

Why Health Insurance Funds?

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The cost of employee benefits is likely each NJ municipality's second largest expense, growing at alarming rates each year. While there are no "silver bullet" solutions to the healthcare issues facing all NJ employers and municipalities, there are several options and solutions that are often overlooked. One such option is using "Health Insurance Funds" (HIFs) to procure cost effective benefits delivery.

Using the "shared services" concept for healthcare and employee benefits delivery, HIFs provide an organized framework for schools to band together with other local schools, and even area municipalities, to procure more affordable employee benefits. HIFs have been in place in NJ since the early 1990's and have helped close to 100 municipalities across NJ to provide cost effective benefit solutions. More recently, new enabling legislation now allows other public entities, like school districts, to join with municipalities and other governmental entities to band together and create HIFs. Using the HIF model, municipalities, local school districts and other government entities can band together and use their collective size and the economies of scale to negotiate more favorable financial arrangements with insurance carriers and administrators. Plus, under a HIF each participating entity can also maintain their own separate plan of benefits as not to create any collective bargaining issues.

For municipalities the possibilities are considerable for great success. For example, all of the municipalities in a particular county can set up a county-wide HIF allowing

the various entities to band together for more effectively managed and less costly benefits. The development of a county-wide HIF is consistent with the principles of shared services being suggested across the state. Unlike the State Health Benefits Plan (SHBP), HIFs are managed and operated by the participating entities who maintain greater control over the operations of the risk. Plus, HIFs operate using the same successful risk and business model as property and casualty Joint Insurance Funds (JIFs) which have been very successful in helping municipalities effectively control insurance costs for decades. In addition, like the JIF model, participating entities are less reliant on a single insurance carrier solution and can use more effective financing techniques to deliver discounted provider networks, member services, health and wellness features and improved claims management.

The development of more regional and locally based purchasing coalitions affords municipalities the ability to:

- 1) Use the collective purchasing power of many municipalities in a given area to jointly purchase health benefits insurance at more stable, predictable and ultimately lower costs;
- 2) Maintain their own separate benefit plan as not to compromise collective bargaining obligations;
- 3) Use a proven model (like the JIF) to have more ownership interest in managing health benefit risk and claims;
- 4) Applying successful shared services concepts to the second largest line item.

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