

# M Management Committee

**Business Item**

Item: 2012-280

**Meeting date:** September 12, 2012

**For Metropolitan Council Meeting:** September 26, 2012

## ADVISORY INFORMATION

<b>Date:</b>	August 30, 2012
<b>Subject:</b>	Adopt Resolution to Create Medical Self Insurance Plan and Establish Reserve Fund
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	
<b>Staff Prepared/Presented:</b>	Sandi Blaeser, Assistant Director Human Resources; Mary Bogie, Chief Financial Officer
<b>Division/Department:</b>	Regional Administration/Finance

### Proposed Action

That the Metropolitan Council approve resolution 2012-29 to create a medical self insurance plan and establish a medical plan self insurance reserve fund.

### Background

The Council currently contracts for fully insured medical insurance coverage.

Resolution 2012-29 creates a medical self insurance plan and establishes a reserve fund to manage cash flow and claims risk associated with the plan.

Use of reserve funds is restricted to the payment of claims, aggregate and specific stop loss insurance, reduction of premiums, administrative activities, and any other costs related to the provision of employee or retiree health care benefits.

The reserve fund will be funded through employer and employee premiums reviewed and established annually to pay expected claims and meet a target reserve balance that, along with aggregate and specific stop loss insurance, is sufficient to minimize cash flow and claims risk to the Council.

A reserve target of 10% of annual expected claims, along with 125% aggregate stop loss and \$500,000 specific stop loss insurance is recommended for 2013. A total premium cost of \$64,030,368 is recommended to meet expected claims for 2013 and achieve the reserve target.

Reports will be provided annually to the Management Committee regarding the status of the Reserve, claims experience, recommended premiums, and aggregate and specific stop loss insurance.

The proportion of employer/employee share of the total premium is a part of the collective bargaining process.

### Rationale

Benefits of self insurance medical plan coverage include:

- Significant long-term savings over fully insured plan

- Ability to maintain current plan designs and network
- Reserve balances, and interest earnings thereon, are retained by the Council
- Control over risk mitigation and management strategies
- Claims adjudication and administrative services stay with administrator

### **Funding**

The employer share of medical premiums is included in the operating division budgets.

### **Know Support / Opposition**

None

**METROPOLITAN COUNCIL**  
**390 Robert Street North • Saint Paul • Minnesota 55101-1805**

**RESOLUTION No. 2012-29**

**RESOLUTION TO ESTABLISH A SELF INSURANCE OPTION AND  
RESERVE FUND FOR EMPLOYEE MEDICAL BENEFITS**

**WHEREAS**, the Metropolitan Council currently has a contract for fully insured medical coverage for its employees and officers; and

**WHEREAS**, there are significant advantages to the implementation of a self insurance medical coverage option in place of the current fully-insured option; and

**WHEREAS**, the creation of a self insurance option will require the establishment of a reserve fund to manage cash flow and claims risk associated with the plan.

**NOW THEREFORE, BE IT RESOLVED:**

1. The Regional Administrator is authorized to take all appropriate actions to establish and implement a self insurance medical coverage option for Council employees and officers.
2. A Medical Plan Self Insurance Reserve Fund shall be established to manage cash flow and claims risk associated with the self insurance medical option.
3. Annual review of reserve balances claims experience, recommended premiums, and aggregate and specific stop loss insurance will be provided to the Council's Management Committee.

Adopted this \_\_\_\_\_ day of September, 2012

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Sue Haigh, Chair

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Emily Getty, Recording Secretary