THE PROCESS OF SETTING UP THE CENTRAL WISCONSIN (INSURANCE PURCHASING) COOP

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October 30th & 31st, 2017
WI Rural School Alliance
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- Wisconsin Rural School Alliance (WiRSA)

FREEDOM TO MOVE FORWARD
GOAL OF OUR PRESENTATION

- To describe the general process and requirements for setting up an Insurance Purchasing Cooperative in Wisconsin. And to describe the rationale and processes used by two rural school districts to join the Cooperative.
AGENDA

- Introductions
- Coop Basic Information
- Auburndale’s Process
- Colby’s Process
- Questions and Open Discussion
M3 COOP EXPERIENCE

Northwest Area COOP
- Washburn, Polk, Barron, Dunn

Northern School District Trust
- Bayfield, Ashland, Price

Lakeland COOP
- Oneida

CESA #8
- Florence, Marinette, Oconto, Shawano

Door Kewaunee COOP
- Door, Kewaunee, Brown, Manitowoc

Marathon COOP
- Marathon, Portage

Central WI Area COOP
- Lincoln, Taylor, Clark, Wood, Adams

Quad County Consortium
- Marquette, Green Lake, Fond du Lac

Waukesha Area COOP
- Dodge, Washington, Ozaukee, Waukesha, Milwaukee

Walworth County COOP
- Jefferson, Rock, Walworth, Racine, Kenosha

CESA 3 COOP
- Vernon, Crawford, Richland, Sauk, Grant, Iowa, Dane, Lafayette, Green

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DEFINITION OF A COOPERATIVE

Consortium
A group of businesses or organizations that join together in both the private and public sectors. Allows groups that would typically self-fund or purchase commercial policies to pool resources in order to obtain better rates.

Cooperative
An association that is owned and operated by its members. The goal of a cooperative is to act on behalf of a unified group. Profits and earnings generated by the cooperative are distributed among the members.
COALITIONS, COOPS, AND CAPTIVES

Step by Step Progression

Individual District  →  COOP  →  Trust

Coalition  →  Captive
COOP MUST MEET LEGAL REQUIREMENTS

A health benefit purchasing cooperative must be designed so that all of the following are accomplished:

- Members are better informed about health care trends and costs.
- Members receive health insurance under a single group plan.
- Members are actively engaged in designing health care benefit options that meet the needs of the community.
- Health insurance risk is pooled among the members.
- Members actively participate in health improvement decisions for the community.
COOP MUST MEET LEGAL REQUIREMENTS

The bylaws for a health benefit purchasing cooperative:

- Must be organized on a membership basis with no capital stock.
- Must set forth membership criteria.
- May charge a membership fee.
- The membership criteria must be filed with the Office of Commissioner of Insurance (OCI).
- The health benefit purchasing cooperative required reports
5 STEPS TO BECOMING A COOP

1. Plan Designs Agreed Upon
2. Prepare and Review Health Insurance RFP Process
3. Formation of Exploratory Committee*
4. Negotiation with Carrier over contract terms
5. Development of Bylaws and filing of bylaws

*This exploratory committee would be established by an intergovernmental agreement between the parties to create a task force to consider the idea and select an insurance consultant.

FREEDOM TO MOVE FORWARD
FORMING A LEGAL COOPERATIVE IN WISCONSIN

PROS

- Additional purchasing power by being part of the large buying group
- Attractive to insurance carriers
- Should create more renewal stability as buying group gets larger; as one large group, creditability is increased exponentially. This provides future health insurance rate stabilization. This translates into lower, overall premium costs on a long-term basis
CONS

- Must have bylaws that force a minimum initial commitment from each member moving forward with co-op, typically 3 years, with an early termination surcharge.

- Working to get that many school officers and school boards on the same page takes a lot of effort.

- Trying to come up with a product portfolio to meet everyone’s needs, can be challenging.
AUBURNDALE SCHOOLS – JOINING THE CENTRAL WISCONSIN COOP

Dr. Bill Greb

October 30th & 31st, 2017

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INSURANCE – IT’S A NUMBERS GAME

- With the Co-op purchasing program, you have more:
  - Numbers
  - Security
  - Ability to negotiate with the Insurance Company.
INSURANCE – IT’S A NUMBERS GAME

- A single high-cost cancer patient can “kill you”!
  - This type of claim can dramatically increase your medical claim payments for a small school district!
  - Note this type of claim is an issue even if this patient might only have one year or less to live!
INSURANCE – IT’S A NUMBERS GAME

- **Past Experience**
  - Insurance Companies will raise rates with bad experience...
  - However, you never get those premium increases back when your claims are good!
  - (Especially if you're a small district!)
AGING FACULTY AND AGING SPOUSES

- Many small school districts, including our own, are dealing with an aging faculty and aging spouses
  - One example might be a serious heart condition
  - Even a school the size of Auburndale could have five such claimants
INSURANCE COMPANIES DON'T LOSE MONEY

- It's very simple: it's a numbers game!
OUR COOP EXPERIENCE

Our first year in the Co-op:

- Moved out of an HRA into an HSA
- Held premium increases well below what had been projected
  - We were projected to have a 12% to 20% increase
- We achieved less than a 1% increase in the first year
OUR COOP EXPERIENCE

- Guaranteed for the second year
  - Savings came with a guaranteed 9% not-to-exceed increase for the second year
  - Compare that to the 20% increase that was pending for us in year one
COOP BENEFIT PLAN OPTIONS

- Costs were $76,631 less in the second year.

- Coop - Lots of Benefit Plan Options
  - With the change to the co-op, our faculty had lots of benefit plan options to choose from.
    - One concern was that there was a change to a much narrower network
    - Move to narrow network seems OK with the faculty
COOP BENEFIT PLAN OPTIONS

- Narrow Network
  - Most of our faculty members are 10 minutes away from Marshfield. So the narrow network is not a problem.
COLBY SCHOOL DISTRICT - JOINING THE CENTRAL WISCONSIN COOP USING AN INSURANCE COMMITTEE

Dr. Steve Kolden

October 30th & 31st, 2017
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INSURANCE COMMITTEE PROCESS

- Our decision to join the co-op was driven by our Insurance Committee process
  - Consensus driven group
  - All their decisions have been arrived at by consensus
  - Still have not had to submit anything for a “vote”
INSURANCE COMMITTEE PROCESS

- Board’s responsibility
  - Not to select an insurance plan, but rather,
  - To provide a comprehensive benefit plan,
  - At a fiscally responsible price

- Our Insurance Study Committee really got started with the implementation of Act 10
PAST HISTORY

- Prior Plan
  - $20 office visit copay plan
  - Annual Family Premium over $28,000.
  - Details written into Labor Agreement
  - Very contentious situation between Teachers and the Board.
BOARD PROCESS

- Board agrees to set up a “global” health insurance budget of $2.2 million,
  - Vs $3 million anticipated cost with the previous plan
- Turns over the decision-making process for the plan design to insurance committee
INSURANCE COMMITTEE PROCESS

- Committee works within the budget
  - Savings = Amount realized by the Insurance Committee’s changes

- Any savings under the budget are carried forward.
- Any amount spent over the budget amount must be recouped by the committee the following year
PLAN SPECIFICS

- 2011: Committee recommends a move to $3000 / $6000 deductible HDHP
- The first $500 / $1000 of this deductible responsibility of employee
  - HRA instead of an HSA
  - The committee rationale - Unspent HRA dollars remained with District
SAVINGS FROM PLAN CHANGES

- Change resulted in total annual district budget of $2.25 million
- $450,000 **less** than district spent in 2010

Most importantly, the Board didn't "do it to them"
ANTICIPATED RATES
Prior Plan Premium X Actual Renewal Percentage Increases

- 2010-2011: $2,669,983
- 2011-2012: $3,019,750
- 2012-2013: $3,288,508
- 2013-2014: $3,571,320
- 2014-2015: $3,790,599
- 2015-2016: $4,359,188

FREEDOM TO MOVE FORWARD
MOVE TO THE CO-OP

- Security Health Plan aggressive bid 13.4% lower than current cost
- WEA matches the 13.4% decrease.
MOVE TO THE CO-OP

- WEA request for matching bid:
  - District insure with them, *outside* of the co-op,
  - District ‘go direct’ / negotiate without services of current advisor
    - *Advisor is also the advisor for the co-op.*
Committee discussed the “Why” behind WEA's offer.

Talked with staff about the difficult issues involved:
- Switching insurance companies
- Move to a narrow network
COMMITTEE COMMUNICATION

- Committee Members Consensus:
  - Next 6 to 9 months - WEA proposal would be better
  - Next 1 to 3 years - Cost about the same
  - 3\textsuperscript{rd} year and beyond – Potential of Co-op advantages
COMMITTEE COMMUNICATION

- Committee Members Questions:
  - If the district did not make the move to the coop now, would coop option still be available at more expensive years?

- Noted that we would be geographically surrounded by 12 co-op member school districts
Question from the Committee:

- Would co-op option still be available for a school district...
  - That was trying to enter Co-op late, most likely,
  - With higher premiums, and,
  - Possibly, some significant, high cost medical conditions
RENEWAL PERCENTAGE INCREASES

- 2011-2012: 13.10%
- 2012-2013: 8.90%
- 2013-2014: 8.60%
- 2014-2015: 6.14%

FREEDOM TO MOVE FORWARD
ANTICIPATED RATES VS ACTUAL EXPENSE
CURRENT SITUATION

- Premium expense stability past seven years
- Premium and claims expense have both gone *down* every year
- Now our 5th year - Our trend continues to be very good
- Health insurance benefits / expenses now, always in front of employees
AFTER THE MOVE

- There is still some grumbling about the change, but not with the committee members themselves
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