ◆ To limit risk, employers purchase stop-loss insurance which reimburses the employer for claims that exceed a pre-determined level

# SELF-FUNDING INFORMATION



## ADVANTAGES OF SELF-INSURANCE

- One of the biggest advantages of a self-funded health insurance plan is that it can have a positive impact on the organization's cash flow.
  - Self-funded plans are also generally exempt from premium taxes in most states, lowering employer costs in that area dramatically.
- The money collected by the organization is only paid out when claims actually occur and can stay in a reserve account accruing interest until it is needed.
  - In addition, if claims during a particular month are lower than anticipated, that money adds to the reserve and earns additional interest, creating a long-term financial benefit.
- An overall improvement in employee health can lead to an immediate reduction in claims, which means a lower spend and feeds back into the organization's reserve fund.
  - If those trends continue, there may be a reduction in the necessary contributions made by both employers and workers going forward.
- As another advantage, organizations may be able to customize self-funded plans to a degree. While collective bargaining agreements may require certain benefits be covered by any employer-sponsored plan, self-funding may allow for some flexibility. This flexibility can also be advantageous in the event an employer's healthcare requirements or needs change.
- In addition, since a specialized third-party provider completes much of the administration of the plan, employers can refocus their internal resources on other relevant issues.

## DISADVANTAGES OF SELF-INSURANCE

- The assumption of greater risk.
  - Large, unexpected medical claims require that the district has the financial resources to meet its claims obligations.
- Unpredictability puts greater demands on budgeting and cash flow.
  - Budgeting can be more difficult because health care expenses will vary from year to year.
  - There are additional requirements for audit procedures
- Complex program components
  - Self-insured plans can deploy multiple programs as part of the overall plan offering
  - Programs may include a pharmacy administrator, wellness platform, virtual care services, enrollment platform
  - The various plan components can seem overwhelming to a group unfamiliar with self-insurance

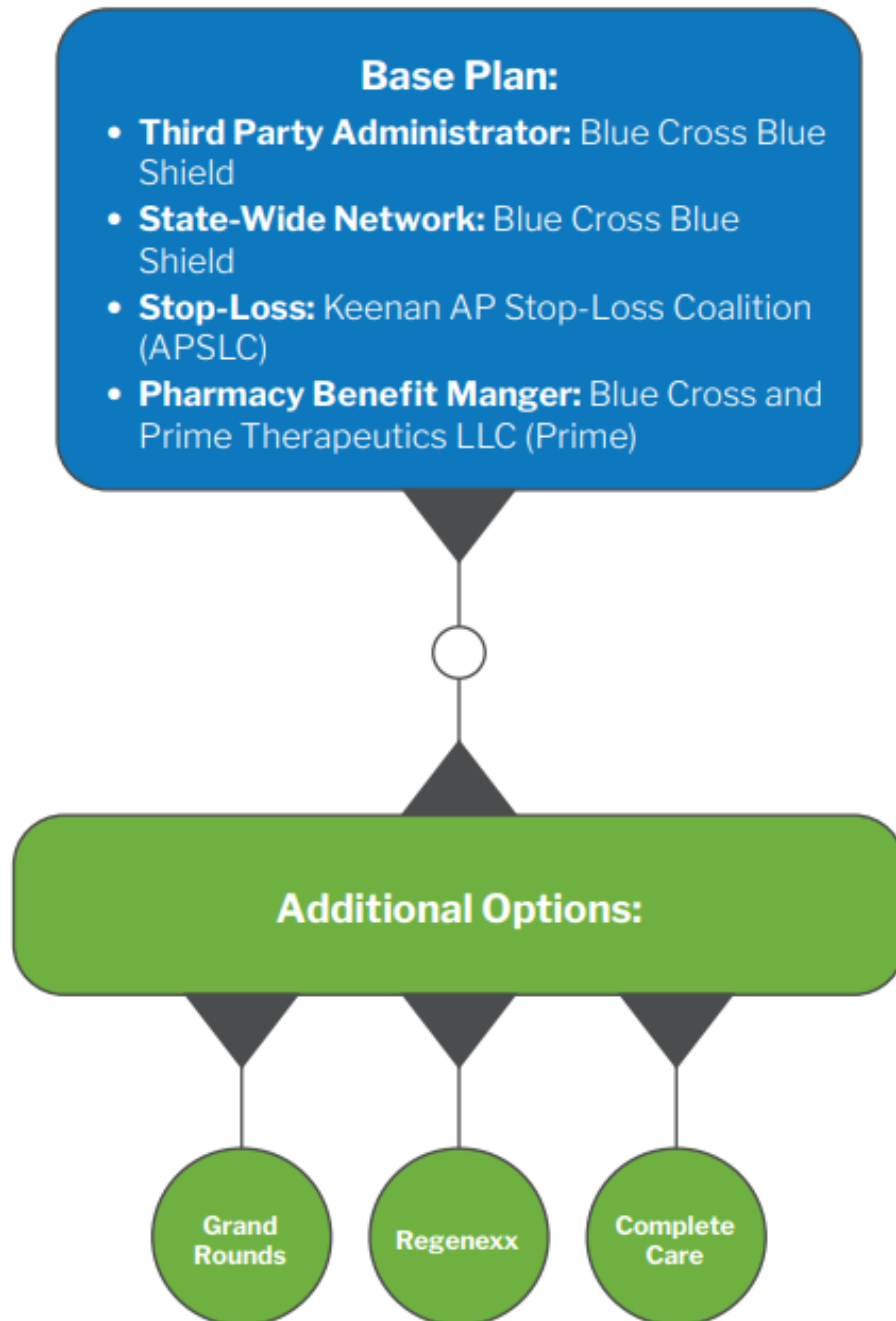
## SELF-INSURED TERMS

- Stop-loss insurance
  - Stop-loss insurance (also known as excess risk insurance) is a product that provides protection against catastrophic or unpredictable losses. Under a stop-loss policy, the insurance company becomes liable for losses that exceed certain limits called deductibles.
  - There are two common types of stop-loss insurance.
    - Aggregate Reinsurance and Specific Stop-Loss Insurance.

## SELF-INSURED TERMS

- Aggregate reinsurance
  - A policy that is activated when the district's total claim payments exceed the stipulated amount.
  - Aggregate policies are required by the state of Minnesota.
- Specific stop-loss insurance
  - A form of excess risk coverage that provides protection for the employer against a high claim on any one individual.
    - Specific stop-loss is protection against a single claimant rather than abnormal frequency of claims in total.

## SELF-INSURANCE FLOW CHART



## QUESTIONS?

