

# DISTRICT INSURANCE COMMITTEES - During Troubled Times



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## Effective Health Benefit Committees know:



- Types of purchasing models
- Strategies for success
- Committee roles and responsibilities
- Fiduciary and ethical responsibilities
- Work effectively with brokers and consultants

# Common School District Insurance Purchasing Models

Health insurance for school employees is purchased through one of the following delivery models:

- Jointly Managed Trust (JMT)
- Joint Powers Authority (JPA)
- Direct Purchase
- Large Group Purchasers



# Jointly Managed Trust (JMT)

- ❑ Labor and management are represented on the trust and each group gets one vote
- ❑ Each group selects their representatives
  - ❑ Labor and management each get one vote
- ❑ Contract directly with provider for services including consultants and third party administrators (TPAs)
- ❑ Trustees have specific fiduciary responsibilities that govern their conduct



# Jointly Managed Trust (JMT)

❑ All money contributed to the JMT must be used for the exclusive benefit of covered participants

❑ Examples in California:

California's Valued Trust (CVT),

Voluntary Employees' Beneficiary Association (VEBA),

Metropolitan Employees' Benefits Association (MEBA),

High Desert and Inland Employee/Employer Trust,

and South Counties Employer Employee Trust (SCEET)

# Joint Powers Authorities (JPA)

- ❑ Entities formed and operated by two or more public agencies to spread risk among them for the purpose of establishing, operating, and maintaining a joint program for medical, dental, vision and other employee benefits
- ❑ Final decision making authority rests with management representatives to JPA
- ❑ Surplus revenue is returned to school district



# Joint Powers Authorities (JPA)

- ❑ JPA may operate with representatives from the employee organizations in an advisory role to the board of directors
- ❑ JPAs establish their operating rules (data sharing, opting in or opting out of the JPA)
- ❑ JPAs contract with providers through consultants hired by the JPA
- ❑ California example is Riverside Employer/Employee Partnership for Benefits (REEP)

# Direct Purchase

- ❑ Districts directly purchase from insurance companies for benefits
- ❑ Districts directly contract with consultants or brokers to provide advice and services
- ❑ Districts are self-rated on their own experience



# Direct Purchase

- ❑ Large districts may have clout with insurance companies
- ❑ Small districts do not have clout and may suffer wide swings in claims
- ❑ Large or small districts must set aside funds to pay claims
- ❑ Each bargaining unit negotiates benefits and may result fragmented benefits

# Large Group Purchasers

- ❑ Districts contract with larger purchasing pools to provide insurance for health, dental, vision and other benefits
- ❑ Large group purchasers negotiate with insurance providers for best rates
- ❑ Premium share is negotiated locally
- ❑ California example is California Public Employees' Retirement System (CalPERS)

# HB Committees

## Pros:

1. Interaction among district management, unions and healthcare professionals
2. Opportunity to ascertain where \$\$ are being spent
3. Get familiar with insurance plans
4. Get to know the “players”
5. Getting everyone on the same page
6. Group expertise

## *Committees*



# HB Committees

## *Committees*



## Potential Pitfalls:

1. Brokers/consultants can take over leadership of the committee, and push their own agendas
2. The parties receive only partial information
3. Can be considered a precedent for bargaining for either labor or management
4. Agreement in kind without input from bargaining teams

# Health Benefit Committee

## Role of the HBC:

- Any changes in laws and regulations effecting insurance plans
- The need to coordinate with other insurance pools
- The needs of district staff
- Competitive conditions; district priorities and constraints
- Education

# Health Benefit Committee

## Role of the HBC:

- Regular review of the financial status of benefit programs – financial and fiscal stability
- Monitoring the benefit plans to assure high quality
- Creating a fair bidding system – No broker/consultant who has an interest in the outcome should be involved in the selection process of the benefit program
- Any committee member who derives a financial or professional benefit must abstain from voting

# Health Benefit Committee

## Role of the HBC:

- Development of open enrollment procedures to minimize negative enrollment consequences
- Will attempt to incorporate wellness programs
- Incorporate a good communications strategy

# Strategies for Success

- Train committee members
  - Have a common knowledge base
- Time
  - Meet regularly
  - Plan sufficient time for committee meetings



# Strategies for Success



## ➤ Representation

- ❑ Ensure Union and Management Representation
  - Union membership (selected by units)
    - Certificated union executive board member/officer
    - Classified union executive board member/officer
    - Certificated bargaining team member
    - Classified bargaining team member
  - District membership (selected by district)
    - Chief human resources administrator or designee
    - Chief business officer or designee
    - Certificated administrator bargaining team member
    - Classified administrator bargaining team member

# Strategies for Success



- Clarify Roles and Responsibilities
  - Union board members
    - Advocate for units
    - Communicate to respective boards
  - Union bargaining team members
    - Understand the process and information
    - Communicate to respective bargaining teams
  - District Administrators
    - Advocate for the district
    - Communicate to superintendent and board
  - District bargaining team members
    - Understand the process and information
    - Communicate to respective bargaining teams

# Strategies for Success



## ➤ Build Trust

- Honest interactions
- Have a shared vision
- Work together towards a common goal

## ➤ Transparency

- All information is shared with both parties
- Shared access to professionals

# Strategies for Success



- Have a clear plan
  - long and short term plan
  - Needs to mesh with visions and interests
- Clear Governance lines
  - Appointment to the committee done by the respective groups
  - Brokers/consultants do not run the meeting
  - Identify some form of dispute resolution
  - Chairperson position should alternate between respective groups

# Your Fiduciary Responsibility

## Who is a fiduciary?

- Anyone who is elected or appointed to a position of trust, where his or her duty is to act on behalf of others, rather than solely for him or herself.
- Anyone who participates in decision-making regarding;
  - Health plan benefits
  - Selection of health plan consultants and/or providers
  - Decisions affecting the quality and costs of health care benefits

# Your Fiduciary Responsibility

Your fiduciary duty requires that you

- Act in good faith
- Act in the best interest of the organization and its beneficiaries
- Make reasonable inquiry regarding relevant facts
- Act in a manner that a prudent person would under the same circumstances
- Not engage in any activity that conflicts with the interests of the organization and its beneficiaries

The Top 10 Quiz to determine if you are fulfilling your fiduciary responsibilities:  
Grade yourself!

Does your Health Benefits Committee:

- ...keep abreast of any changes in laws and regulations effecting insurance plans
- ...consider the needs of your plan participants (employee + dependants)
- ...consider competitive conditions; district priorities and constraints
- ...regularly review the financial status of the benefit programs – financial and fiscal stability
- ...monitor the health benefit plans to assure high quality?

## The Top 10 Quiz to determine if you are fulfilling your fiduciary responsibilities: Grade yourself!

Does your Health Benefits Committee:

- ...create a fair bidding system – No broker/consultant who has an interest in the outcome should be involved in the selection process of the benefit program
- ...require that members abstain from voting when there are conflicts of interest
- ...develop open enrollment procedures to minimize negative enrollment consequences, for example, major changes which do not include deaths in family, divorce, dependent age maximums.
- ...require the incorporation of Wellness Programs
- ...incorporate a good communications strategy

# Brokers & Consultants

The most important  
thing you should know  
about your broker...  
s/he works for you!

# Broker/Advisor to the H&W plan:

- Should be knowledgeable of funding mechanisms
- Should negotiate rates for premiums
- Should understand how the plan operates
- Should know plan design issues
- Should provide timely information

# Working Together

Labor and management should consider these questions and judge for themselves:

- Are they selling a product or service?
- Are they working for labor and management to achieve the goals and objectives of both parties?

# What do Insurance Companies look at when providing district quotes?

## *Underwriting Guidelines*

Four basic principals to health plan underwriting:

1. Young Participants
2. Old Participants
3. Well Participants
4. Sick Participants

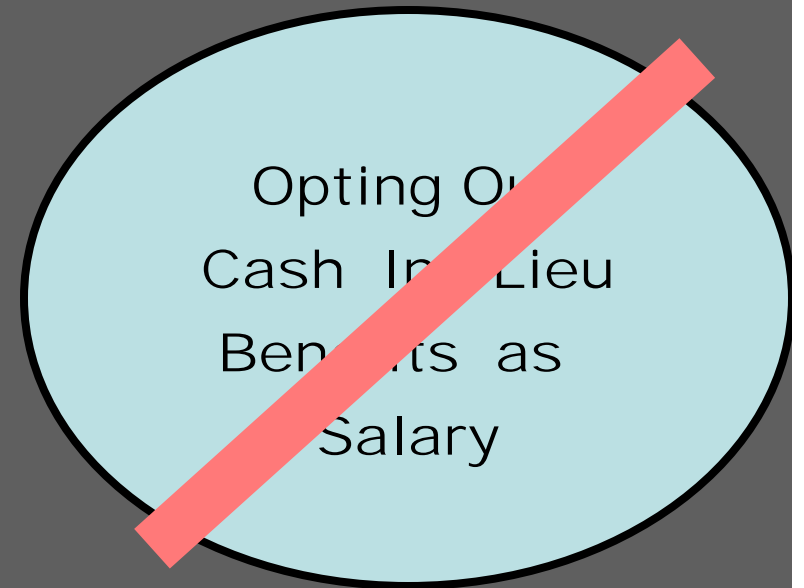


If you upset the cart, it will crash!

# IMPORTANT!

- Everybody gets Health Insurance not a dollar amount for HB!

– Opting out causes adverse selection



# DEFINITIONS

- **OPTING OUT:** *Allows employees to determine whether to participate in the health plan. Certain conditions may apply before employees are allowed to opt out. Alternate compensation may be provided to employees who opt out.*
- **ADVERSE SELECTION or IMPACT:** *The negative impact experienced by an employer's health plan when a significant number of persons with expected medical needs within the covered group select coverage which is favorable to themselves and detrimental to the plan.*

# What's the Attraction?



## EMPLOYEES

- Opportunities to select options to meet their personal need(s)
- Those who can access health coverage elsewhere can now receive additional compensation for doing so
- Additional opportunities to save for retirement
- Higher take home pay

## EMPLOYERS

- Get out of the health care business
- Ability to show higher salaries in comparison to neighboring districts
- Spend less on health care/total compensation package
- Limit the number of plans offered/Eliminate specific plan(s)

IMPORTANT!

OPTING OUT



Thank you!