Last summer, Prior Lake-Savage Area Schools made the switch to its own self-funded healthcare plan after having been part of a different insurance plan for more than 10 years. It was a change we made after reviewing all the options, meeting with our employee groups, and taking our recommendation to the school board. The decision to move to a self-insured health plan has provided transparency, saved money and allowed for the creation of a reserve that will provide greater stability in the face of the ever-increasing cost of health insurance.
In spring 2011, we decided to go out for bid on our medical insurance plan in order to ensure that we were offering our health benefits in the most affordable manner possible for the district and our employees. While we were waiting for our annual rate adjustments from the former plan, we obtained bids for fully insured healthcare models from Medica and PreferredOne, and also for a self-insured healthcare model from PreferredOne.

The best bid for a fully insured model came from the cooperative and guaranteed us a 5 percent rate increase through a two-year period, which would cost the district approximately $350,000. After analyzing our claims history and the premiums we were paying out to the cooperative, we were able to predict that if our current trends continued we would be significantly overpaying under our current model, and by switching would be able to save the district from the 5 percent premium rate increase.

In addition to being able to avoid the 5 percent rate increase, we were also able to find significant savings in the administrative costs associated with offering our benefits through a self-insured model. The district was able to cut $800,000 in administrative costs by changing plans. These savings will be used to create a reserve which will allow the district and our employees to insulate ourselves from dramatic swings in the cost of providing health benefits.

After we had analyzed the bids, the self-insured option was clearly worth exploring. In order to better understand what a self-insured model would mean for our district, we first had a discussion with PreferredOne, which had provided the bid and would be the administrator, to get a better understanding of the plan. We also sought counsel from Al Hofstede from Corporate Health Systems, who helped us review the numbers and gain a comfort level with changing to a self-insured plan.

It is a lot of work to make a change in a healthcare plan, so a school district needs to have a compelling reason to make this change. After running the numbers and realizing the kind of savings and long-term stability the change could offer, we made the decision that it was in the district's best interest to change plans. We knew we had a significant opportunity, but that making a change would come with challenges. The two biggest challenges are timing and employee buy-in.

From the day we decided to recommend the change to a self-insured model, it took one month to educate our board and employees and formally adopt the plan, and it took an additional month to implement the plan. It is a common misperception that changing plans is a process that must take many months or even years, but we found that the process can work on an abbreviated timeline as well.
Employee buy-in is crucial to the success of making the change to a self-insured model. We found that district and employee interests aligned in a desire to keep premiums low and avoid costly rate increases. The greatest concerns for our employees were the ability to retain the same benefits they had previously received, and continue to see the doctors with whom they had formed relationships and utilize the same prescriptions. Under the self-insured model, we were able to alleviate their concerns by duplicating our plan design exactly. Once these concerns were laid to rest, our employees were able to recognize the value to both the district and themselves in changing plans.

Nearly a year into the change, our employees are more knowledgeable about our health plan due to the transparency that comes with a change to self-insurance, and we have recognized the benefits we anticipated, which include these:

- Lowering of administrative costs by $800,000 annually, which will be ongoing and has helped us to build a reserve
- Cost avoidance of $350,000 by not needing to increase premiums by 5 percent as dictated by our fully insured bids
- Retention of the difference between our actual claims and premiums paid, which will also help to build our reserve

This change has taken a significant amount of time and energy to make, but we are confident it was the right decision.

Matt Mons is Director of Human Resources and Julie Cink is Director of Business Affairs for the Prior Lake-Savage Area Schools. The district has 7,200 students at 12 sites and has 1,000 full-time and part-time employees.