



This month I am going to provide you with information about the Insurance Trust and the benefits available to you. Since open enrollment is about to begin, this is a pertinent topic that is timely. Over the last six weeks, this has been a very difficult topic to tackle.

### **History of the Insurance Trust**

The FDSA/FSSA Insurance Benefit and Trust is closing in on a final decision regarding health insurance for its members, both active and retirees. This year has been an incredibly challenging one for the IBTF Trust. There are many contributing factors affecting a change that we have not seen previously. This has also been compounded by additional factors the IBTF has not had to deal with in prior years.

Currently, the IBTF (Insurance Benefit Trust Fund) utilizes Blue Shield for our health care coverage. We have been with this company since 1984. We are one of the few groups who still hold a 'Retention Account' with the company. This account has allowed us to accumulate monies during the plan year, while also offering us the ability to buy down rates in years where our utilization has been higher than we would prefer. This has also allowed us to offset the overall renewal.

We have maintained a Blue Shield PPO and Blue Shield HMO account for the 25+ years under the Trust. Within the last three years, we have introduced a third plan- Active Choice 750/1500, which offers the same benefit coverage as our current PPO. The main difference with this plan is how Blue Shield bills the customer. Right now, we have a total of 17 people choosing this option.

Historically, we have always had to keep at least 300 enrolled members under the PPO plan to ensure the retention account can continue. In 2011, Blue Shield waived that requirement and blended the group to include HMO enrolled members. This was a positive move for us, as it guaranteed us the retention account for the life of the plan.

By blending the two PPO and HMO plans, Blue Shield has also blended our renewals. Depending on the utilization of insurance by members, this can be both good and bad.

As an IBTF, we have been fortunate over the years to have enough money in our retention account to cover double digit renewal numbers facing our members. A

***"Professionals Protecting and Serving Fresno County"***

1360 Van Ness Avenue Fresno, California 93721  
(559) 268-3372 FAX 441-8624 email address: [eric.schmidt@fresnodsa.org](mailto:eric.schmidt@fresnodsa.org)



majority of the time, the membership has no idea what rates started out at and where we actually finish.

Over the years, we have had to move our benefit features around to ensure affordability of the plans offered by Blue Shield. These include details like: overall deductibles, maximum out of pocket, ER visits, etc. These adjustments have been critical to keeping the plan affordable for all of you, and offering a balance to continue offering a rich health plan to all of our members.

Under the recent Obama Healthcare Reform, the IBTF has incurred a nearly 10% increase over the last three renewal years. Increases such as those, become very frustrating, when we, as an IBTF, do our best to maintain affordability and premium benefit levels- to our membership through Blue Shield.

The 2014 renewal has posed some problems in the area of experience that affects the affordability of the current plans.

Although during our recent MOU, ratified to take effect Dec 9, 2013, we have increases embedded for health contributions the County gives to each of you. Over the three year term of the contract, the County agreed to increase their contribution to our health plan by a total of \$35 bi-weekly which is positive for all members. This helps offset increases we may face.

### **Experience of the Plans**

As Chairman of the IBTF, I constantly get updates on experience numbers. The experience reports are looked at from a 12 month period.

A perfect number for an experience level is about 70%. That means the insurance companies are paying claims at 70% and 30% is purely profit for them. Also, a 70% would give us an even renewal, meaning very little or no increases.

Our broker, DiBuduo and Defendis, keeps me informed throughout the current plan year to avoid any surprises at renewal time.

During the 2013 plan year, the numbers started coming in from Blue Shield showing 125%, 115%, 98% and 197%. When I saw the numbers this high, I knew we would be facing some kind of increase for 2014. The HMO was performing well

***“Professionals Protecting and Serving Fresno County”***

1360 Van Ness Avenue Fresno, California 93721  
(559) 268-3372 FAX 441-8624 email address: [eric.schmidt@fresnodsa.org](mailto:eric.schmidt@fresnodsa.org)





# FDSA

**FRESNO DEPUTY SHERIFF'S ASSOCIATION**

below 70%, however, keep in mind, when it comes time for renewal both HMO and PPO are blended.

With numbers showing as high as almost 200% means that Blue Shield is basically taking a major loss with our group and covering our health care costs. Having numbers like this in the world of insurance is pretty horrible.

## **Renewal**

Once renewal started in August of 2013, Debra Duckering with DiBuduo/Defendis contacted me and reported Blue Shield quoted our renewal rates at a 40% increase. The HMO helped bring it down from the initial quoted 60%. Obviously, this is grim news. During the negotiation process with Blue Shield, there have been several steps made to lower that number to a more affordable plan, while continuing to keep the benefit levels as close to the same as possible.

Although current HIPPA laws do not allow us to report too much when it comes to health coverage, in 2013, we had an extremely high year of large claims. Blue Shield identified 12 of the claims which totaled 1.7 million dollars. These are claims that are unusual and unanticipated for insurance companies in general. However, 8 of the 12 claims are a one- time occurrence, rather than an ongoing expense.

We have made some modifications after changing the deductible and maximum out of pocket. We have used all retentions monies that had built up in the account, allowing a renewal rate at just over 18%.

IBTF met again on Tuesday, October 8<sup>th</sup> with DiBuduo and Defendis and discussed more options and possible plan changes. We are meeting again Friday, October 11<sup>th</sup> for a final decision.

## **The Next Step**

I requested we go out and look hard at other companies who would quote us in such a horrible renewal year. D&D explored for us.

Blue Cross refused to quote based on our experience from 2013. United Health Care said they would provide a quote- however, they would have to start with a 5%

***“Professionals Protecting and Serving Fresno County”***

1360 Van Ness Avenue Fresno, California 93721  
(559) 268-3372 FAX 441-8624 email address: [eric.schmidt@fresnodsa.org](mailto:eric.schmidt@fresnodsa.org)



# FDSA

**FRESNO DEPUTY SHERIFF'S ASSOCIATION**

higher number, simply due to the law enforcement aspect of our members. This includes a lot of risk to these carriers.

Kaiser Permanente offers a competitive bid for our group. Over the last five years, many of you have asked about the Kaiser option. The IBTF is exploring attaching the benefit to our overall health care package. The biggest concern is getting Blue Shield to lock their rates if we bring in another company. We do not want mid-year increases to our current Blue Shield plan.

### **Researching our Options**

The IBTF's main goal is to maintain affordability while ensuring premium benefits to its membership. The issues we face with health care under Obama's Healthcare Reform are carriers not being as flexible as they have in the past - - and ultimately blaming it on the recent Healthcare Reform Act.

In order to continue with Blue Shield, in a year where we face these dramatic increases, IBTF has to look at the benefit levels of our plans. We understand and are compassionate to not making drastic changes that affect people's lives and comfort level. The benefit levels may change a bit to keep the plan affordable. The numbers you should consider are: how often you go to the doctor, how many prescriptions you may use and what you want to pay bi-weekly- versus how much you would pay for the extra benefits.

### **Dental Coverage**

After the last two years with Delta Dental, we have decided to change to Met Life Insurance for your dental needs. Met Life ensured the IBTF they will match the same coverage as Delta Dental has in the prior years. Their network of dentists has increased from the prior years when we used Met Life. There were no benefit changes made to the dental plan. We are fortunate Met Life came in with a lower premium, while ensuring the same benefit level.

### **Overall**

The IBTF works hard to make sure your health care needs are met, and you and your family are receiving the best benefits available. We feel each member has their specific individual and family needs, so it's our goal to provide plans that are beneficial to everyone- and offer wide ranging options.

***"Professionals Protecting and Serving Fresno County"***

1360 Van Ness Avenue Fresno, California 93721  
(559) 268-3372 FAX 441-8624 email address: [eric.schmidt@fresnodsa.org](mailto:eric.schmidt@fresnodsa.org)





**FDSA**  
**FRESNO DEPUTY SHERIFF'S ASSOCIATION**

In 2014, you can choose to keep your health insurance status quo, or start looking at your bottom line to see if a switch may benefit you.

As always, if you have any questions, please do not hesitate to contact me or one of the other IBTF board members.

Cordially,

-Eric

***"Professionals Protecting and Serving Fresno County"***

1360 Van Ness Avenue Fresno, California 93721  
(559) 268-3372 FAX 441-8624 email address: [eric.schmidt@fresnodsa.org](mailto:eric.schmidt@fresnodsa.org)