

## Twin Falls Times News, Wednesday, Aug. 24, 2011 – by Kimberlee Kruesi (2 pages)

### Cities May Join Forces to Lower Health Costs

A group of public employees is looking to counter their rising health insurance costs by becoming self-insured by the end of the year. Almost 40 cities in Idaho have agreed to look into the idea, including Hailey, Jerome, Burley, Shoshone and Paul.

By becoming self-insured, the cities would agree to become their own insurers. Their employee health benefits would become self-funded, with the cities managing the funds and any claims. This, officials hope, would be cheaper than paying for commercial insurance plans.

The city of Burley has been self-insured for 12 years. That's helped it manage to keep costs down and stay competitive the entire time, boasted City Administrator Mark Mitton. One advantage he cited is the ability for each city to track claims information. Insurance companies aren't required to share claim data with employers with less than 100 employees.

Understanding what health issues are driving costs helps managers determine what areas of employee health to address, Mitton said.

"The secret to providing good health insurance is all about the information," he said. "If you're seeing a certain type of claim over and over, then you can go out and find the preventive measures needed to keep that claim down."

Mitton said Burley is looking into joining the group of cities, called the Idaho Independent Intergovernmental Authority (IIIA), because the buying power of the larger group will continue to drive costs down.

After being hit with a 22 percent increase to its health insurance costs, the city of Shoshone is seriously considering the self-insurance group as well.

"We cannot afford our current insurance," said Mary Kay Bennett, Shoshone's city clerk. "We cannot afford to put our wives or husbands on our plans."

Shoshone has 13 full-time employees. By joining the group, the city could expect to face just a 5 percent increase each year instead of double-digit increases.

However, the biggest struggle for it and other cities will be having enough money to cover high-cost claims, said Lori Bergsma, president of Balanced Rock Insurance, located in Twin Falls. "Depending on how many people join, these cities may not have as big of a pool to get a lower discounted rate," she said.

While Bergsma agrees that cities could save money now, she is worried about potential complications in 2014, when changes brought by federal health care reform come into effect.

“With the options of health exchanges and Medicaid, many people may choose to leave (the IIIA),” she said. “I don’t know how many changes they’ll have to face two years from now.”

## **At a Glance: Self-Insurance**

What is it?

A city that becomes self-insured acts as its own insurer for its employee health benefits. The benefits are funded through the city, and the city manages and pays out any claims made by its workers.

Why do it?

Supporters cite several advantages. Self-insurance allows cities to oversee what types of claims are being made and thus base their deductibles, rates and preventative health care on those claims. If cities band together to buy insurance, they’re more likely to get a more affordable plan.

What are the risks?

Most self-insurers tend to have a small employee pool, thus limiting the cash they have available to cover claims — especially expensive ones. High-risk claims are unpredictable, and one year of expensive claims could severely set back a self-insured city and drive costs back up.

Who’s interested?

Close to 40 Idaho cities have agreed to look into switching to self-insurance. These include Shoshone, Jerome, Burley, Hailey, Paul, Ketchum and Rupert. If all goes to plan, the cities could be self-insured by Jan. 1.