1. **In a nutshell, what does it mean to be self-insured?**

   Being self-insured means that rather than paying an insurance company to pay medical, dental and vision claims, we pay the claims ourselves, using a third-party administrator to process the claims on our behalf. Rather than sending our money to an insurance company, the money stays in our budget and is controlled by the city. The insurance coverage itself does not change. The method we use to pay for claims changes.

2. **What are the primary reasons the city is considering going from a fully-insured health plan with PacificSource to a self-insured program?**

   The advantages of being self-insured are cost savings and control of the insurance plan. It’s estimated that 17 to 20 cents of every dollar paid to a health insurance company goes to administration, overhead and profit. (The Affordable Care Act will limit that to 15 cents on the dollar.) A self-insured plan can offer the *exact same insurance* for lower administrative costs and no profit. It is simply less expensive to offer the *exact same insurance* through a self-insured plan than through an insurance company. We estimate the first-year savings under a self-insured plan at $200,000 to $600,000, but how much we save will depend on actual claims experience.

   Self-insurance also gives us far more control in terms of benefit design and cost containment than private insurance. An employee health benefits advisory committee would make recommendations about the mix and design of benefits rather than a private company (in another city) with no stake in the City of Ashland other than to profit from us. Right now, our insurance company could change the mix of services covered (and raise our premiums) and we would find ourselves in a take-it-or-leave-it position. We could seek a different insurance provider, but with few to choose from in the Rogue Valley, there would be no guarantees that we could get the same (or even a similar) plan at a reasonable cost. With self-insurance, we own the plan and we decide on changes to the coverages.

3. **How would this change impact employees?**

   It has a positive impact on employees by giving them a direct voice in the design of the health insurance plan and a direct influence over the fiscal integrity of the plan. Because the coverage itself would not change, at least until the employee advisory committee recommends changes, employees will not see a change in coverage.

4. **When we changed from Blue Cross Blue Shield to Pacific Source, my prescription out-of-pocket costs went up or down because the two plans had different drug tiers. Will I have the same issue if the city self-insures?**

   No, and this perfectly illustrates why it is better to be self-insured than to purchase insurance from an insurance company. When we purchase insurance, we are at the mercy of the insurance company in terms of coverages and plan structure. When we’re self-insured, we will own the plan and no one can change it but us, based on the needs and desires of the City and its employees.
5. Currently when I am referred to a new doctor, I check the list of PacificSource Preferred Providers to ensure my doctor is on the list. If the city goes to self-insurance what “list” will I need to refer to? We’ll stick with the same list of preferred providers we currently use.

6. If for some reason I was denied coverage for a particular procedure, who would I appeal the denial to?
An appeal would first go to the third party administrator. If an employee was not happy with the outcome of that appeal, it is typically appealed to the plan administrator, which in our case would be the city administrator. Some employees have expressed concern about sharing personal health information with the city administrator, so we can certainly look into having the option of appealing to a hired hearings officer (although I’m not sure why that’s preferable to appealing to someone with a direct stake in the health and happiness of the employee).

7. I’ve heard people say that self-insurance gives the city more flexibility with our plan, but I’m not sure what that means, can you explain? As a self-insured entity, we have a virtually unlimited ability to change the mix of coverages, to add or delete benefits, to change the balance of co-pays and deductibles, etc., depending on our employees’ needs and desires. Of course, none of this is done without a recommendation from the employee benefits advisory committee. When a small group such as ours purchases insurance, the insurance company will typically not tailor a plan to our specific needs and desires. It’s on “off-the-shelf” product that we buy as is, although insurance companies will often lower their premiums in exchange for higher deductibles.

8. The City has had good claims experience over the past few years. What would happen if suddenly we had a year of bad experience? Our charges to the departments (which become our “premiums”) and the employee premium contributions would increase, unless we have enough money in reserve to cover the increased cost. In that sense, self-insurance is no different than private insurance. If we have a bad year, the insurance company is going to raise our premiums and it’s unlikely those premiums will ever go down. As a self-insured entity we will have to do an annual actuarial study to determine the value of full family, employee-plus-one, and single-person coverage. Those values will provide the basis for determining employee premium contributions.

However, if we’re self-insured, the employee health benefits advisory committee has the option of recommending a re-calibration of the plan to hold costs down. Too, the money that would be the insurance company’s profit instead stays in a health benefits reserve
fund. (We are required by law to maintain a certain level of reserves.) If the reserves become large enough during the good years, they can be used to keep charges down after the bad years. With private insurance, we have no reserve fund. Again, any money not used to pay claims becomes the insurance company’s profit.

In addition, the City will purchase individual and aggregate stop-loss insurance, which covers claims over and above a certain level.

9. If I’m out of state, or in Mexico, would my benefits be the same as if I were in Ashland?
Whatever the plan currently provides for out-of-state or international coverage is what would be provided under a self-insured plan unless coverage is changed pursuant to a recommendation of the employee health benefits advisory committee.

10. Now when I have a question about my coverage or a claim, I contact PacificSource customer service. If we were self-insured, who would I call with questions?
You would contact the third-party administrator, which may well turn out to be PacificSource customer service. It’s interesting to note that in addition to providing insurance, PacificSource provides third-party administrator services to self-insured entities and the quote they have given us for that service is very favorable. Going with PacificSource would also allow for a very easy transition for claims administration.