



NYSSBA 90th Annual Convention and
Trade Show

Creative Cost-Cutting for Health Care Benefits

Presented By:

Darleen A. Michalak, Ph.D.
Deputy Superintendent/Chief Operating Officer
and Plan Administrator for the Trust
Erie 1 BOCES
855 Harlem Road
West Seneca, NY 14224
(716) 821-7074

BACKGROUND

2002-03 Health Care Dilemma:

- Approximately 1000 employees
- Four bargaining units
- Five health insurance providers (BC/BS; GHI; IH; Univera; Community Blue)
- 95% / 5%- employer/employee contribution
- Double digit increases in costs
- Insurance companies change prescription drug tier plan mid-contract from 2 tier plan (\$1/\$5) to a 3 tier plan(\$3/\$15/\$30)

Approach:

- Met with all four bargaining units to explore new options
- Formed health insurance committee
 - Included State affiliate representatives in discussions (SAANYS and NYSUT)
- Determined health care plan boundaries
- Added consultant to gather data
- Reviewed plans to determine the most cost effective option
- Developed memoranda of agreement with each unit
- Held 14 information sessions with bargaining units



What was considered:

- Community Rated vs. Experience Rated
 - HMO; POS; PPO
- Higher co-pays (Encompass A vs. Encompass C)
 - \$20 Office visits / \$500 in-patient (\$0 co pays)
- Ability to go back to Community Rating with no penalties
- Cost Containment
 - Plan needed to show cost containment for BOCES along with no reduction in benefits

2003-2004 What was formed:

- Erie 1 BOCES Health Benefits Plan Trust (Article 44 of NYS Insurance Law)
 - (Employee/Employer arrangement)
 - Non-profit
- IRC Section 105h– Employer contribution to pay co-pays
- Partnership with Health Insurance Company through a bid process (Independent Health)

Implementation-Keys to Success:

- Shared objective
- Collaboration
- Competent plan facilitator at Erie 1 BOCES
- Numerous information sessions
- Knowledgeable health consultant
- Customer service oriented
- Cost containment
- Focusing on Health/Wellness



Trust Membership

In 2004-05

- Erie 1 BOCES Four Bargaining Units
- Piloted Plan with Two School Districts
 - Hamburg Administrators
 - Maryvale Administrators

• Approximately 800 enrollees

As of May 2009

- Erie 1 BOCES Five Bargaining Units

• Twenty-four Entities:

- | | |
|---------------------------------------|--------------------|
| Alden CSD | Hopevale |
| Charter School for Applied Technology | Troquois CSD |
| Cheektowaga CSD | Kadimah School |
| Cheektowaga-Sloan UFSD | Kenmore UFSD |
| Cleveland Hill UFSD | Lackawanna City |
| Elmwood Franklin School | Maryvale UFSD |
| Erie 1 BOCES | North Collins CSD |
| Frontier CSD | Pioneer CSD |
| Gowanda CSD | St. Francis School |
| Grand Island CSD | Springville CSD |
| Hamburg CSD | Sweet Home CSD |
| | The Park School |
| | West Seneca CSD |

• Approximately 6,000 enrollees

Benefits

In 2003-04:

- \$0 Co-pay for Office Visits
- Dependent Coverage for College Students – Age 25
- Health and Wellness Workshops
- \$3/\$15/\$30 – 3 tier drug plan

As of July 2009:

- \$0 Co-pay Office Visits
- Dependent Coverage for College Students – Age 25
- Health and Wellness Workshops
- \$0 co-pay for Tier 1 drugs; \$15/\$30 – 3 Tier drug plan
- \$0 Co-pay for diabetic supplies and services
- \$0 Co-pay for Tier 2 Inhalers
- Annual Wellness Activity Benefits reimbursement of \$100 (S) / \$150 (F)

Staffing:

In 2003-04:

- Plan Facilitator
- Health Consultant
- Fiscal Agent
- Legal Consultant

As of May 2008:

- Plan Administrator
- Fiscal Agent
- Customer Service Representative
- Legal Consultants
- Communications/PR Representative
- Health Consultants
- Pharmacy Consultant
- Medical Consultant
- Actuarial Consultants



Calculations for Estimated Cost Avoidance

	Number of Plans	Enccompass A Commuting Rate	E1B Trust Experience Rate	Monthly Difference (Enc A - E1B)	Annual Difference 12 Months	Total Annual Cost Avoidance
Year 1: 03-04		0% Increase				
Single	264	\$772.35	\$753.45	\$18.90	\$226.80	\$59,875.20
Family	464	\$755.12	\$702.04	\$53.08	\$636.96	\$295,549.44
Totals	828					\$355,424.64
Year 2: 04-05		4.8% Increase				
Single	279	\$786.02	\$764.18	\$21.84	\$262.08	\$106,600.32
Family	464	\$826.50	\$751.97	\$74.53	\$894.36	\$521,169.12
Totals	743					\$627,769.44
Year 3: 05-06		5.3% Increase				
Single	317	\$339.78	\$278.81	\$60.97	\$731.64	\$231,029.88
Family	496	\$928.33	\$767.82	\$160.51	\$1,926.12	\$999,207.76
Totals	813					\$1,191,137.64
Year 4: 06-07		8.5% Increase				
Single	336	\$387.26	\$305.30	\$81.95	\$983.59	\$330,822.24
Family	509	\$1,058.30	\$829.25	\$229.05	\$2,748.55	\$1,265,780.09
Totals	845					\$1,600,855.25
Year 5: 07-08		8.9% Increase				
Single	314	\$445.18	\$332.50	\$112.68	\$1,352.16	\$424,570.24
Family	511	\$1,216.29	\$903.00	\$313.29	\$3,879.48	\$1,982,414.20
Totals	825					\$2,406,992.40
Year 6: 08-09		9.5% Increase				
*Single	264	\$499.00	\$369.10	\$130.80	\$1,569.60	\$414,374.40
*Family	634	\$1,301.69	\$975.25	\$326.44	\$3,917.28	\$2,483,555.52
Totals	898					\$2,897,929.92
* 2008-09 Rates are based on the number of estimated enrollees as of April 2009.						
					Projected	\$2,897,929.92
					Total Savings	\$9,160,089.29

Cost Containment Report

Erie 1 BOCES Health Benefit Plan Trust :

Year 1: (2003-04)	\$ 355,424
Year 2: (2004-05)	\$ 627,709
Year 3: (2005-06)	\$1,191,138
Year 4: (2006-07)	\$1,680,896
Year 5: (2007-08)	\$2,406,992
Year 6: (2008-09)	\$2,897,929*

Total 6 Year Savings: \$9,160,089

- Year 6 estimates based on the April 2009 enrollment
 - 2009-10 rate increase is 9.5% (9.0% on rate increase / 0.5% for admin. costs)
 - Approximately \$3 million in additional cost containment estimated for 2009-10

04/22/2009

Erie 1 BOCES Health Benefits Plan Trust Schools' Cost Containment - Summary

Year	Saving
2005-06	\$549,947
2006-07	\$1,922,743
2007-08	\$5,321,910
2008-09	\$10,050,112
Sub-Total Districts	\$17,844,712
Erie 1 BOCES	\$9,160,089
Total Savings	\$27,004,801

Numbers are estimated comparing the Independent Health Enccompass A rate to the Erie 1 BOCES Health Benefit Plan Trust rate



What's Next:

- Additional potential schools: Akron, Ellicottville, Williamsville and additional bargaining units of current members
- Dental plan option for participating districts in 2009-10 and optical option to be researched in the future
- Additional staffing/consultants:
 - **Additional Clerical (part time)**
 - **Additional Claims Analysts**
