



To: Governmental Official

Re: A solution to rising health care costs

Municipal, county and school district budgets throughout Pennsylvania continue to be plagued by rising health care costs leaving governmental entities with a host of unpleasant choices: reduce benefits, raise taxes, assume more risk or switch to some new and unproven carrier looking to expand market share with reduced rates. With annual double-digit rate increases being the rule rather than the exception, the South Central Assembly (SCA) began looking for solutions to containing health insurance costs for its membership in the eight-county region.

After careful evaluation, SCA recently partnered with the Delaware Valley Municipal Management Association, LLC (DVMMA) to launch three non-profit governmental health risk pools in the south-central Pennsylvania region. Collectively called the Central Pennsylvania Health Insurance Trusts (CPHIT) ("See-FIT"), there will be one pool each for counties, municipalities and school districts. DVMMA has a 12-year history in managing a 60-member local government health pool in southeastern Pennsylvania called the "Delaware Valley Health Insurance Trust" (DVHIT). That program covers 10,000 employees and dependents, and more than 95% of the municipal participants opt to renew with the program each year. DVHIT has held average rate increases to less than 6% for each of the past 4 years.

The goal of CPHIT is to provide its members with this same level of rate stability without compromising benefit levels -- and yet still offer several plan enhancements. CPHIT will provide total plan flexibility, matching the current benefit levels of any commercial plan, yet doing so at reduced rates. SCA members choosing to participate in the new health pools will see immediate rate reductions ranging from 3 to 5% for a matching plan design. In addition, based on the experience in southeastern Pennsylvania, Trust members can expect to see more modest rate increases going forward -- well below the typical industry increases of several times inflation.

### **Benefit Plan Structure & Costs**

CPHIT offers a complete range of medical plans (HMO, QPOS, PPO and Indemnity), fully customized to meet the needs and interests of the member. Participants design their own benefit plans and coverage parameters. Each Trust will maintain current rate structures and offer guaranteed rates, with no end-of-the-year adjustment.

As the cost of health insurance escalates, many carriers are forcing groups into more restrictive plan designs. CPHIT is able to support any range of plan designs, and will not discontinue plans or impose unilateral changes which may compromise relationships with employees or unions. For most applicants, the Trusts will meet or exceed current commercial coverage at lower costs. Side-by-side coverage comparisons with current programs are available upon request. The Trusts will accept partial group enrollments.

At no additional charge, standard coverage enhancements include the following:

- ❖ Fitness reimbursement program for employee and spouse
- ❖ Vision benefits built into the medical coverage
- ❖ An Employee Assistance Program through Human Management Services
- ❖ Full access to Health Advocate™, a care facilitator for employees, dependents and family members
- ❖ A comprehensive Member Wellness Initiative
- ❖ COBRA Administration
- ❖ Ancillary Lines program providing discounted rates on life and long term disability coverage

### **Risk Financing Advantages**

CPHIT is working towards a long-term solution to healthcare financing. The Trusts' risk sharing model offers a number of advantages, including:

- ❖ Excess funds are returned to the membership. A rate stabilization fund (RSF) allows each member the option of applying credits to monthly premium, thereby reducing payments. A unique aspect of the RSF is that members have the choice of rolling credit balances over to future years. In effect, the RSF allows each member the discretion of choosing the most opportune time to apply its own rate relief. The Trusts will add interest to any rolled over balance.
- ❖ As a non-profit, tax-exempt organization, the Trusts' expense ratio is well below commercial fully insured or self-insured programs.
- ❖ Investment income accrues only to the benefit of the membership.
- ❖ Improved control of health insurance premium dollars, products, services and management.
- ❖ The ability to unbundled components of the plan (reinsurance, prescriptions, etc) in order to take advantage of more competitive alternatives.

### **Networks**

CPHIT contracts with health networks for access to provider discounts through each of the three trusts. Subscribers will receive the provider networks' ID cards. The Trusts can provide an analysis to show a high percentage overlap in provider participation between the Trusts' service providers and current commercial carriers. The Trusts also contract with the insurers for claims processing services and reinsurance support.

### **Ancillary Lines**

CPHIT has an exclusive fee-limited partnership with The Standard Insurance Company for providing Group Life and AD&D, Long-term Disability and Short-term Disability coverage. The Standard has a strong public sector profile, and by leveraging the buying power of the Trust, we can offer preferred pricing and coverage enhancements. Premium savings will range between 10% and 20%, and the package includes multi-year rate guarantees.

## Service

Customer service is provided through staff with added technical support provided by dedicated teams at the contracted providers. When an employee calls the Trusts' office, they get immediate access to knowledgeable staff dedicated to the health program. For standard inquiries, we typically resolve the issue within 24 to 48 hours. For questions regarding treatment and care, staff may direct the patient or family member to Health Advocate™, a company designed to help navigate the health care delivery system.

Members must agree to join the program for a minimum of two years, although pools work best when members commit to work in consort with one another over a much longer term.

## Organization

*The Trusts are exclusively owned, managed and controlled by their governmental participants.* Each member appoints a trustee to the board of Trustees. The Board elects officers who serve on an Executive Committee. The Executive Committee meets with DVMMA staff regarding operation of the Trusts.

## Next Steps

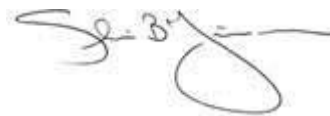
- ❖ Interested school districts, counties, municipalities, and authorities in the south-central PA region may contact Sherri Zimmerman at (717) 919-2482, or by email at [sherri@southcentralassembly.org](mailto:sherri@southcentralassembly.org).
- ❖ To answer specific health insurance related concerns, or to obtain a proposal, please call Rick Lee (267-781-0610) or Anna Linn (267-781-0605) at the Trust office, or by email at [rlee@dvit.com](mailto:rlee@dvit.com) or [alinn@dvit.com](mailto:alinn@dvit.com)
- ❖ To obtain a quote, we will need the following information:
  - Copies of current invoices from medical, prescription drug and dental providers
  - Copies of current plan summaries
  - A current employee census

We are available for presentation or Q&A sessions before any board, committee, staff or employee group. Our office strives to provide superior service to Trust members.

Very truly yours,



Richard J. Lee, CPCU, ARM  
Administrator



Sherri B. Zimmerman  
Executive Director

