

Public Entity Healthcare Consortiums

The successful creation, operation and growth of a public entity consortium is a challenging but rewarding experience for consultants, and offers a number of advantages for the public entities themselves. We have worked for over twenty years with such consortia. Ohio has very favorable regulations regarding public entities pooling together for employee benefits through O.R.C. 9.833 and O.R.C Chapter 67. More than 60% of public entities in Ohio take advantage of these benefit programs.

Flexibility

Public entity consortia can take advantage of the flexibility that self funded plans offer. Some consortiums do not sell a plan of benefits but rather a funding approach. Individual employers have the freedom to design the benefit plan (or plans) that best fit their unique needs and can adjust these plan offerings as needs change. This is especially important when working within collective bargaining arrangements.

Cooperation

Self-funded consortiums allow member organizations to gain purchasing power on par with that of much larger organizations by combining with other like organizations.

In an allocated balance model consortium, an individual member organization's claims experience is partially pooled with that of other members to provide greater stability for each member organization. This is accomplished by using credibility factors based on the individual member organization's size.

Group purchasing of administrative services, network access fees, pharmacy benefit manager fees and stop-loss insurance has allowed us to keep these expenses at approximately one third of those seen in a traditional fully insured arrangement.

Involvement of key decision makers within each member organization is critical. Membership meetings are held on at least a quarterly basis and participation is near 100 percent. These meetings allow for an open sharing of ideas between organizations. An ongoing review of both successes and failures helps to define future initiatives for the member organizations within the consortium. Continuing education is a must as this is a concept not a product.

Stability and Predictability

Cash flow stability and predictability is of utmost importance to public entities. This is accomplished by the use of level funding factors. In good years, excess funding stays within each member's allocated balance account. If the account balance grows beyond the amount required by the consortium's funding guidelines (IBNR plus a claims fluctuation surplus), the member organization may apply for a funding moratorium. In bad years, a supplemental increase to the funding factor allows the group to replenish the deficit but still maintain a level funding approach.

The use of an internal pool which operates at a significantly higher tolerable loss ratio than traditional stop-loss helps to protect the member organizations' account balances from the effect of large claims. Varying levels of internal pool deductibles are available. Obviously, larger organizations are able to

accept more per claimant risk and, therefore, may want an internal pool deductible of \$100,000 or more, while smaller entities may participate at deductible levels as low as \$35,000.

Traditional stop loss is in place at a high deductible level to protect the integrity of the internal pool.

Transparency

There cannot be any secrets or surprises! This is the member organizations' consortium and they need and deserve the appropriate data to make good business decisions. All member organizations receive detailed monthly reports which show all income and disbursements from their respective balances.

Innovation

Properly managed group purchasing can help provide the most cost-effective acquisition of administration, network discounting, pharmacy pricing, etc., but it cannot in itself reduce the number and severity of claims. A well-run consortium allows members to share best practices in the areas of wellness, disease management and consumer engagement. We have spent a tremendous amount of time and effort in these areas and the results have been exciting.

For a complete review of your current employee benefits or to discuss the consortium concept, contact Kent A. Miller, Miller-Lewis Benefit Consultants at 740-654-4055.