



Self-Insured Health Insurance Fund (“HIF”)

Insurance Do’s and Don’ts

New Jersey PRIMA Webinar

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Today's Discussion Topics

- ▶ A brief history of **Health Insurance Funds (HIFs)** in New Jersey
- ▶ The benefits of membership in a HIF from a **municipal perspective**
- ▶ Impacts of **collective bargaining** on the costs of health insurance
- ▶ Innovative programs that provide savings for employees and municipal employers – “**win-win**”
- ▶ Implementing an **Employee Wellness Program** in a HIF

Health Insurance Funds (“HIFs”)

- ▶ What is it?
 - ▶ A HIF is a health insurance pool of New Jersey public entities
 - ▶ There are currently 8 HIFs serving nearly 72,000 employees and their family members from more than 240 public entities across the State
 - ▶ 122 municipalities, 110 schools/Board of Education and 9 authorities
 - ▶ The first HIF, BMED, was started 29 years ago
 - ▶ Modeled after the highly successful JIF program
 - ▶ Shared services—a pool allowing public entities to give choice and value to employees while delivering savings for members
 - ▶ Owned and governed by its members



Benefits of HIF Membership

- ▶ Member entities have a “seat at the table”
 - ▶ Management and control by its members
 - ▶ Policy decisions, budget review and approval, cost containment, claims appeals, implementing programs
 - ▶ Example, Commissioners from each of BMED’s 32 entities (representing 2,000+ employees) elect its 7 member Executive Board
 - ▶ Monthly meetings are open to the public
 - ▶ Subcommittees formed including Strategic Planning and Employee Wellness
- ▶ Active involvement and support from local risk managers
 - ▶ Risk managers have extensive experience and understanding of local needs

Benefits of HIF Membership

- ▶ Member entities make the rules and design flexible plans
 - ▶ Member entities can duplicate existing plans or customize plans based on specific needs
 - ▶ “Equal to or better than...” – match plans
 - ▶ No set menu of plans
 - ▶ Billing flexibility
- ▶ High quality providers chosen by member entities
 - ▶ Providers are engaged in discussions and problem solving

Benefits of HIF Membership

- ▶ Cost Control
 - ▶ Fixed costs significantly lower compared to State Health Benefits or commercial plans
 - ▶ Low overhead
 - ▶ Very high percentage dedicated to claims costs
 - ▶ Shared services approach gives HIFs leverage to secure favorable pricing
 - ▶ Prospective member entities are critically evaluated by Fund Actuary to determine eligibility
 - ▶ Contrast SHBP “open door” policy
 - ▶ Members benefit from cost control and collective claims experience, while claims experience of members is also part of actuarial process
 - ▶ Contrast SHBP “one size fits all” premium increases



Benefits of HIF Membership

- ▶ Savings and Dividends
 - ▶ Self-insured structure and member-owned design has led to stable and predictable premium rates over time
 - ▶ Surplus dollars are owned by the member entities, not the insurance carriers
 - ▶ From surplus, dividends are paid to member entities
 - ▶ Example, average BMED increase net of dividends over past 5 years is **0.37%**.
 - ▶ Even with substantial dividends being paid out (over \$19 million in the past 6 years alone), BMED has a healthy (and growing) surplus.

Medical Costs

Analysis of Savings 2020



Employee Contributions
\$285,485

Average contribution is 15% of premium

Share the Savings
\$4,143

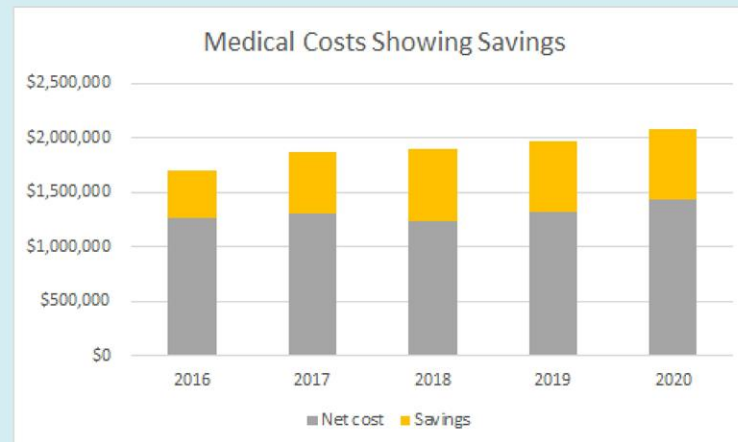
Savings from "win win" Share the Savings Program

BMED Dividend
\$115,785

Average BMED Dividend in last 3 years is \$128,744

Savings from Payments In Lieu
\$314,449

15 Employees receiving payments in lieu of medical and/or dental insurance coverage



Total Costs
\$2,085,279

Less Savings
\$719,862

Net Cost
\$1,365,417

35% SAVINGS

Collective Bargaining Impacts

- ▶ Cost control from a municipal perspective
- ▶ How can we effect cost control when health insurance changes are subject to collective bargaining?
 - ▶ “Equal to or better than”
 - ▶ Provide for more flexible language in the CBA (good luck)
 - ▶ Must be able to match OR provide attractive alternatives
 - ▶ SHBP and commercial carriers are not able to do either
 - ▶ Individual entity self-insurance plans are, by their nature, susceptible to instability and uncontrolled rate fluctuations
 - ▶ HIFs provide the flexibility to match or provide innovative alternatives



Innovative Cost Control Alternatives

- ▶ Making the move to High Deductible Health Plans (HDHPs)
 - ▶ Future of municipal cost control in municipal market
- ▶ Lower premiums lead to savings to employer and employee
 - ▶ Chapter 78 contributions give employee “skin in the game”
- ▶ Savings from lower premiums alone are not enough to win over employees
 - ▶ Need to provide incentives from employer and insurer
- ▶ Well-structured incentives will result in “win-win-win”
 - ▶ Employee, employer and insurer
 - ▶ Enough savings to go around

Innovative Cost Control Alternatives

- ▶ Keys to well-structured incentives
 - ▶ Contributions from employer and insurer
 - ▶ *Why would they contribute?*
 - ▶ Must be “Run Spot Run”
 - ▶ Fear of change and fear of worst case scenario is very real
 - ▶ Contributions directly to Health Savings Account, if permissible
 - ▶ Consult your attorney
 - ▶ Make the math easy
 - ▶ Stay away from “Share the Savings” formulas
 - ▶ Cover the Maximum Out Of Pocket (“MOOP”) if possible
 - ▶ Contributions up front to minimize impacts of deductibles
 - ▶ Effective presentation
 - ▶ It’s about the math but don’t forget other HSA benefits

Employee Wellness Programs



- ▶ Self-governance gives ability to implement programming based on what members want
- ▶ Employee Wellness programs – another “win-win-win”
 - ▶ Properly structured Employee Wellness program effects individual and cultural change
- ▶ HIFs can customize program to meet cost containment objectives
- ▶ Small investment can go a long way
- ▶ HIF resources are uniquely suited to supporting HIF member needs
 - ▶ Health care provider contacts
 - ▶ Risk manager relationships
 - ▶ Can leverage combined purchasing strength with health and wellness vendors

Employee Wellness Programs

- ▶ BMED Employee Wellness Program
 - ▶ Member entities can receive grants to be used to fund employee incentives
 - ▶ Employee Wellness does not work without employee incentives
 - ▶ To receive grant, entity program must include:
 - ▶ Annual physical exam including a biomedical screening
 - ▶ Semi-annual dental cleanings
 - ▶ Ongoing program of information and education
 - ▶ Employee incentive program
 - ▶ Appointment of Wellness Ambassador
 - ▶ Budget match
 - ▶ Must provide BMED with program performance data

Employee Wellness Programs

- ▶ BMED provides
 - ▶ Services of BMED Wellness Coordinator
 - ▶ Online newsletter
 - ▶ Access to speakers on health and wellness subjects
 - ▶ Detailed health-related data for use by member entities in designing their programs
- ▶ HIF provides the ability to develop, implement and fully customize programming
 - ▶ Provides the needed flexibility for implementing innovative programming

Conclusion

- ▶ Health Insurance “DO”
 - ▶ For municipalities, schools or authorities
- ▶ Get a quote from a HIF
 - ▶ While we all know that its about the math (must be competitive), don’t forget about all of the additional advantages of HIF membership
 - ▶ Join the growing number of public entities that enjoy the benefits of HIF membership

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Call me or email me anytime

