

HUMAN RESOURCES DEPARTMENT  
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Date: November 3, 2009

To: Dee Bruemmer, County Administrator

From: Mary J. Thee, Human Resources Director/Asst. County Administrator

Subject: Self Insurance Recommendation

On July 23<sup>rd</sup>, the Board of Supervisors approved the hiring of Holmes Murphy as our Health Care benefits consultant. Since that time we have formed a Health Benefits Team. The team includes, yourself, me, Sarah Kautz, Cheri Sexton (Benefits Coordinator), Sherry Burmeister (AFSCME), Michelle Conklin (CWA), Brian Staszewski (DSA), Rich Hume (Teamsters), Lori Robinson (Courthouse non-barg rep) and Brenda Schwartz (Admin non-barg rep). Our first meeting was on August 12<sup>th</sup>. We have held five meetings to date. The focus has been on education and benchmarking our benefits.

The consultant, Jeff Scarpinato of Holmes Murphy has worked with United Health Care to evaluate the pros and cons of the County considering becoming self insured. This issue was presented at the last team meeting and received a favorable response. If the County decides to go self insured it would take on the risk of the actual claims costs. However through the purchase of Stop Loss coverage the risk can be limited and controlled. I have attached a copy of the analysis completed by Holmes Murphy. The advantage to the County in going self insured is a reduction in administrative costs. Holmes Murphy has negotiated with UHC to enter into a 3 year agreement effective January 1, 2010. The terms include a locked in rate of \$37.01 per employee per month (approximately \$206,515.80 annually) to act as the County's third party administrator and process the claims. UHC is agreeable to locking in this rate for the first 2 years of the agreement and a cap of 5% for the third year of the agreement.

Additionally, we would purchase our Stop Loss coverage from UHC, however this would be renegotiated annually (based on claim experience) or bid out. The chart demonstrates the various options related to the Specific and Aggregate Stop Loss. The recommendation of the team is to consider a Specific Stop Loss amount of \$125,000. The belief from reviewing our claims history the past 4 years indicates that this is feasible. Taking into account the aggregate and specific premiums, admin costs and actual claims cost for FY11, the worst case

scenario is an 8.4% increase in costs or \$406,978.90, but we'd anticipate a savings of 10.9% or \$525,718.

The County would effectively pay itself the current premiums being paid to UHC and place it in a separate account to pay for the claims costs. By starting in January we can work this year to build a reserve in the account to cover 3 months of costs or approximately 1.1 million dollars. For FY11 we would keep premiums the same for employees and work with the Health Benefits team to review other benefit programs and explore a "Healthy Lifestyles Program."

In summary, we recommend the Board enter into a three year agreement with United Health Care to switch our fully insured coverage to a third party administrator relationship with the County self insuring its coverage. UHC will continue to assure ERISA compliance. Additionally by making this change we are not recommending any plan design changes through fiscal year 2011.

Cc: Sarah Kautz, Budget Manager  
Jeff Scarpinato, Holmes Murphy  
Cheri Sexton, Benefits Coordinator



THE COUNTY AUDITOR'S SIGNATURE CERTIFIES  
THAT THIS RESOLUTION HAS BEEN FORMALLY  
APPROVED BY THE BOARD OF SUPERVISORS ON

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SCOTT COUNTY AUDITOR

## RESOLUTION

### SCOTT COUNTY BOARD OF SUPERVISORS

November 12, 2009

APPROVAL OF THREE YEAR AGREEMENT WITH UNITED HEALTH CARE FOR  
THIRD PARTY ADMINSTRATOR SERVICES AND A ONE YEAR AGREEMENT FOR  
STOP LOSS COVERAGE

BE IT RESOLVED BY the Scott County Board of Supervisors as follows:

Section 1. That the proposal from United Health Care of the River Valley for three years for third party administration services in lieu of a fully insured plan and one year agreement for specific and aggregate stop loss coverage is hereby accepted and approved.

Section 2. That the Human Resources Director hereby authorized to sign the health insurance contracts for services on behalf of the Board.

Section 3. This resolution shall take effect immediately.