

ITEM NO: 7a Supp

DATE OF

MEETING: April 27, 2010



## Commission Briefing

# Self-Funding Employee Medical and Dental Benefits

## Background

- Port's Medical and Dental insurance have historically been fully insured
- With self-funding third party claims administration company processes claims and pays them with funds provided by the Port
- Port assumes some risk that claims are greater than anticipated; stop loss insurance mitigates this risk
- Port benefits when claims are less than anticipated
- The Port also benefits from lower administrative fees

## Background

- Self-Funding is quite common
  - 2009 Kaiser Family Foundation Survey reports
    - 48% of employers with 200 – 999 employees
    - 80% of employers with 1000 – 4999 employees
    - 76% of transportation/communication/utility employers
    - 59% of state and local government employers

## Background

- Self-funding is also common among Washington public employers
- Washington Risk Management Department's web site reports the number of self-insured public employers
  - 16 cities
  - 6 counties
  - Multiple school districts, public utility districts and public hospitals

## Background

- Self funding is a cost containment strategy
- Wellness Rewards Program aims to contain health care costs by encouraging healthy behaviors
- Self-funding may have minimal impact on employees
  - Plan design is independent from self-funding
  - Provider networks could change with self-funding

# Advantages of Self-Funding

Item	Fully Insured (current)	Self-Funded (proposed)	Potential Annual Savings
Medical Claims Admin Fee	\$1,230,000	\$970,000	\$260,000
Dental Claims Admin Fee	\$220,000	\$140,000	\$80,000
Taxes -premium, high risk, etc.	\$390,000	\$10,000	\$380,000
Stop Loss Insurance	\$980,000	\$730,000	\$250,000
Pharmacy Rx Rebate	\$0	-\$114,000	\$114,000
Cash Flow	\$0	-\$22,000	\$22,000
Actuarial Services	\$0	\$15,000	-\$15,000
State Fees	\$0	\$13,000	-\$13,000
Estimated Total	\$2,820,000	\$1,742,000	\$1,078,000

## Costs and Risks of Self-Funding

- Claims exceed expected level
  - Stop loss insurance helps mitigate this risk
  - Wellness Rewards Program supports healthy employees and families and also helps mitigate this risk
- Increased number of contracts to administer
- Somewhat more staff time required to administer benefits

## Recent Actions

- Meetings with other self-funded public employers
- Discussions with Port departments involved in administering self-funded benefits
- Commission resolution drafted
- Benefits consultant selected
- Timeline reviewed
  - Competition exemption possibility
- Impacts of health care reform analyzed



# Remaining Schedule

Action	Proposed Date	Who
First reading, Self-Funding Resolution	May 4, 2010	Commission
Second reading, Self-Funding Resolution	May 11, 2010	Commission
Competition exemption and authorization to execute one year claims administration contracts with Premera and WDS	May 11, 2010	Commission
Finalize benefits consultant contract	May 15, 2010	Self-funding team
Negotiate one year claims administration contracts with Premera and WDS	June 15, 2010	Self-funding team
Select stop-loss insurance provider	August 1, 2010	Self-funding team
File self-funded application with the State	October 1, 2010	Self-funding team
Finalize self-funded processes	October 15, 2010	Self-funding team
Convert to self-funded program	January 1, 2011	

## Conclusion

- Self-funding continues to be a viable option to the Port's current fully insured program
- Cost savings are sustainable over time
- Can return to fully insured if savings are not realized
- Recommendations:
  - Adopt a self-funded approach to medical and dental benefits effective 2011
  - Negotiate one year (2011) claims administration contracts with Premera and WDS
  - Begin competitive claims administration selection process service to begin in 2012