

I A C T  
Medical Trust



***A municipality's solution for health insurance.***

**Presented to:  
Indiana Advisory Commission on Intergovernmental Relations  
August 23, 2012**

# The 12 Reasons

1. Mission
2. The Solution
3. Our Partners
4. The Goal
5. Our Experience
6. Our Fiscally Conservative Approach
7. Owners & Management
8. Regulations and Protection
9. Medical Plan Options
10. Other Coverage Options
11. Strength in Numbers
12. The Trust Team

# **Reason #1**

## **Our Mission**

The mission of the IACT Medical Trust is to improve the well-being and quality of life of municipal employees. The Trust offers financially secure, stable and cost-effective medical coverage with service of the highest quality.

# Reason #2

## The Solution – Working Together to Address a Big Problem

- Revenues are stagnant
- Employee benefit costs (medical, life, dental, vision, etc.) are the 2<sup>nd</sup> largest expenditure
- Medical insurance trend continues to increase on the average 10-15% per year
- Employers medical insurance cost have increased 114% in the past 10 years (*resource: Kaiser/HRET Survey*)
- In 2011, the average cost per employee (blended) exceeded \$10,000 per year
- Cities and Towns have a limited number of options in the short term:
  - Shop around for a better deal
  - Change your plan design to save money
  - Transfer more cost to your employees:
    - Employee contributions have increase 147% in the past 10 years (*resource: Kaiser/HRET Survey*)
    - Employee wages have stagnated

# Reason #3 The Partners



- City of Angola, January 2010
- City of Highland, January 2010
- City of Lafayette, January 2010
- City of Mishawaka, April 2010
- Town of Danville, May 2010
- Town of Fowler, June 2010
- Town of Cicero, October 2010
- City of Warsaw, November 2010
- Town of Avon, January 2011
- City of Bloomington, January 2011
- City of Connersville, January 2011
- Town of Georgetown, February 2011
- Town of Cloverdale, May 2011
- Town of Darlington, June 2011
- Town of Rockville, September 2011
- City of Greenfield, January 2012
- City of Monticello, July 2012
- City of Valparaiso, September 2012

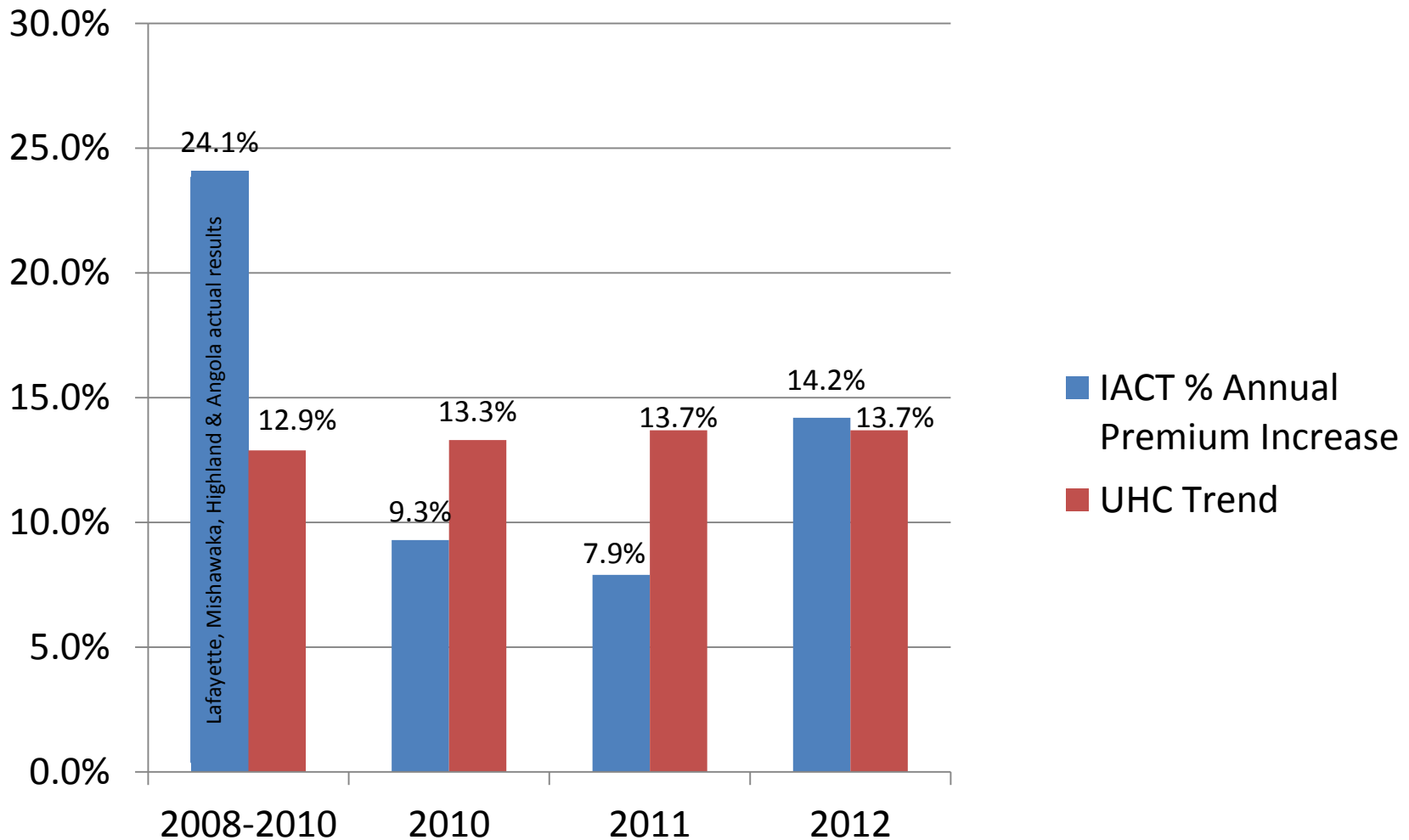
# Reason #4

## The Goal

- Lower medical cost trend
- Provide stability and predictability
  - High quality plan designs that employees can depend upon
  - Financial Strength
    - Funding model- 100% of maximum cost
    - Development of reserves over time

# Reason #5

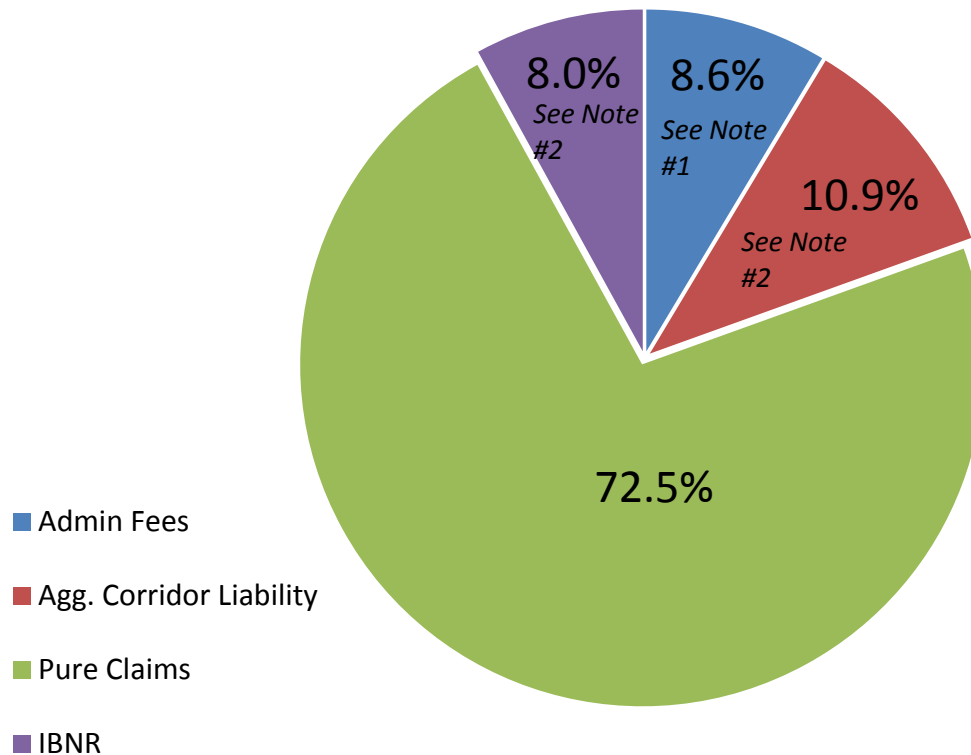
## Our Experience



# Reason #6

## Our Fiscally Responsible Approach

### Composition of Premium Equivalent Rates



#### Note #1:

- Fixed costs in a fully insured model range from 22-25%
- Fixed costs in a self insured model range from 15-20% of total

#### Note #2:

- If self insured are you funding to the maximum claim levels?
- Are you adding to your reserves for the claim run-out



# Reason #7

## Ownership and Management

- The Trust is **owned** by participating members
- IACT municipal members are eligible to join subject to Trust underwriting guidelines
- The Trust is a separate legal entity from IACT
- Governed by a Board of Trustees
  - Quarterly Trustee meetings
  - Trustees are selected by participating cities and towns or appointed by the IACT Board of Directors
  - Trustees set policies and review the financial performance
  - Trust committees set day to day operational guidelines
  - Trustees and all vendors are subject to HIPAA standards of confidentiality

# **IACT Medical Trust Board of Trustees**

- **Trust Member Appointments (6):**
  - Sue Essman, Angola, Human Resources Director
  - Michael Griffin, Highland, Clerk-Treasurer
  - Daniel Grundmann, Bloomington, Director Employee Services
  - Amy Roberts, Danville, Clerk-Treasurer
  - Tony Roswarski, Lafayette, Mayor
  - Dave Wood, Mishawaka, Mayor
- **Appointments by the IACT Board of Directors (4):**
  - Allan Kauffman, Goshen, Mayor and President of the Trust
  - Joseph Thallemer, Warsaw, Mayor
  - Larry Breese, Greenfield, Clerk-Treasurer
  - Brian Snedecor, Hobart, Mayor
- **Other Trustees Defined in the Trust Agreement (2):**
  - Matthew Greller, IACT, Executive Director
  - Gary Malone, Umbaugh, Partner (CPA Trustee Required)

# Reason #8

## Regulation and Protection

- The Trust is regulated by the Indiana Department of Insurance (IDOI).
- The Trust is certified and recognized by the IDOI as a Multiple Employer Welfare Arrangement (MEWA).
- The Trust purchases both specific and aggregate stop loss insurance protection
  - Limits annual claims cost per member to a maximum level
  - Limits total annual claims for the Trust to a maximum level of exposure
- Annual Financial Audit
- Trustee Fiduciary Liability Insurance Protection

# Reason #9

## IACT Medical Trust Plan Options

### 6 PPO Options – 2 HSA Options – 1 HRA Option

| PLAN HIGHLIGHTS   | \$250 PPO<br>Plan A | \$500 PPO<br>Plan B | \$750 PPO<br>Plan C | \$1,000 PPO<br>Plan D | \$1,500 PPO<br>Plan E | \$2,500 HSA<br>Plan F | \$400 PPO<br>Plan G | \$3,500 HSA<br>Plan I | \$5000 HRA<br>Plan J |
|---|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|----------------------|
|   | In-Network          | In-Network          | In-Network          | In-Network            | In-Network            | In-Network            | In-Network          | In-Network            | In-Network           |
| Network Provider  | UHC                 | UHC                 | UHC                 | UHC                   | UHC                   | UHC                   | UHC                 | UHC                   | UHC                  |
| <b>Deductible</b>   |                     |                     |                     |                       |                       |                       |                     |                       |                      |
| Individual  | \$250               | \$500               | \$750               | \$1,000               | \$1,500               | \$2,500               | \$400               | \$3,500               | \$5,000              |
| Family  | \$500               | \$1,000             | \$1,500             | \$2,000               | \$3,000               | \$5,000               | \$800               | \$7,000               | \$10,000             |
| <b>Coinsurance</b>  |                     |                     |                     |                       |                       |                       |                     |                       |                      |
| Paid by Insurance   | 80%                 | 80%                 | 80%                 | 80%                   | 80%                   | 100%                  | 90%                 | 80%                   | 100%                 |
| Paid by Individual  | 20%                 | 20%                 | 20%                 | 20%                   | 20%                   | 0%                    | 10%                 | 20%                   | 0%                   |
| <b>Out-of-Pocket Maximum**<br/>(including deductible)</b> |                     |                     |                     |                       |                       |                       |                     |                       |                      |
| Individual  | \$1,000             | \$2,000             | \$1,750             | \$2,500               | \$3,000               | \$2,500               | \$1,500             | \$4,500               | \$5,000              |
| Family  | \$2,000             | \$4,000             | \$3,500             | \$5,000               | \$6,000               | \$5,000               | \$3,000             | \$9,000               | \$10,000             |
| <b>Co-Payments (paid by individual)</b>                   |                     |                     |                     |                       |                       |                       |                     |                       |                      |
| Office Visit  | \$20                | \$25                | \$30                | \$25                  | \$30                  | N/A                   | \$30                | 20%*                  | N/A                  |
| Urgent Care   | \$50                | \$75                | \$50                | \$75                  | \$75                  | N/A                   | \$50                | 20%*                  | N/A                  |
| Emergency Room  | \$100               | \$125               | \$100               | \$125                 | \$125                 | N/A                   | \$100               | 20%*                  | N/A                  |
| Inpatient Hospital  | 20%*                | 20%*                | 20%*                | 20%*                  | 20%*                  | N/A                   | 10%*                | 20%*                  | N/A                  |
| <b>Life time Maximum</b>                                  | Unlimited           | Unlimited           | Unlimited           | Unlimited             | Unlimited             | Unlimited             | Unlimited           | Unlimited             | Unlimited            |
| <b>Prescriptions (paid by individual)</b>                 |                     |                     |                     |                       |                       |                       |                     |                       |                      |
| Tier 1  | \$5                 | \$10                | \$10                | \$15                  | \$20                  | N/A                   | \$5                 | N/A                   | \$10                 |
| Tier 2  | \$15                | \$20                | \$20                | \$30                  | \$40                  | N/A                   | \$10                | N/A                   | \$30                 |
| Tier 3  | \$30                | \$40                | \$40                | \$50                  | \$60                  | N/A                   | \$15                | N/A                   | \$60                 |

\*After Deductible    \*\*Does not include any copay amounts

# Reason #10

## Other Coverage Options

- Basic Life/AD&D Options provided by Lincoln Financial Group
  - 4 Plan Options
    - Flat \$25,000; Flat \$50,000; 1 x Salary; 2 x Salary
  - One low rate
  - 2 Dependent Options (Optional)
- Dental Options provided by Cigna
  - 5 Plan Options
    - Deductible: \$50/\$150
    - Various Annual Maximums: \$1500, \$1000, \$750
    - Ortho available
- Vision Options provided by Cigna
  - 2 Plan Options
    - Low exam/material co-pays
    - Frequency of service choice

# Reason #11

## Strength in Numbers

- Together we can be more effective and bring **more services** and **more wellness** expertise to members and their employees
  - Disease Management Services:
    - Diabetes
    - Asthma
    - Coronary Artery Disease
    - Heart Failure
    - Healthy Back
  - Preventive Benefits
    - Full coverage for age appropriate preventive care benefits
    - Annual preventive exams
  - Nurse Line
  - Treatment Cost Estimator
  - Premium Designation Program (Rated Physicians and Facility)
  - Case Management Services
  - Commitment to Wellness including: Health Risk Assessments, Biometric Screenings, Health Fairs

# Reason #12

## The Trust Team

- IACT Medical Trust Service Team:
  - **Indiana Association of Cities and Towns** – Ann Cottongim, Director
  - **Bose McKinney Evans**- Jim Hamilton, Trust Legal Counsel
  - **Henriott Group, Inc.**, Trust Benefits Consultant
  - **UnitedHealthcare** - Trust network provider whose duties include-
    - Claims administration with unique and dedicated public sector service team
    - Network relationships
    - Reinsurance
    - On-line employee education services and tools
    - Disease management
  - **Nyhart Consulting**- Randy Gomez, Trust Actuary

# Joining the Trust

- A governing body is required to approve the IACT Medical Trust Agreement (City/Town Council or Board of Works)
- The Trust Agreement outlines the conditions of participation in the Trust.
- Highlights of the Agreement-
  - A three (3) year commitment is required
  - Trust governance
  - Investment of Trust assets
  - Withdrawal from the Trust (8 months notice)
  - Trust funding and regulatory oversight
  - Access to claim information
  - Financial transparency of the Trust



I A C T  
Medical Trust



***A municipality's solution for health insurance.***

**Contact: Ann Cottongim, Deputy Director and CFO, IACT**  
**317-237-6200 ext. 245**  
**[acottongim@citiesandtowns.org](mailto:acottongim@citiesandtowns.org)**