A municipality’s solution for health insurance.

Presented to:
Indiana Advisory Commission on Intergovernmental Relations
August 23, 2012
The 12 Reasons

1. Mission
2. The Solution
3. Our Partners
4. The Goal
5. Our Experience
6. Our Fiscally Conservative Approach
7. Owners & Management
8. Regulations and Protection
9. Medical Plan Options
10. Other Coverage Options
11. Strength in Numbers
12. The Trust Team
Reason #1
Our Mission

The mission of the IACT Medical Trust is to improve the well-being and quality of life of municipal employees. The Trust offers financially secure, stable and cost-effective medical coverage with service of the highest quality.
Reason #2
The Solution – Working Together to Address a Big Problem

• Revenues are stagnant
• Employee benefit costs (medical, life, dental, vision, etc.) are the 2\textsuperscript{nd} largest expenditure
• Medical insurance trend continues to increase on the average 10-15\% per year
• Employers medical insurance cost have increased 114\% in the past 10 years (resource: Kaiser/HRET Survey)
• In 2011, the average cost per employee (blended) exceeded $10,000 per year
• Cities and Towns have a limited number of options in the short term:
  – Shop around for a better deal
  – Change your plan design to save money
  – Transfer more cost to your employees:
    • Employee contributions have increase 147\% in the past 10 years (resource: Kaiser/HRET Survey)
    • Employee wages have stagnated
Reason #3 The Partners

- City of Angola, January 2010
- City of Highland, January 2010
- City of Lafayette, January 2010
- City of Mishawaka, April 2010
- Town of Danville, May 2010
- Town of Fowler, June 2010
- Town of Cicero, October 2010
- City of Warsaw, November 2010
- Town of Avon, January 2011
- City of Bloomington, January 2011
- City of Connersville, January 2011
- Town of Georgetown, February 2011
- Town of Cloverdale, May 2011
- Town of Darlington, June 2011
- Town of Rockville, September 2011
- City of Greenfield, January 2012
- City of Monticello, July 2012
- City of Valparaiso, September 2012
Reason #4
The Goal

• Lower medical cost trend
• Provide stability and predictability
  – High quality plan designs that employees can depend upon
  – Financial Strength
    • Funding model- 100% of maximum cost
    • Development of reserves over time
Reason #5
Our Experience

Lafayette, Mishawaka, Highland & Angola actual results

<table>
<thead>
<tr>
<th>Year</th>
<th>IACT % Annual Premium Increase</th>
<th>UHC Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2010</td>
<td>24.1%</td>
<td>13.7%</td>
</tr>
<tr>
<td>2010</td>
<td>12.9%</td>
<td>13.3%</td>
</tr>
<tr>
<td>2011</td>
<td>9.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>2012</td>
<td>14.2%</td>
<td>13.7%</td>
</tr>
</tbody>
</table>

Red: UHC Trend
Blue: IACT % Annual Premium Increase
Reason #6
Our Fiscally Responsible Approach

Composition of Premium Equivalent Rates

Note #1:
• Fixed costs in a fully insured model range from 22-25%
• Fixed costs in a self insured model range from 15-20% of total

Note #2:
• If self insured are you funding to the maximum claim levels?
• Are you adding to your reserves for the claim run-out

Admin Fees
Agg. Corridor Liability
Pure Claims
IBNR

8.0%
8.6%
10.9%
72.5%
Reason #7
Ownership and Management

• The Trust is owned by participating members

• IACT municipal members are eligible to join subject to Trust underwriting guidelines

• The Trust is a separate legal entity from IACT

• Governed by a Board of Trustees
  – Quarterly Trustee meetings
  – Trustees are selected by participating cities and towns or appointed by the IACT Board of Directors
  – Trustees set policies and review the financial performance
  – Trust committees set day to day operational guidelines
  – Trustees and all vendors are subject to HIPAA standards of confidentiality
IACT Medical Trust Board of Trustees

• Trust Member Appointments (6):
  – Sue Essman, Angola, Human Resources Director
  – Michael Griffin, Highland, Clerk-Treasurer
  – Daniel Grundmann, Bloomington, Director Employee Services
  – Amy Roberts, Danville, Clerk-Treasurer
  – Tony Roswarski, Lafayette, Mayor
  – Dave Wood, Mishawaka, Mayor

• Appointments by the IACT Board of Directors (4):
  – Allan Kauffman, Goshen, Mayor and President of the Trust
  – Joseph Thallemer, Warsaw, Mayor
  – Larry Breese, Greenfield, Clerk-Treasurer
  – Brian Snedecor, Hobart, Mayor

• Other Trustees Defined in the Trust Agreement (2):
  – Matthew Greller, IACT, Executive Director
  – Gary Malone, Umbaugh, Partner (CPA Trustee Required)
Reason #8
Regulation and Protection

• The Trust is regulated by the Indiana Department of Insurance (IDOI).

• The Trust is certified and recognized by the IDOI as a Multiple Employer Welfare Arrangement (MEWA).

• The Trust purchases both specific and aggregate stop loss insurance protection
  – Limits annual claims cost per member to a maximum level
  – Limits total annual claims for the Trust to a maximum level of exposure

• Annual Financial Audit

• Trustee Fiduciary Liability Insurance Protection
## Reason #9
### IACT Medical Trust Plan Options

**6 PPO Options – 2 HSA Options – 1 HRA Option**

<table>
<thead>
<tr>
<th>Plan Highlights</th>
<th>$250 PPO (Plan A)</th>
<th>$500 PPO (Plan B)</th>
<th>$750 PPO (Plan C)</th>
<th>$1,000 PPO (Plan D)</th>
<th>$1,500 PPO (Plan E)</th>
<th>$2,500 HSA (Plan F)</th>
<th>$400 PPO (Plan G)</th>
<th>$3,500 HSA (Plan I)</th>
<th>$5,000 HRA (Plan J)</th>
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</thead>
<tbody>
<tr>
<td>Network Provider</td>
<td>In-Network</td>
<td>In-Network</td>
<td>In-Network</td>
<td>In-Network</td>
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<tr>
<td>Deductible</td>
<td>UHC</td>
<td>UHC</td>
<td>UHC</td>
<td>UHC</td>
<td>UHC</td>
<td>UHC</td>
<td>UHC</td>
<td>UHC</td>
<td>UHC</td>
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<tr>
<td>Individual</td>
<td>$250</td>
<td>$500</td>
<td>$750</td>
<td>$1,000</td>
<td>$1,500</td>
<td>$2,500</td>
<td>$400</td>
<td>$3,500</td>
<td>$5,000</td>
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<tr>
<td>Family</td>
<td>$500</td>
<td>$1,000</td>
<td>$1,500</td>
<td>$2,000</td>
<td>$3,000</td>
<td>$5,000</td>
<td>$800</td>
<td>$7,000</td>
<td>$10,000</td>
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<tr>
<td>Co-insurance</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>100%</td>
<td>90%</td>
<td>80%</td>
<td>100%</td>
<td>80%</td>
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<tr>
<td>Paid by Individual</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td>Out-of-Pocket Maximum**</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>(including deductible)</td>
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<td></td>
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<tr>
<td>Individual</td>
<td>$1,000</td>
<td>$2,000</td>
<td>$1,750</td>
<td>$2,500</td>
<td>$3,000</td>
<td>$2,500</td>
<td>$5,000</td>
<td>$4,500</td>
<td>$5,000</td>
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<tr>
<td>Family</td>
<td>$2,000</td>
<td>$4,000</td>
<td>$3,500</td>
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<td>$6,000</td>
<td>$5,000</td>
<td>$3,000</td>
<td>$9,000</td>
<td>$10,000</td>
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<td>Co-Payments (paid by individual)</td>
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<td></td>
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<tr>
<td>Office Visit</td>
<td>$20</td>
<td>$25</td>
<td>$30</td>
<td>$25</td>
<td>$30</td>
<td>N/A</td>
<td>$30</td>
<td>20%*</td>
<td>N/A</td>
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<tr>
<td>Urgent Care</td>
<td>$50</td>
<td>$75</td>
<td>$50</td>
<td>$75</td>
<td>$75</td>
<td>N/A</td>
<td>$50</td>
<td>20%*</td>
<td>N/A</td>
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<tr>
<td>Emergency Room</td>
<td>$100</td>
<td>$125</td>
<td>$100</td>
<td>$125</td>
<td>$125</td>
<td>N/A</td>
<td>$100</td>
<td>20%*</td>
<td>N/A</td>
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<tr>
<td>Inpatient Hospital</td>
<td>20%*</td>
<td>20%*</td>
<td>20%*</td>
<td>20%*</td>
<td>20%*</td>
<td>N/A</td>
<td>10%*</td>
<td>20%*</td>
<td>N/A</td>
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<tr>
<td>Lifetime Maximum</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
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<td>Unlimited</td>
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<tr>
<td>Prescriptions (paid by individual)</td>
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<tr>
<td>Tier 1</td>
<td>$5</td>
<td>$10</td>
<td>$10</td>
<td>$15</td>
<td>$20</td>
<td>N/A</td>
<td>$5</td>
<td>N/A</td>
<td>$10</td>
</tr>
<tr>
<td>Tier 2</td>
<td>$15</td>
<td>$20</td>
<td>$20</td>
<td>$30</td>
<td>$40</td>
<td>N/A</td>
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<td>N/A</td>
<td>$30</td>
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<tr>
<td>Tier 3</td>
<td>$30</td>
<td>$40</td>
<td>$40</td>
<td>$50</td>
<td>$60</td>
<td>N/A</td>
<td>$15</td>
<td>N/A</td>
<td>$60</td>
</tr>
</tbody>
</table>

*After Deductible  **Does not include any copay amounts
Reason #10
Other Coverage Options

• Basic Life/AD&D Options provided by Lincoln Financial Group
  – 4 Plan Options
    • Flat $25,000; Flat $50,000; 1 x Salary; 2 x Salary
  – One low rate
  – 2 Dependent Options (Optional)

• Dental Options provided by Cigna
  – 5 Plan Options
    • Deductible: $50/$150
    • Various Annual Maximums: $1500, $1000, $750
    • Ortho available

• Vision Options provided by Cigna
  – 2 Plan Options
    • Low exam/material co-pays
    • Frequency of service choice
Reason #11
Strength in Numbers

- Together we can be more effective and bring **more services** and **more wellness** expertise to members and their employees
  - Disease Management Services:
    - Diabetes
    - Asthma
    - Coronary Artery Disease
    - Heart Failure
    - Healthy Back
  - Preventive Benefits
    - Full coverage for age appropriate preventive care benefits
    - Annual preventive exams
  - Nurse Line
  - Treatment Cost Estimator
  - Premium Designation Program (Rated Physicians and Facilities)
  - Case Management Services
  - Commitment to Wellness including: Health Risk Assessments, Biometric Screenings, Health Fairs
Reason #12
The Trust Team

- IACT Medical Trust Service Team:
  - Indiana Association of Cities and Towns – Ann Cottongim, Director
  - Bose McKinney Evans - Jim Hamilton, Trust Legal Counsel
  - Henriott Group, Inc., Trust Benefits Consultant
  - UnitedHealthcare - Trust network provider whose duties include:
    - Claims administration with unique and dedicated public sector service team
    - Network relationships
    - Reinsurance
    - On-line employee education services and tools
    - Disease management
  - Nyhart Consulting - Randy Gomez, Trust Actuary
Joining the Trust

• A governing body is required to approve the IACT Medical Trust Agreement (City/Town Council or Board of Works)

• The Trust Agreement outlines the conditions of participation in the Trust.

• Highlights of the Agreement-
  – A three (3) year commitment is required
  – Trust governance
  – Investment of Trust assets
  – Withdrawal from the Trust (8 months notice)
  – Trust funding and regulatory oversight
  – Access to claim information
  – Financial transparency of the Trust
A municipality’s solution for health insurance.

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