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How Benefits Decisions Impact Risk Management

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Disclaimer

- The information provided in this presentation is based upon the education and experience of the presenters – more than 50 years of combined experience in municipal government risk management and human resources.
- Information may be based upon opinion unless a source is cited.
- The opinions expressed herein may not reflect the opinions of the City of Kingsport or Sherrill Morgan.
- It is always best to consult an attorney if there is any question regarding the legality of any program in your area.

Questionnaire

- For each situation that applies to your entity, give yourself one point:

1. Self-fund or carry large deductible in workers compensation
2. Self-fund or carry large deductible in liability coverage
3. Self-fund or carry large deductible in health insurance
4. Health Insurance has a high deductible ($1,000 +) before any coverage
5. Health Insurance has high co-pays ($50+) and a large deductible ($800+)
6. Sick leave and vacation or PTO equals 10 or fewer days annually
7. No Short Term Disability insurance available or inability to amass sick/PTO for future use
8. High utilization of sick leave/PTO or short term disability
9. No Dental or Vision care
10. EAP not available or limited in coverage
11. Mental Health viewed as embarrassing in your entity
12. Your entity does NOT run FML concurrently with Workers' Compensation
13. As a general rule, employees feel devalued by leadership
14. You are seeing a spike in Workers' Compensation claims, Liability claims or Family Medical Leave requests

8-14	You may be in danger!
4-8	Start evaluating data for similarities or root cause
1-4	Great – you are staying on top of things!
0	Get up here and help teach this session!!!

Employee's Perspective

- Often, public entity employees are not highly compensated
- Leadership focused on growing tax base/citizen offerings, not employees
- Save money by deferring treatment or not taking medication
- Can't afford to eat healthy
- "Guys in the shop" don't understand and/or support mental health
- By the time I have benefits deducted from my paycheck, I can barely afford to feed my family
- I cannot afford to retire so I will work manual labor beyond my physical ability
- Why should I stay here if they don't value me?

Leadership Perspective

- Working here is a solid career
- Benefits already cost more than 40% of payroll
- Can’t keep up with rising costs if we don’t increase revenue or cut expenses, yet still have to provide basic services
- Our benefits are in line with others in the area
- Younger employees are not going to stay anyway, so why bother?
- Older employees are so invested in potential retirement advantages, we don’t need to do anything to retain them

Fully Insured

- As claims grow, so does premium
- Some companies will value entire program on one or two large claims
  - For Health Insurance:
    - 50 or fewer, community rated
    - 50 – 100, group rated
    - 100 +, based on your actual claims data (could be beneficial to be self-funded)
  - For WC/Liability – generally based on your claims history, with national norms figured into the equation
- Any on-line access to your claims data should be downloaded every month (accumulators, claims data, large claims, prescription costs, etc.)
  - Allows employer to have data needed for new RFPs
  - Make sure to look at Insurance Companies, TPAs, stop loss carriers
  - Helps identify claims trends and determine a plan of action

Self Funded

- Entity on hook from day one – legally responsible to pay claims
- Reinsurance based on regional/national perspective, plus potential increase for your particular history and exposure
- Generally set up in separate funds, in different departments, so no one is tracking the whole picture (NOT Health)
- Funds have reserves – easy to budget from reserve in lean years
  - Establish a reserve policy, if possible
  - Back it up with actuarial analysis
  - Include IBNR and Claims runout considerations
- Any on-line access to your claims data should be downloaded every month (accumulators, claims data, large claims, prescription costs, etc.)
  - Allows employer to have data needed for new RFPs
  - Make sure to look at Insurance Companies, TPAs, stop loss carriers
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Results

- Employees who delay care or forego medication may:
  - Cause overall health claims to worsen if individual's condition worsens
  - Have a workers' comp claim
  - Cause a liability claim
  - Produce less
  - Have bad attitudes
  - Miss work more often, with other employees picking up the slack, which can lead to frustration between employees and lowered morale or infighting
  - All could realistically be unintentional
  - Of course, all could be intentional

Follow Money and Frequency

- Are more dollars spent in musculoskeletal claims in workers' comp than before? More claims being filed?
- Are more health insurance claims being filed on mental health benefits? PTSD Worker's comp claims?
- Has there been a slowdown or increase in numbers of medications filled? Specialist's visits? Can we determine a cause?
- Is there an increase in cost of specialty medications?
- Do you have data on the number of employees you have with specific diseases? Example: Diabetic medication and supply costs have skyrocketed in recent years. How many employees/dependents has this impacted?
- Is there an increase in liability claims caused by inattentiveness? Are claims occurring due to employee physical failure?

What to Do?

- Discuss with impacted departments the trends you see in your entity to determine how all programs interact
  - Are there similarities and/or overlap?
  - Mine data on all fronts and compare
  - How is our turnover? Is any one department seeing excessive turnover?
  - What do folks say in the exit interview?
- Ask TPA/ASO, reinsurer, benefits consultant, plan administrators to review your data as well. How do you compare to their book of business? Do they have ideas for you to consider?
- Go to your best internal sources (not leadership). What do they hear?

Develop a plan

- Work with impacted departments to determine a path forward
- What areas can we control and manage?
  - Pooling?
  - Trusts?
  - Captives?
  - On-Site Medical clinic?
  - Direct Contracting?
  - Administrative Changes – Fully insured to Self Funding; TPA/ASO changes
  - Make sure any RFPs and Contracts are effectively drafted to obtain services you want
  - Informing your employees in a manner they can accept and understand
- Short term changes and long term changes
- Review the Plan with routine follow up



Questions?