



INSURANCE 101

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1. *Basics*
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PART I



EMPLOYEE BENEFITS

- 1 | Understand current climate
- 2 | Know your options
- 3 | Comply with state statutes
- 4 | Develop plan for federal health care reform



EMPLOYEE BENEFITS

Changing Climate of Health Care

In the last 15 years, annual premiums have risen:

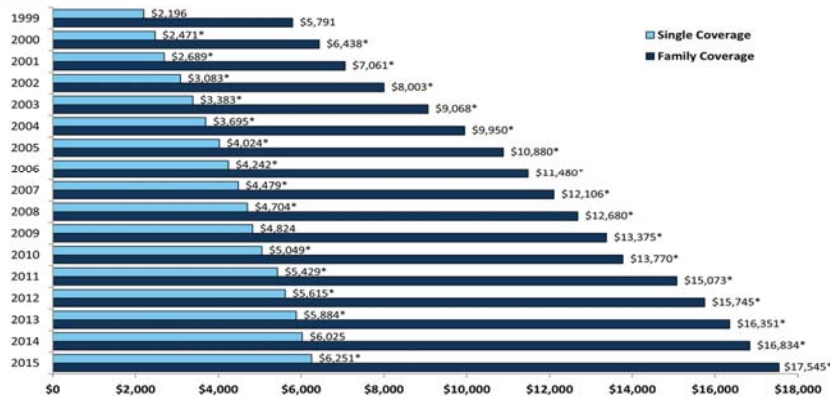
185 percent for single coverage
\$2,196 in 1999 → **\$6,251 in 2015**

200 percent for family coverage
\$5,791 in 1999 → **\$17,545 in 2015**



PREMIUMS

Average Annual Premiums for Single and Family Coverage, 1999-2015



EXAMPLE

In 2000, \$16,000 would buy a Ford Taurus
 \$5,700 would buy family coverage for a year



In 2016, \$26,000 would buy a Ford Taurus
 \$17,500 would buy family coverage for a year



EMPLOYEE BENEFITS

Changing Climate of Health Care

Financial Stress

Impacting public employers across Michigan

Legislative Activity

Increased urgency to take action and make changes

Options

Increasing number of products in the Marketplace



EMPLOYEE BENEFITS

Health Care Options

Conventional Options

- Consistent with most current school plans
- Few restrictions on benefits, prescriptions
- Relatively low out-of-pocket coverage costs
- Very high monthly premium
- Insurance company wins
- May be outdated



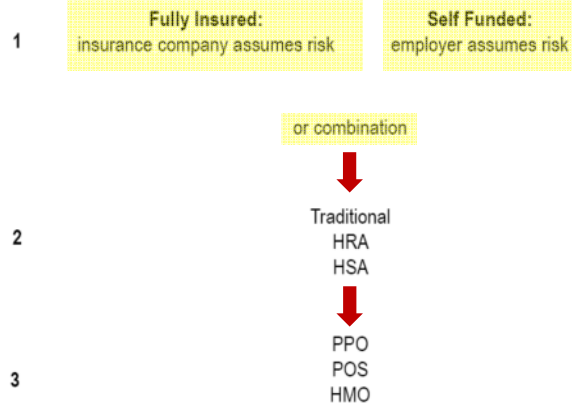
Plan Options and Funding Strategies

Considerations



Plan Options and Funding Strategies

Considerations



EMPLOYEE BENEFITS

Fully Insured

- Traditional way to structure an employer-sponsored health plan
- Premium rates are fixed for 12 months
- District pays premiums to the insurance company
- Insurance company pays claims



EMPLOYEE BENEFITS

Self Insured

- District operates its own health plan
- District partners with carrier or TPA to administer the plan, but district bears claims risk
- To limit risk, district buys stop-loss insurance to cover large claims that exceed a predetermined level

Specific Coverage: per covered individual or contract (Ex. \$25,000)

Aggregate Coverage: all covered individuals (Ex. 125% of expected claims)



EMPLOYEE BENEFITS

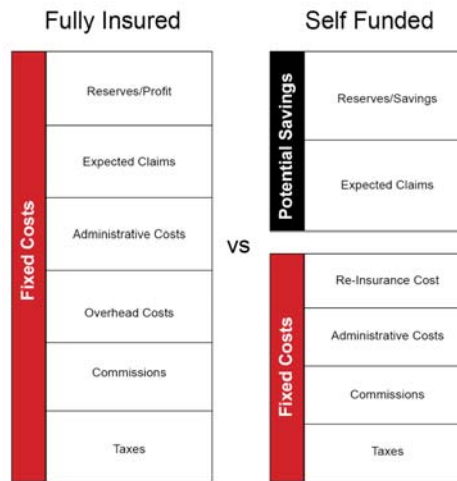
Fully Insured vs Self Funded

	Fully Insured	Self Funded
Financial Risk	Carrier	Employer
Cost	Set by Carrier	Actual Claims Paid
Claims	Paid by Carrier	Paid by Employer
Plan Design	Set by Carrier	Set by Employer



EMPLOYEE BENEFITS

Fully Insured vs Self Funded



EMPLOYEE BENEFITS

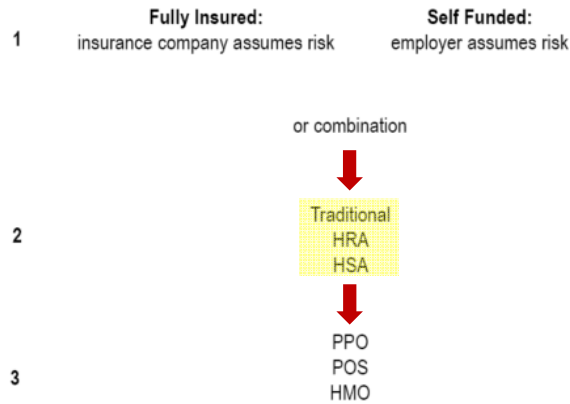
Self Funding

- High rewards, but risky
- Prepare for bumps
- Build plans to dictate behavior
- Know specific deductible
- Know contract type
- Know stop loss carrier



Plan Options and Funding Strategies

Considerations



EMPLOYEE BENEFITS

Traditional Plans

- Typically has a deductible
- Copays for office visits
- Copays for Rx



TRADITIONAL PLAN GRAPH



EMPLOYEE BENEFITS

HRAs

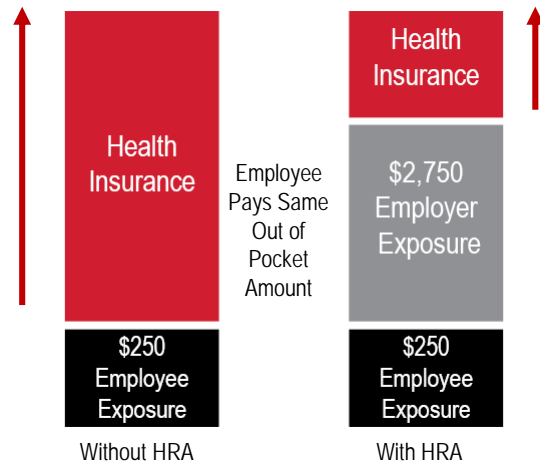
Consist of two components:

1. **Health plan** – typically HDHP, used to pay for medical expenses after the deductible is met
(Ex. \$3,000 deductible)
2. **Health Reimbursement Arrangement** – employer pays portion of high deductible for employee's qualified expenses
(Ex. \$3,000 deductible)

Employee pays \$250 deductible, HRA pays additional claims up to remaining \$2,750



HRA GRAPH



Employee Benefits

HRAs

Why they work...

- 1 | 42% don't exceed \$500
- 2 | 56% don't exceed \$1,000
- 3 | 67% don't exceed \$2,000



Employee Benefits

HRAs

- Low monthly premiums
- Pay less if you use less
- Behavioral/consumerism changes
- Deliver high-level benefit
- Potential savings of 30-40% vs conventional



EMPLOYEE BENEFITS

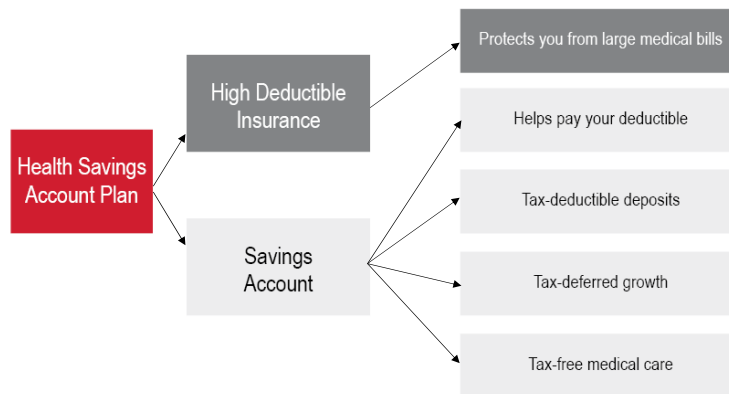
HSAs

Consist of two components:

1. **Health plan** – must be a qualified high deductible health plan (HPDP)
 - Must have a minimum single deductible of \$1,300
 - Deductible must be met before insurance pays (except for preventative care)
2. **Health Savings Account** – tax-advantaged medical savings account. Money in the account can help pay the HDHP deductible



HSAs



EMPLOYEE BENEFITS

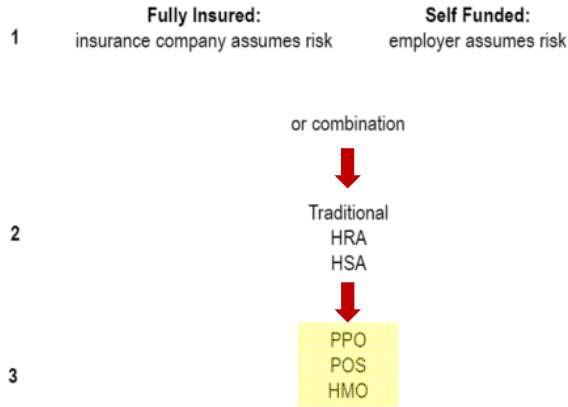
HSAs

- Low monthly premiums
- Pay less if you use less
- Behavioral/consumerism changes
- Covered Employee controls how HSA dollars are spent
- Triple tax savings
- Portable
- Flexible



Plan Options and Funding Strategies

Considerations



HEALTH INSURANCE PLAN TYPES

PPO	POS	HMO
Preferred Provider Organization	Point-of-Service	Health Maintenance Organization
Pros	Pros	Pros
Affordable in-network services	Combines benefits of HMO and PPO	Most affordable in-network services
Cons	Cons	Cons
Expensive out-of-network services	Primary Care Doctor required	No out-of-network services



NETWORK TYPES

- PPO – preferred provider organization
 - Expanded in-network with out-of-network coverage
- POS – point of service
 - Hybrid of PPO and HMO
- HMO – Health Maintenance Organization
 - In-network coverage only



EMPLOYEE BENEFITS

Health Care Options

- Conventional options may be outdated
- Understand there are pros and cons to each approach
- Consider a cafeteria approach
- Employees participating in decision making



MICHIGAN HEALTH CARE LEGISLATION

- PA 152 of 2011: Publicly Funded Health Insurance Contribution Act
- PA 54 of 2011: Public Employment Relations Act
- PA 106 of 2007: Public Employees Health Benefit Act



FEDERAL MANDATE

- Employer Mandate
- "Employer Shared Responsibility Provision"
- "Pay or Play Provision"



IMPACT ON EMPLOYERS

- **The Employer Mandate:** Requirement to offer coverage or pay a penalty

**Applies to all employers with 50 or more full time employees (including full time equivalents)*

- Requires large employers to either offer full-time employees and their dependents minimum value coverage that is affordable, or risk paying a penalty
- Must offer to at least 95% of full time employees in 2016



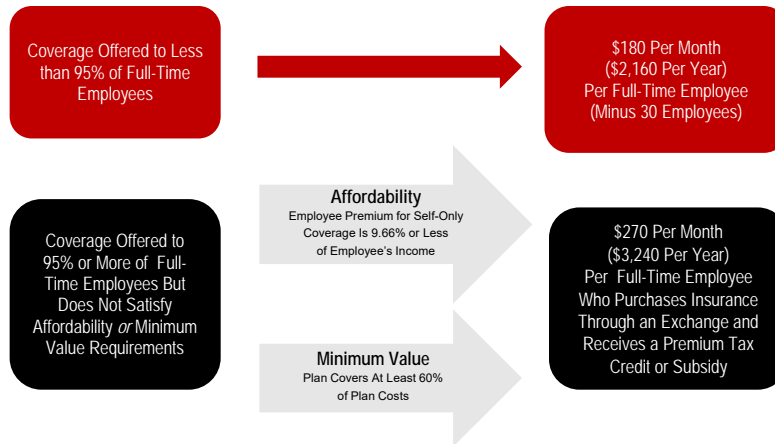
HIGHLIGHTS OF 95 PERCENT REQUIREMENT

- Employer must offer
 - Does not need to contribute to cost
 - Does not need employees to enroll
- Employer must offer minimum essential coverage
 - Does not need to be affordable
 - Does not need to be "minimum value"
- Employer will be liable...if at least one full-time employee receives the premium tax credit for purchasing coverage through the Marketplace



EMPLOYER MANDATE

The Penalties



95 PERCENT ASSESSMENT

Example:

District offering coverage to 88% of its 280 full-time employees

4980H(a) Assessment Calculation

$$280 - 30^* = 250 \times \$2,160 = \$540,000$$

Regulations exclude first 30 employees from assessment



ASSESSMENT STRATEGY

- Most employers will work to ensure they avoid the \$2,160 assessment on every employee
- Some employers may be comfortable with a \$3,240 assessment potentially applying to Marketplace-subsidized employees
 - Can be more cost effective than offering coverage
 - Can be more favorable to employees as they remain eligible for federal subsidies



PLAY OR PAY

What's Your Strategy?

Questions you should answer:

- Am I a large employer?
- If so, what type of coverage am I going to offer?
- Which employees must receive an offer of coverage?
- What are the penalties if I fail to comply?
- When do I have to comply by?



REPORTING REQUIREMENTS

The same employers that are subject to the shared employer responsibility provisions also have information reporting responsibilities regarding minimum essential coverage offered to employees.

-IRS



IRS REPORTING

- Two sections of the Internal Revenue Code govern ACA compliance reporting
 - Section 6055 tracks individual compliance
 - Section 6056 tracks employer compliance
- Districts will need to prepare two IRS forms
 - Form 1094-C report to IRS
 - Form 1095-C reports to the IRS and employees



1094-C

- One form to IRS by February 29, 2016 (March 31 if filing electronically)
- Part I – Employer information
- Part II – Number of 1095-Cs, compliance method, transition relief claimed
- Part III – By month:
 - Coverage offered to 95%?
 - Number of full-time employees?
 - Total employees?
 - Transition relief?



1095-C

- One form to each employee by March 31, 2016
- One form per full-time employee to IRS by May 31, 2016 (June 30 if filing electronically)
- Must be filed electronically if over 250 forms are being filed



1095-C Continued

- Part I – Employee name, address, and Social Security Number
- Part II – By month:
 - Whether the employee was full-time?
 - Offered coverage?
 - Type of coverage offered?
 - Actually covered?
 - Coverage made available to spouse and/or dependents?
 - Cost of the lowest-cost self-only coverage offered?
 - Transition relief or safe harbor codes?
- Part III (self-funded only) – By month: Each covered individual, including spouses and dependents



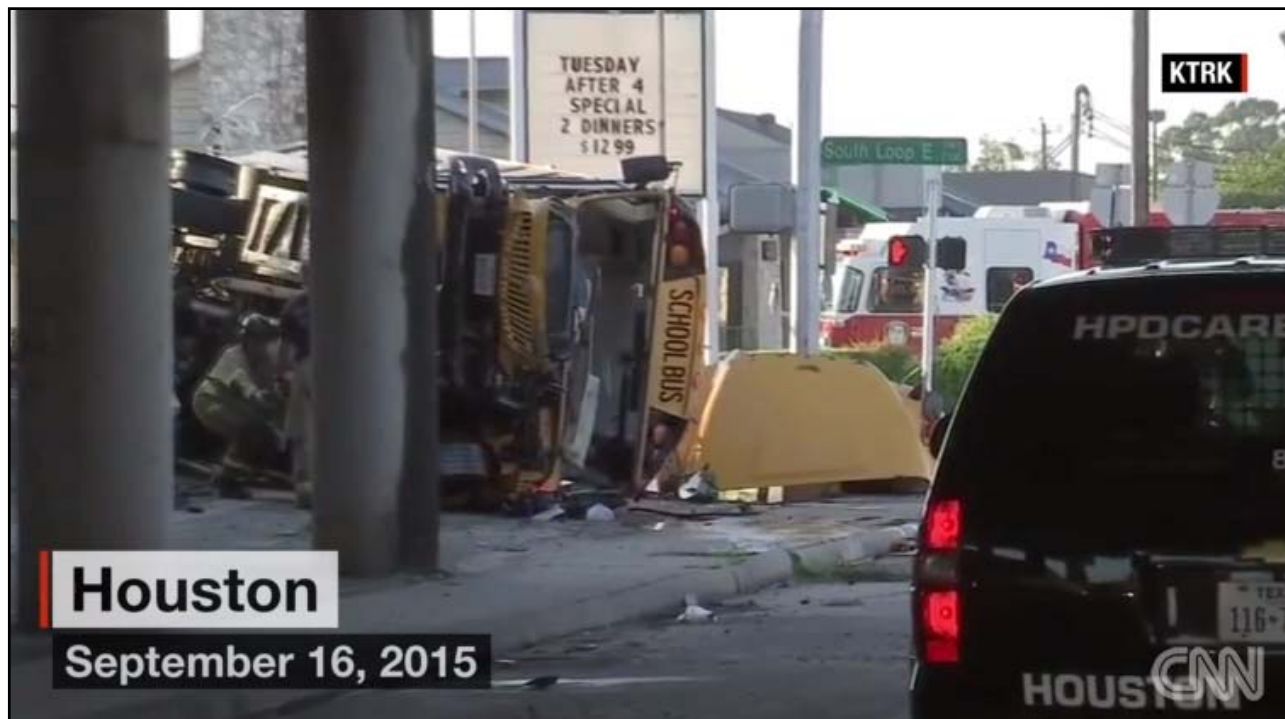
PART II



Houston school bus crash: 2 students killed

Other students, driver taken to hospital

A school bus plunged off a highway overpass in Houston after being hit by a car driven by a teacher Tuesday, killing two students and seriously injuring three other people, police and school officials said.



Houston

September 16, 2015

PROPERTY CASUALTY

Claim payments made to school districts

- Property
- Inland Marine
- Crime
- Auto Physical Damage

Claim payments made to others

- Commercial General Liability
- Errors and Omissions/School Board Legal Liability
- Auto Liability
- Excess/Umbrella
- Environmental Liability



PROPERTY CASUALTY

Auto Liability

Bus accident with kids aboard

- Passengers default to their auto insurance policy or resident relative's policy
- Collect roster of all passengers
 - Extended statute of limitations for minors



PROPERTY CASUALTY

Auto Liability

Michigan no-fault insurance order of priority:

1. Auto policy of injured
2. Auto policy of injured person's parent/guardian/resident relative
3. Auto policy of owner of auto involved
4. Auto policy of driver of occupied vehicle
5. State of Michigan Assigned Claims Plan



PROPERTY CASUALTY

Low Cost, High Stakes

- Schools spend less on property and liability insurance than health insurance
- It's possible to purchase insurance that will not meet a district's needs
- Inadequate property and liability insurance may cost a district millions of dollars



PROPERTY CASUALTY

Low Cost, High Stakes

Are you prepared for the worst-case scenario?

- Car accident
- Suicide
- Accidental death



PROPERTY CASUALTY

Low Cost, High Stakes

Many interests

- Students
- Schools
- Community
- Employees
- Contracted employees

Designate one spokesperson

- Work with attorneys and insurer to control information
- Use fact-based statements

-Be cautious of half truths, unknowns and protected information



PROPERTY CASUALTY

Not All Insurance Is Created Equal

- Ask "What is not covered?"
 - Vacant buildings
- Consider amount of insurance
 - Limits and deductibles
- Identify your exposure
 - Vulnerabilities
 - Bond issue/builder's risk



PROPERTY CASUALTY

Not All Insurance Is Created Equal

- Work with other districts
- Ensure provider's understanding of schools
- Evaluate provider's track record and willingness to share their expertise



PROPERTY CASUALTY

Reality of P/C

- Participation guidelines
- Facility Use Agreements
- Certificates of Insurance
- Local agents



WORKERS' COMPENSATION

Covers:

- Wage loss
- Medical expenses
- Vocational rehabilitation
- Death benefits

State mandated and regulated

- Less control and customization
- Standard coverage



WORKERS' COMPENSATION

Market Conditions

- Fully insured
- Self insured
- Pooled



WORKERS' COMPENSATION

Fatality on Premises

Employer required to notify MIOSHA within **eight** hours from learning of:

- Fatality of employee from a work-related incident
- Inpatient hospitalization of three or more employees



WORKERS' COMPENSATION

Success Factors

- Promptly report claims
 - Delays cause chain reaction
 - Injuries become worse, details become less clear
 - Claims unreported for more than four weeks cost 45 percent more
- Designate health clinic for cost savings
- Establish return to work program

Effective communication is critical!



WORKERS' COMPENSATION

Success Factors

- Employer has 28 days to control medical treatment
- Know the name of your clinic
- Know which injuries are compensable
- Define disability and partial disability
- Obtain employee's burden of proof
- Understand the importance of a return to work program



QUESTIONS?

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