

## Self-Insurance in 5 Minutes

You may have heard the term self-insurance, because the state is currently considering whether or not to move the State Group Health Insurance Program to a self-insurance model. This decision is that of the Group Insurance Board; the GIB determines the program structure and program benefits. You might be wondering, *what is self-insurance and how does it work?* Self-insurance is simply a way to finance employer health insurance programs. It means that instead of the state paying health insurance companies a fixed premium, ETF would maintain funds in a reserve to pay health care claims.

If this sounds familiar, it may be because ETF currently has three self-insured benefit programs: pharmacy benefits, uniform dental benefits and the It's Your Choice Access Plan.

No decisions about self-insuring the Group Health Insurance Program have been finalized yet. We do know, however, that your health coverage is important to you, so we want to educate you on the concept of self-insurance.

Before we get any further, let's explore some questions you may have.

1. Does a self-insuring model mean I will have to pay more for health insurance? No, while health care costs in general are on the rise, a self-insurance model does not mean higher premiums or out-of-pocket costs. Self-insurance relates only to how claims are paid.
2. As an employee, will my health insurance premium still be deducted from my paycheck? Yes, self-insurance does not affect how you will pay for health insurance.
3. Will my health benefits change if the program is self-insured? No. Self-insuring is not related to the benefits covered under the program. At this time, there are no plans to reduce covered benefits.
4. Will I be able to stay with my current health care providers? A self-insurance model would offer flexibility over provider networks. While ETF cannot make any guarantees this early in the process, know that consistent provider access is a top priority for all involved.
5. As a retired member, how would self-insurance affect me? A self-insurance model would affect all members covered under the group health insurance program. Having said that, it is important to us that retirees maintain options in their health care.
6. As a local government employee, how would self-insurance affect me? A self-insurance model would affect the entire group health insurance program, including local employees.

Let's explore how the self-insurance model would compare to the current model. So, currently, when you pay your monthly premium, the money is combined with your employer's portion, and it all gets sent to the health insurance company. When you go to the doctor, your health insurance company pays for those health care services from the premiums collected from both you and your employer.

Under a self-insurance model, when you pay your monthly premium, the money is combined with your employer's portion and all funds would be held in trust by ETF. Then, any health care services you receive would be paid for by the funds in the ETF trust. ETF would still contract with health insurance companies to handle certain administrative tasks.

The main difference between the current model and the self-insurance model is how the program is financed, and whether the premiums paid by employees and employers are housed at ETF or with the health plans.

If the self-insurance model were to be implemented, ETF would have more control over how funds are spent, which comes with the potential to decrease administrative costs. Other possible advantages might include increased transparency related to cost and quality of care, the ability for ETF to further increase the quality of services provided, and the ability to create customized programming that could help to improve overall member care.

The Group Insurance Board still has many decisions to make, including whether to adopt the self-insurance model. In February 2016, the GIB directed ETF to release a Request for Proposals for a self-insurance model. That means prospective third-party administrators may submit proposals stating what administrative services they would offer and their associated costs. The GIB plans to make a decision regarding self-insurance in November 2016, and the earliest such a change would take effect is January 2018.

Our priority is to keep you informed about your health benefits. Stay connected with ETF by signing up for ETF E-mail Updates on our website and follow ETF on Twitter (@WI ETF).