

# Monmouth County ASBO NJ BOE Group Insurance Marketplace Overview

## Brown & Brown Benefit Advisors

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Employee Benefits Consulting & Brokerage | Labor Relations & Human Resources Support  
Client Services & Claims Adjudication | Compliance & Regulatory Guidance | Enrollment & Decision Support Technology



## Discussion Items



- **Brown & Brown Benefit Advisors**
- **NJ BOE Group Medical Insurance Marketplace**
- **Shared Services: Trust v. HIF v. SEHBP**
- **Consumer Driven Health Plans: HSAs & HRAs**
- **The Difference Card**
- **Regulatory Improvements in Self Insurance**
- **Q & A**



# Brown & Brown Benefit Advisors

### Who Are We?

We are group insurance brokers, advisors, and consultants. We specialize in New Jersey public employers. We put our clients first...always.

### What Do We Do?

We design, market, and manage employee benefit plans using "best practices" and a culture of ethics consistent with our values.



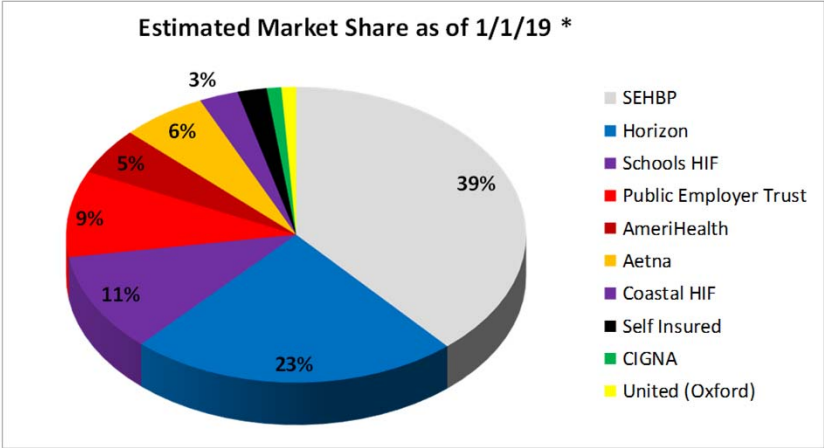
### What Are Our Credentials?

- Representing **300** NJ school districts (**52%** of the market place)
- Managing **\$1 billion** of premium
- Relationships with over **30** insurance carriers, TPAs, and PBMs
- Broker teams chaired by industry leaders with avg. of **25+** years experience
- Subsidiary of Brown & Brown Insurance (NYSE: BRO)
- **9,000** employees and **220** offices worldwide
- Proprietary programs, including The Public Employer Trust

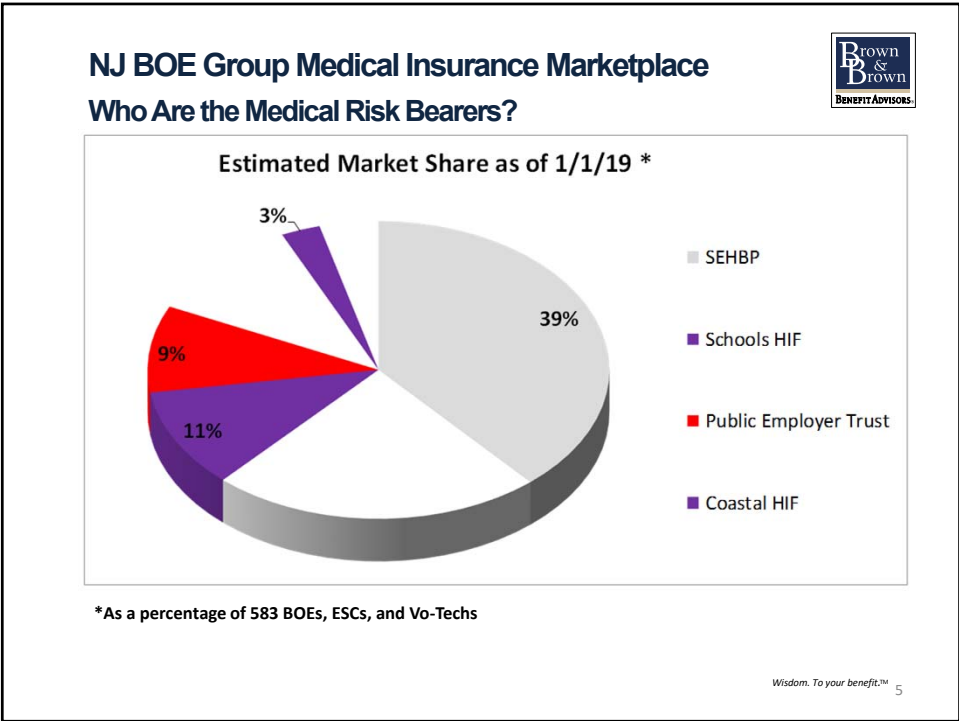


## NJ BOE Group Medical Insurance Marketplace

### Who Are the Medical Risk Bearers?



\*As a percentage of 583 BOEs, ESCs, and Vo-Techs



### Shared Services Trust v. HIF v. SEHBP

62% of NJ BOEs are in one of these vehicles	TRUST	HIF	SEHBP
Established...?	1986	1991 Muni / 1995 BOE (BOE's re-enter 2007)	1961, 2007
Insurance Concept (Risk)...?	Fully-Insured	Self-Insured	Self-Insured
Risk Belongs To...?	Carriers	Participant Groups	State of NJ
"Equal to" Capable...?	Yes	Yes	No
Commitment	1 year	3 years (90 day out)	60 days
Rate Guarantee...?	1 year	1 year	1 year
Retrospective Assessment Exposure...?	No	Yes	No
Dividends Possible...?	No	Yes	No
Experience Rating Maintained?	No	Yes	Yes
Pooled Rate Action...?	Yes	Maybe	Yes
Historical Stability...?	Stable since inception in 1986	A few BOE HIF's went "belly up" in 2001	Rate changes fluctuate from -32% to +25% from 2007-2010

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## Consumer Driven Health Plans: Health Savings Accounts (HSA)



- **What is an HSA?**
- **What plans are eligible for an HSA?**
- **What are the Advantages of an HSA?**
  - Lower premium
  - Contributions are not taxed as income
  - Employee owns the account
- **What are the Disadvantages of an HSA?**
  - Required to be paired with a HDHP
  - Potential exposure to taxes if money spend on non-qualified expenses



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## Consumer Driven Health Plans: Health Reimbursement Arrangement (HRA)



- **What is an HRA?**
- **What plans are eligible for an HRA?**
- **What are the advantages of an HRA?**
  - Lower premium
  - Employer chooses HRA funding amount
  - Employer owns the account
- **What are the disadvantages of an HRA?**
  - Funds are not portable for the employee
  - Funds do not rollover



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### The Difference Card™ (TDC)

- Akin to an HRA, TDC uses employer funds and a debit card to bridge the gap in most transactions between a bargained benefit plan and a lesser plan design with a rate differential +/- 20% (example below)

Benefit	Bargained Plan	TDC Plan
Office Visit Copay	\$10	\$50
ER Copay	\$50	\$200
Rx Copay	\$20/\$10/\$5	\$100/\$50/\$25
OON Deductible	\$100/\$200	\$1,000/\$2,000

- Certain NJEA local units are promoting this as a “silver bullet,” looking for lower premiums and thereby lower Chapter 78 contributions, but employer “premium equivalent rates” and risk sharing may disappoint
- Concerns:
  - Prohibited by SEHBP, putting “the insurer of last resort” out of reach
  - Carrier “claw back” on behavior change portion of rate reduction
  - Self-insured exposure for bargained plan vs. TDC plan

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### Consumer Driven Health Plans:

#### HSA vs. HRA



Provisions	Health Savings Account (HSA)	Health Reimbursement Arrangement (HRA)
Plan Requirements	HDHP	Employer must offer a health plan and the HRA must be considered integrated with the group health plan coverage
Other Requirements	Cannot be enrolled in any other health insurance including an FSA	N/A
Account Owner	Employee	Employer
Qualified Expenses	<ul style="list-style-type: none"> <li>• Unreimbursed medical, dental and vision expenses</li> <li>• Some insurance premiums: Medicare, long term care and COBRA</li> </ul>	Unreimbursed medical, dental and vision expenses (depending on the plan)
OTC Medicines	Only with a prescription	Only with a prescription
2019 Annual Contribution Limits	\$3,500 individual \$7,000 family Plus \$1,000 catch-up at age 55	There is no IRS prescribed limit
Access to Funds	Available balance only	Available funds only
Ability to Use Funds for Non-Qualified Expenses	Yes, but taxable and subject to a 20% penalty (no penalty after age 65)	No
Ability to Change Contribution	Same as all direct deposit banking	Open Enrollment only unless qualified event
Rollover of Funds	Yes	At Employer's discretion
Recordkeeping	Retain receipts in case of IRS audit	Submit receipts when requested by Plan Administrator

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## Regulatory Improvement in Self Insurance

- In August of 2017, NJDOBI published a rule change permitting employers to self insure medical plans with only a 10% risk corridor between “expected claims” and “maximum liability,” at which point a stop-loss umbrella policy kicks in
- Previous risk corridor was 25% to qualify as “self insured”
- Some carriers are shying away from risk corridors below 25%, while carriers such as Horizon and United are quoting as low as 10%
- Self insured employers are exempt from or avoid...
  - NJ state premium tax = 1%
  - ACA Health Insurer Fee = 3%
  - Carrier “risk” and “margin” charges = 3%
  - Total fixed cost exemption/avoidance = 7%
- We expect larger districts (300+ employees) to look more favorably on self insurance
- HIFs already enjoy these advantages, but are not risk free
- This rule change makes opening a health center less of a risk

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