Self-Funding Your District’s Health Benefits

By Craig Holje, chief human resources and administrative officer, Richfield Public Schools

When we first looked into self-funding our health plan, we anticipated a year-long learning curve and did not intend to make an immediate change. Remarkably, two months later, our new self-funded plan was in place. The projected savings were so impressive and the advantages so significant that it didn’t make sense to wait.

With just over 1,000 lives at the time, we weren’t sure self-funding was an option. It was risky. What about our employees? Health care reform? What if we underestimate claims costs? Can we build and maintain the reserves needed to cover expenses for the district’s employees.

In retrospect, we needn’t have worried. The price of fully-insured premiums far exceeded what we actually paid in employee health claims. Our new plan offered exactly the same network coverage, benefit design and pharmacy arrangements and, by self insuring, we avoided some of the taxes and assessments that drive up fully-insured premiums. Plus we had a good plan to build reserves secured by stop loss insurance.

The underwriters and consultant showed us that self-funding made sense for our employees. It helped that the health plan administrator partner already worked with a large number of Minnesota school districts and had a good base for benchmarking. We also independently dug deep into the information and asked a lot of questions. We worked with others to review all the numbers in detail and validate the plan’s proposed savings.

I put my underwriters and our consultant through the wringer. We worked through the financial analyses until I felt completely confident and thoroughly informed. In the end, the savings were so great that we were able to move to a self-funded plan without increasing premiums costs for the district or employees. And we built a significant reserve for the plan.

Five years later
Our plan keeps getting stronger. Reserves are healthy. We’ve only had one premium rate increase in the last five years and that was limited to 4 percent. We haven’t had to add staff to administer the plan. We’ve also incorporated health and wellness incentives. Most importantly, because of the minimal rate increases in our health insurance, we have been able to offer a quality health care program for our employees, maintain investments in our students and classrooms, and develop a plan which mitigates risks associated with high-claims years.

From my perspective, I’ve gained a sense of stability and predictability. Health premiums always felt like a financial wildcard. I never knew what to expect from year to year. Now I feel in control of our health care investment. We had a great experience with the implementation—our plan administrator shouldered much of the transition for us — and every commitment was delivered on time.

With my name behind the recommendation five years ago, I had to trust that the plan would deliver what it promised. It did. Our employees, board, insurance committee and union representatives couldn’t be happier.

Considering self-funding?
The best resource I can recommend is the Minnesota Self-Funded User Group. It’s geared specifically for school districts and has met monthly since 2011. The group reviews everything from analyses and reporting to medical and pharmacy management to employee and union relations and managing the plan overtime. To learn more, contact Dennis Dahlman at 612-750-9780.

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Lessons learned

Seek out vendors you can trust. You’re building a long term partnership—trust, collaboration, open communication are critical as is mutual support and transparency among the partners.

Choose partners who specialize in self-funding. There are not a lot of vendors who have the depth and breadth of knowledge you’ll want, especially as you contemplate and transition to self-funding. The value of a well-informed outside opinion cannot be overstated.

Communicate with your board, employees and union representatives in the process. They need to be part of the process and have a sense of ownership in the plan. Keep all stakeholders engaged in the plan and its progress over time. Create an Insurance Advisory Committee to facilitate better communication.

Ownership. Employees tend to take ownership of their health benefits and become stewards of the plan and its success. They will begin to feel it is their health plan; not an outside insurance company.

Checks and balances. Ask that competitive and comprehensive solutions are backed by solid specific and aggregate stop loss protection. Make sure your plan administrator has the flexibility and systems in place to accommodate your objectives. Verify that your plan is setup correctly right from the start. And include programs that manage the quality and cost of care and change behavior over time.

Pay attention to reports. Look for trends and pay attention to them. Drill down to identify issues such as utilization trends and aberrant patterns of care. Understand what drives up your costs and how you can address them.

Decision Making. Secure the knowledge and information you need to make the best decisions for your school district. Self-funding is not risky when you are well informed and confident.