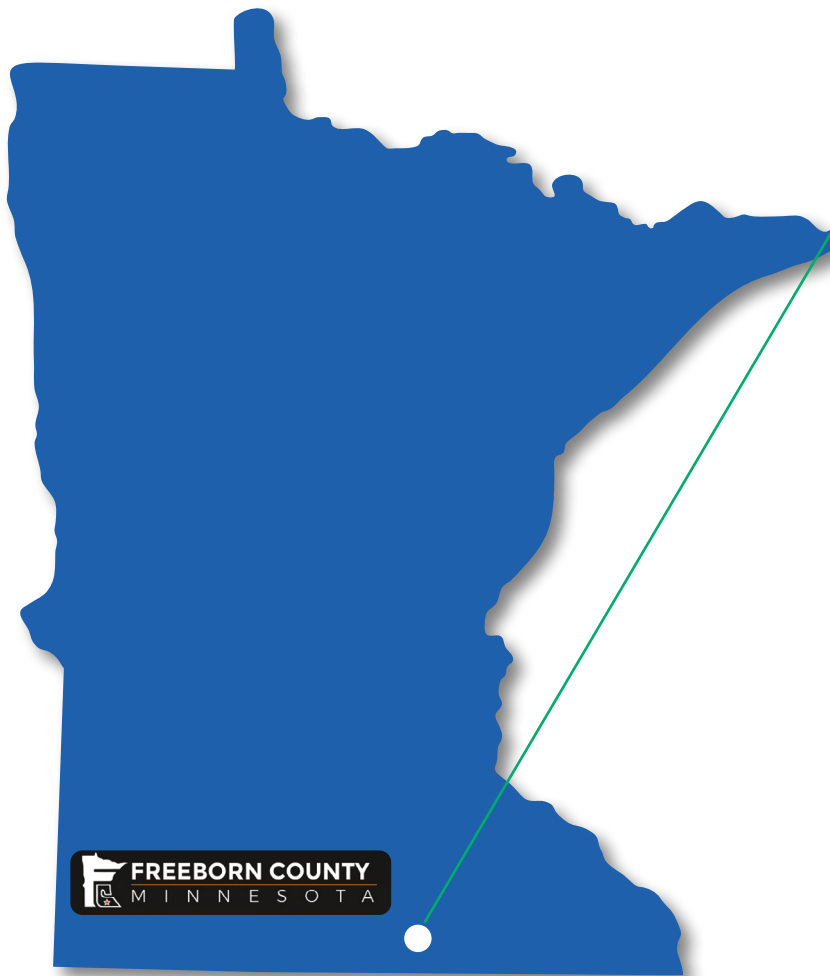


## How Freeborn County Saved Their Health Plan Benefit From Extinction



### The Customer:

- Freeborn County, MN
- 300 employees
- Non-bargained benefits
- Health Insurance: Blue Cross Blue Shield (BCBS) through Minnesota's South East Service Cooperative

### The Challenge:

John Kluever had been the Administrator of Freeborn County for the past nine years. During that time, he had watched the health plan go into what he called “the death spiral,” i.e. declining enrollment ([see table 1, page 5](#)) coupled with annual double-digit increases ([see table 2, page 5](#)).

In 2013, the county had two high deductible plans in place and less than 40% of eligible employees enrolled in the health insurance plan. And 2014 saw little change. John was concerned that the numbers would fall even further, which would cause premiums to go even higher. Here's why:

The county board had a fixed premium contribution that did not increase along with the rapidly escalating premiums. The increases were falling squarely on the

employee's shoulders and Freeborn was facing a situation called adverse selection. Adverse selection is the natural tendency for high-risk employees to enroll in the insurance while low-risk individuals pass on the offer. After all, the only employees who could afford the plan were those in dire need of health care.

This no-win situation deteriorated the plan quickly because as healthy participants moved on, the higher risk pool drove premiums skyward. For the county, the writing was on the wall: make a change or give up offering the benefit. Neither option was appealing.

Freeborn County was also faced with Affordable Care Act (ACA) compliance issues. Due to the nature of their situation, the plan was not meeting the ACA's affordability thresholds and therefore, the county was about to face steep fines

To add more fuel to the fire, concerns about employee recruitment and retention grew. Freeborn's pay scale was comparable to other counties but their benefit package was viewed as poor, making it hard to recruit and retain employees. Discussions ensued

about the possibility of eliminating the health insurance benefit all together but the board and administration felt strongly that it was a valuable benefit and should be saved. There were also ACA issues with dropping the plan as well, as there are fines for not providing coverage.

John was looking for answers. While the co-op was helpful, he needed more specific advice – someone that could advocate for the county and get results. In 2014, John laid out the entire saga to the board and requested a health insurance consultant. They agreed.

### The Light at the End of the Tunnel:

Before they started interviewing consultants, several county departments (Finance, HR, Benefits, etc.) met to establish their goals for the health plan. They were:

1. Increase enrollment numbers
2. Stabilize premiums
3. Get assistance with ACA compliance
4. Advocate for the county in the co-op meetings and with BCBS





### The Consultants:

Through recommendations, Freeborn County interviewed two employee benefit consultants. One recommendation came from Ochs, Inc., an organization that provides the majority of the life and disability insurance benefit plans for counties in Minnesota. Ochs recommended their partner, National Insurance Services (NIS).

Freeborn County chose NIS as the best fit for them because of NIS's reputation and the experience of their consultants. John met with Aaron Casper, Employee Benefits Consultant and Pierre Guilfoile, Director of Health Plan Analytics from NIS. Aaron works with schools, cities, and counties on benefit integration and health insurance. Pierre specializes in ACA and compliance, cost mitigation, and health insurance utilization data.

John presented the county's case – high health insurance costs, declining enrollment, and pending ACA compliance issues. After a brief review of the case, Aaron and Pierre told John they were confident they can help Freeborn County get out of their death spiral and back on the right track.



**Aaron A. Casper**  
*Employee Benefits Consultant*



**Pierre Guilfoile**  
*Director of Health Plan Analytics*



### The Strategy:

The county had a \$2.2 million dollar health plan, of which they were contributing \$1.5 million toward premium. The employees' contribution was \$700,000. The NIS Consultants' challenge was to keep the budget in that ballpark but find a new plan they could put into place that would be more attractive to the employees of Freeborn County so that participation would increase, risk could go down, and premiums could stabilize. Not an easy task but they were up for the challenge.

The two plans in place had high deductibles (\$2,600 single/\$5,200 Child & Family); and the county contributed funds into a Medical Reimbursement Account - in this case a VEBA HRA plan - to help employees cover the deductible.

#### 2014 Health Plan Options

Deductible Plan (80% co-insurance)		
	Plan Deductible	VEBA HRA Contribution
Single	\$2,600	\$1,300
Child/ren	\$5,200	\$1,300
Family	\$5,200	\$2,600
Deductible Plan (no co-insurance)		
	Plan Deductible	VEBA HRA Contribution
Single	\$2,600	\$1,300
Child/ren	\$5,200	\$1,300
Family	\$5,200	\$2,600

The lower cost plan had co-insurance in addition to the deductible but essentially the plans were identical. The unused funds in the VEBA rolled over every year, gained interest, and could be used in the future for medical expenses.

NIS negotiated with BCBS and the Co-op to add a new Minimum Value Plan (MVP)<sup>1</sup> as an option for employees for 2015, keeping the old plans in place. With the new plan, the county was able to offer a single coverage option at \$0 cost to the employee. See Table 3 (page 5). This moved participation numbers in the right direction. The county saw an increase in participation from 40%

to 58% virtually overnight and the renewal for 2015 came in at 0%! See Table 1 and 2 (page 5).

This new plan also met their ACA obligations to provide an affordable plan with certain minimum coverage. The county was elated!

When the beginning of 2016 rolled around, the consultants took a close look at the utilization of the plans. They found very little enrollment in the traditional plans, and of those in the plans, utilization was low. The county made the decision to offer only the MVP plan and let the other choices fall away. After all was said and done, the county saw another 2% increase in participation for 2016 and a renewal of only 7%. See Tables 1 and 2 (page 5). The county was also able to offer employees a significantly higher VEBA/HRA contribution. See Table 4 (page 5).

### Happily Ever After:

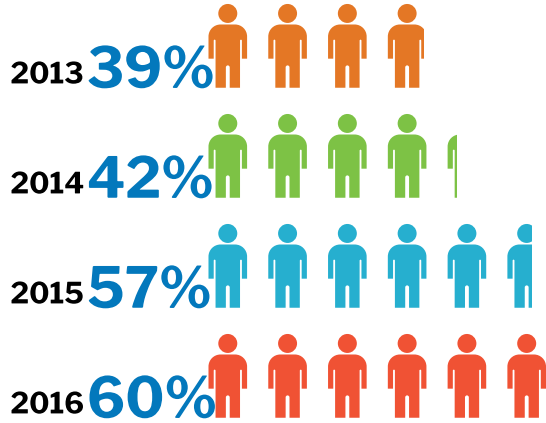
Since hiring NIS as their advocate and consultant, Freeborn County is very pleased with their results:

- Freeborn has begun the journey of reversing participation trends
- They were able to get out of the death spiral without any major levy increases
- They are now able to offer a no-cost single coverage package which has not only increased enrollment but also improved recruitment & retention
- The county is getting better representation through the co-op
- They are currently ACA compliant and making plans for pending ACA mandates

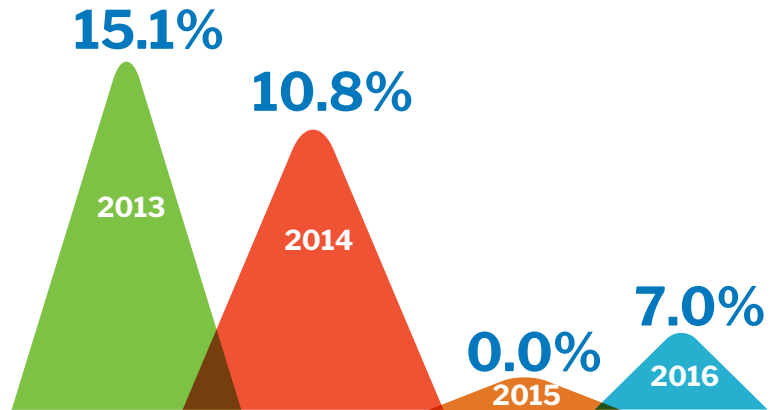
Had Freeborn County not addressed these issues, they would have had to make some tough choices and had to submit to some steep ACA fines. Decreasing enrollment and escalating premium would have eventually proven unsustainable, and recruitment and retention may have taken a dive. Freeborn County looks forward to continuing their relationship with NIS and reaping the benefits of being able to reverse the trends.

<sup>1</sup>A "Minimum Value" plan is defined by the ACA as a plan designed to meet at least 60% of the total cost of medical services for a standard population. If a plan meets this standard, then the employer will not be subject to certain ACA fines.

**Table 1:  
Participation in Health Insurance**



**Table 2:  
Freeborn County Health Insurance Renewals**



**Table 3:  
2015 Health Plan Options**

	Plan Deductible	VEBA HRA Contribution	Employee Premium	Max Out of Pocket	Total Annual Risk for Employee (worst case scenario)
<b>Deductible Plan (80% co-insurance)</b>					
Single	\$2,600	\$1,300	\$3,456	\$3,500	\$5,656
Child/ren	\$5,200	\$1,300	\$6,528	\$6,500	\$11,728
Family	\$5,200	\$2,600	\$10,248	\$6,500	\$14,148
<b>Deductible Plan (no co-insurance)</b>					
Single	\$2,600	\$1,300	\$4,488	\$2,600	\$5,788
Child/ren	\$5,200	\$1,300	\$7,068	\$5,200	\$10,968
Family	\$5,200	\$2,600	\$12,996	\$5,200	\$15,596
<b>MVP Plan (no co-insurance)</b>					
Single	\$6,350	\$0	\$0	\$6,350	\$6,350
Child/ren	\$12,700	\$0	\$5,412	\$12,700	\$18,112
Family	\$12,700	\$0	\$9,660	\$12,700	\$22,360

**Table 4:  
2016 Health Plan Options**

	Plan Deductible	VEBA HRA Contribution	Employee Premium	Max Out of Pocket	Total Annual Risk for Employee (worst case scenario)
<b>MVP Plan (no co-insurance)</b>					
Single (no HRA VEBA)	\$6,350	\$0	\$0	\$6,350	\$6,350
Single	\$6,350	\$3,175	\$2,070	\$6,350	\$5,245
Child/ren	\$12,700	\$6,350	\$7,796	\$12,700	\$14,143
Family	\$12,700	\$6,350	\$8,985	\$12,700	\$15,335

## About National Insurance Services:

Since 1969, [National Insurance Services \(NIS\)](#) has worked with public sector organizations such as schools, cities, counties, municipalities, libraries, and community mental health organizations providing employee benefit consulting services, as well as brokerage services for medical, dental, life, disability, and vision insurance benefits. NIS also specializes in early retiree benefit restructuring services, tax-free options for retiree payouts, as well as, on-site and near-site medical clinics.

NIS is trusted by over 2,500 public sector organizations and 500,000 insured individuals in 29 states. We are headquartered in Brookfield, Wisconsin with regional offices in Indiana, Iowa, Michigan, Minnesota, Nebraska, and Pennsylvania.

To learn more about NIS, visit our website [NISBenefits.com](http://NISBenefits.com).

## You may also be interested in the following resources:

- [Guide to Restructuring Retiree Benefits](#)
- [Quiz: Broker Scorecard](#)
- [Guide Health Insurance Rx](#)
- [Guide: Why Integrated HRAs May Work Better than HSAs](#)



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