2012 Health Benefits

Insured Health Plan vs

Self-funded health Plan

Insured Health Plan

- Employer pays fixed amount monthly to insurance company regardless of actual claims costs
- Insurance company pays all claims for each member based on agreed set of benefits
- Insurance company takes all the risk

Self-Funded Health Plan

- Employer contracts with third-party administrator (TPA) to pay health claims using their discount and provider agreements
- TPA pays claims and submits totals to employer for reimbursement
- Employer reimburses TPA for actual claims costs and pays small administrative fee
- Employer takes risk that (a) utilization may be higher or lower than projected and (b) that health care cost trend may be higher or lower

Reserve Fund

- A reserve fund, adjusted annually, allows the employer to avoid volatility that can include significant month to month or year to year variation in paid claims based on:
  - Employee utilization
  - Work schedules of claims processors
  - Billing practices of healthcare providers
  - Occurrence of large claims and hospitalizations
  - Economic conditions
  - Benefit design changes

City Reserve Fund for self-funded Health Care Plan

- Self-funding all health benefits in 2012 creates a much greater risk for the City
- The reserve fund will account for unanticipated volatility in the health benefits and workers compensation accounts
- DER will work with Budget Office to prepare resolution for Finance and Personnel regarding this issue