Town of Yorktown
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Employee Health Insurance

In 2008, the Town switched to a partially self-insured health insurance plan for employees. That plan has worked out beneficially both for the Town and the employees. It has given us flexibility to focus on some wellness factors along with encouraging utilization of the health insurance.

Briefly, the Town is responsible for the first $35,000 of claims for any covered individual. After that $35,000 is met, HCC covers additional costs of claims. The Town aggregates the premiums paid for by the Town and Employees into an account and pays the first $35,000 per covered individual. Built into the premium are administrative costs, agent fees and re-insurance (for costs over $35,000). If the Town were fully insured, any unused fees would be lost to the insurance company as profit, whereas now the Town keeps those fees back for wellness use and also paying some future health premiums for department costs (helping to balance budgets like we did with the PD this year). I've attached some information from our Third Party Administrator (SIHO) about the positives of using the partially self-insured program, and the benefit that we have seen by switching to this plan type.

I'd like to call your attention to a couple of the numbers that they provided in the document.

- 45% of the claims are attributed to Primary Health Care Service (family doctor). This is a result of the wellness plan, encouraging people to get to their doctor and be screened annually to prevent big issues.
- 89% of prescription drugs are generic use, saving money for the Town and Employees. Our SIHO representative raves about this number when we do the quarterly reviews.
- They didn't add this last one, but I think it speaks well of our employees and covered dependents. Only 3 of the 12 largest claims are due to ongoing concerns. Additionally in 2013 we only had two claims that went above the $35,000 mark invoking reinsurance.

With the current state of health care due to the Affordable Health Care Act and changes that are being made, double digit health insurance increases are not uncommon, but due to the diligent use by our employees of the insurance and the focus on wellness by the Town we are only seeing a 6% increase. I believe that we would be see a lower rate if the market was a little more stable and I expect that to happen as the law is fully fleshed out.

The increase will be borne by the Town and employees representatively. I would recommend approving the HCC reinsurance.