


# The Elephant in the Room: Health Insurance and Collective Bargaining

Presented by

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## The Facts

- The market size, measured by revenue, of the Health & Medical Insurance industry is \$1.0 trillion in 2019; expected to increase 1.2% in 2020
- Health Insurance is getting more and more expensive (expected to rise 6% in 2020 – shrm.org)
- Health insurance premiums have increased at a higher percentage than wages by percentage since 2015 (serb.gov)
- Health insurance is a mandatory topic of bargaining
- Health insurance, along with wages, are an employer's primary personnel costs
- Health insurance, along with wages, are the most controversial and emotional topic at the bargaining table

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## Understanding the Basics

- **PPO** - An indemnity plan where coverage is provided to participants through a network of selected health care providers (such as hospitals and physicians). The enrollees may go outside the network, but would incur larger costs in the form of higher deductibles, higher coinsurance rates, or nondiscounted charges from the providers.
- **HMO** - A health care system that assumes both the financial risks associated with providing comprehensive medical services (insurance and service risk) and the responsibility for health care delivery in a particular geographic area to HMO members, usually in return for a fixed, prepaid fee.
- **HDHP** - A plan with a higher deductible than a traditional insurance plan. The monthly premium is usually lower, but you pay more health care costs yourself before the insurance company starts to pay its share (your deductible).

Source: [bls.gov](https://bls.gov/healthcare.gov), [healthcare.gov](https://healthcare.gov)

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## Understanding the Basics

- **Cafeteria Plan** - A benefit program under Section 125 of the Internal Revenue Code that offers employees a choice between permissible taxable benefits, including cash, and nontaxable benefits such as life and health insurance, vacations, retirement plans and child care.
- **Premium** - Agreed upon fees paid for coverage of medical benefits for a defined benefit period. For self-insured plans, it is a premium equivalent.
- **Deductible** - A fixed dollar amount during the benefit period - usually a year - that an insured person pays before the insurer starts to make payments for covered medical services. Plans may have both per individual and family deductibles.
- **Coinsurance** - A form of medical cost sharing in a health insurance plan that requires an insured person to pay a stated percentage of medical expenses after the deductible amount, if any, was paid.

Source: [bls.gov, healthcare.gov](https://www.bls.gov/healthcare.gov)

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## Understanding the Basics

- **Copay** - A form of medical cost sharing in a health insurance plan that requires an insured person to pay a fixed dollar amount when a medical service is received. The insurer is responsible for the rest of the reimbursement.
- **Max Out of Pocket** - The maximum dollar amount a group member is required to pay out of pocket during a year. Until this maximum is met, the plan and group member shares in the cost of covered expenses.

Source: [bls.gov, healthcare.gov](https://www.bls.gov/healthcare.gov)

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## Understanding the Basics

- **Pharmacy**
  - **Brand** - Prescription drugs marketed with a specific brand name by the company that manufactures it, usually the company which develops and patents it.
  - **Specialty** - Specialty drugs are high-cost prescription medications used to treat complex, chronic conditions like cancer, rheumatoid arthritis, and multiple sclerosis.
  - **Generic** - A prescription drug that is chemically equivalent to a brand-name drug and has the same dosage form, safety, strength, route of administration, quality, performance characteristics and intended use as a brand-name drug.

Source: [bls.gov, healthcare.gov](https://www.bls.gov/healthcare.gov)

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## Understanding the Basics

- **Flexible Spending Accounts (FSA)** - Accounts offered and administered by employers that provide a way for employees to set aside, out of their paycheck, pretax dollars to pay for the employee's share of insurance premiums or medical expenses not covered by the employer's health plan. The employer may also make contributions to a FSA. Typically, benefits or cash must be used within the given benefit year or the employee loses the money. Flexible spending accounts can also be provided to cover childcare expenses, but those accounts must be established separately from medical FSAs.
- **HSA** - A Health Savings Account (HSA) is a tax-advantaged account created for individuals who are covered under high-deductible health plans (HDHPs) to save for medical expenses that HDHPs do not cover.
- **HRA** - A health reimbursement arrangement (HRA) is an employer-funded plan that reimburses employees for qualified medical expenses and, in some cases, insurance premiums.

Source: [bls.gov, healthcare.gov](https://www.bls.gov/healthcare.gov)

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## Understanding the Basics

- **Fully-insured** - A plan where the employer contracts with another organization to assume financial responsibility for the enrollees' medical claims and for all incurred administrative costs.
- **Self-insured** - A plan offered by employers who directly assume the major cost of health insurance for their employees. Some self-insured plans bear the entire risk. Other self-insured employers insure against large claims by purchasing stop-loss coverage.
- **Group Purchasing** - Any of a wide array of arrangements in which two or more employers purchase health insurance collectively, often through a common intermediary who acts on their collective behalf. Such arrangements may go by many different names, including cooperatives, consortiums alliances, or business groups on health.

Source: [bls.gov, healthcare.gov](https://www.bls.gov/healthcare.gov)

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## Understanding the Basics

- **Third Party Administrator (TPA)** - An individual or firm hired by an employer to handle claims processing, pay providers, and manage other functions related to the operation of health insurance.
- **Wellness Program** - A program intended to improve and promote health and fitness that's usually offered through the work place, although insurance plans can offer them directly to their enrollees. The program allows your employer or plan to offer you premium discounts, cash rewards, gym memberships, and other incentives to participate. Some examples of wellness programs include programs to help you stop smoking, diabetes management programs, weight loss programs, and preventative health screenings.

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## Ohio Public Sector Health Insurance Breakdown

**Table 3**  
Percentage of Plan Types Offered by Jurisdiction

Comparison Group	EPO	PPO	POS	HMO	HDBP	n
<b>STATEWIDE</b>	<b>0.7%</b>	<b>56.7%</b>	<b>0.8%</b>	<b>1.3%</b>	<b>40.4%</b>	<b>2,089</b>
State of Ohio	0.0%	100.0%	0.0%	0.0%	0.0%	1
Counties	2.8%	55.9%	2.1%	3.4%	35.8%	145
Cities	1.2%	53.4%	0.9%	1.5%	43.0%	339
Townships	0.0%	35.2%	2.3%	0.8%	61.7%	128
School Districts & ESCs	0.3%	41.4%	0.2%	1.0%	57.1%	1,241
Colleges & Universities	4.4%	52.9%	2.9%	0.0%	39.7%	68
Fire Districts	0.0%	0.0%	0.0%	0.0%	100.0%	14
Metro Housing Authorities	0.0%	38.0%	4.0%	2.0%	56.0%	50
Port Authorities	0.0%	50.0%	0.0%	0.0%	50.0%	4
Regional Transit Authorities	0.0%	63.2%	0.0%	10.5%	26.3%	19
<b>NUMBER OF PLANS (n)</b>	<b>15</b>	<b>1,139</b>	<b>16</b>	<b>27</b>	<b>812</b>	

Note: Plan Types - EPO: Exclusive Provider Organization; PPO: Preferred Provider Organization; POS: Point of Service; HMO: Health Maintenance Organization; HDBP: High Deductible Health Plan.  
Note: n = number of plans.

Source: [https://serb.ohio.gov/static/PDF/Insurance\\_Report/Health\\_Insurance\\_Report\\_2019.pdf](https://serb.ohio.gov/static/PDF/Insurance_Report/Health_Insurance_Report_2019.pdf)

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## Ohio Public Sector Health Insurance Breakdown

**Table 5**  
Average Monthly Employer & Employee Contributions  
Towards Medical Premium  
(All Medical Plan Types)

Comparison Group	Single			Family			n
	Employer Share	Employee Share	Total	Employer Share	Employee Share	Total	
<b>STATEWIDE</b>	<b>\$ 589.80</b>	<b>\$ 85.30</b>	<b>\$ 675.10</b>	<b>\$ 1,413.74</b>	<b>\$ 234.99</b>	<b>\$ 1,648.73</b>	<b>2,089</b>
State of Ohio	\$ 604.25	\$ 107.04	\$ 711.29	\$ 1,658.48	\$ 305.59	\$ 1,964.07	1
Counties	\$ 603.56	\$ 90.20	\$ 693.76	\$ 1,599.43	\$ 261.72	\$ 1,861.15	145
Less than 50,000	\$ 608.41	\$ 88.72	\$ 697.13	\$ 1,621.56	\$ 264.57	\$ 1,886.13	52
50,000 - 149,999	\$ 611.47	\$ 96.66	\$ 708.13	\$ 1,628.85	\$ 280.47	\$ 1,909.32	57
150,000 or more	\$ 584.04	\$ 82.10	\$ 666.14	\$ 1,521.18	\$ 227.92	\$ 1,749.10	36
Cities	\$ 610.11	\$ 77.63	\$ 687.74	\$ 1,640.46	\$ 210.59	\$ 1,851.05	339
Less than 25,000	\$ 605.24	\$ 74.33	\$ 679.57	\$ 1,628.89	\$ 204.07	\$ 1,832.96	238
25,000 - 99,999	\$ 625.49	\$ 86.84	\$ 712.33	\$ 1,676.27	\$ 231.97	\$ 1,908.24	93
100,000 or more	\$ 570.98	\$ 64.24	\$ 635.22	\$ 1,559.64	\$ 151.30	\$ 1,710.94	8
Townships	\$ 626.27	\$ 51.01	\$ 677.28	\$ 1,663.37	\$ 154.80	\$ 1,818.17	128
Less than 10,000	\$ 651.13	\$ 33.86	\$ 684.99	\$ 1,694.71	\$ 119.59	\$ 1,814.30	69
10,000 - 29,999	\$ 611.32	\$ 61.63	\$ 672.95	\$ 1,628.01	\$ 176.50	\$ 1,794.51	47
30,000 or more	\$ 560.49	\$ 95.74	\$ 656.23	\$ 1,644.94	\$ 267.76	\$ 1,912.70	12

Continued on next page

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## Ohio Public Sector Health Insurance Breakdown

**Table 5**  
Average Monthly Employer & Employee Contributions  
Towards Medical Premium  
(All Medical Plan Types)

Comparison Group	Single			Family			n
	Employer Share	Employee Share	Total	Employer Share	Employee Share	Total	
<b>STATEWIDE</b>	<b>\$ 589.80</b>	<b>\$ 85.30</b>	<b>\$ 675.10</b>	<b>\$ 1,413.74</b>	<b>\$ 234.99</b>	<b>\$ 1,648.73</b>	<b>2,089</b>
School Districts*	\$ 573.87	\$ 89.81	\$ 663.68	\$ 1,444.67	\$ 238.64	\$ 1,683.31	1,241
Less than 1,000	\$ 566.14	\$ 82.79	\$ 648.93	\$ 1,423.15	\$ 222.29	\$ 1,645.44	399
1,000 - 2,499	\$ 591.33	\$ 91.65	\$ 682.98	\$ 1,478.63	\$ 239.99	\$ 1,718.62	511
2,500 - 9,999	\$ 567.76	\$ 88.22	\$ 655.98	\$ 1,413.30	\$ 231.35	\$ 1,644.65	299
10,000 or more	\$ 565.87	\$ 87.14	\$ 653.01	\$ 1,436.96	\$ 276.83	\$ 1,713.79	34
Colleges & Universities	\$ 583.23	\$ 89.54	\$ 672.77	\$ 1,520.55	\$ 264.56	\$ 1,785.11	68
Fire Districts	\$ 494.18	\$ 65.09	\$ 559.27	\$ 1,521.14	\$ 195.67	\$ 1,716.81	14
Metro Housing Authorities	\$ 622.47	\$ 88.65	\$ 711.12	\$ 1,635.79	\$ 264.10	\$ 1,899.89	50
Port Authorities	\$ 598.34	\$ 65.33	\$ 663.67	\$ 1,522.66	\$ 198.65	\$ 1,721.31	4
Regional Transit Authorities	\$ 706.80	\$ 98.21	\$ 805.01	\$ 1,860.27	\$ 266.20	\$ 2,126.47	19

Note: Includes plans where employee contributes 50% to the medical premium.  
Note: Includes plans where prescription and/or dental is included in medical premium.  
Note: n = number of plans. \* Includes WJ Educational Services Center (ESC) plans.

Source: [https://serb.ohio.gov/static/PDF/Insurance\\_Report/Health\\_Insurance\\_Report\\_2019.pdf](https://serb.ohio.gov/static/PDF/Insurance_Report/Health_Insurance_Report_2019.pdf)

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## Ohio Public Sector Health Insurance Breakdown

**Table 9**  
Average Total Monthly Premium by Plan Type

Comparison Group	Single	Family	n
PPO	\$ 710.33	\$ 1,838.99	1,139
POS	\$ 672.20	\$ 1,892.21	16
HMO	\$ 597.37	\$ 1,653.94	27
EPO	\$ 672.63	\$ 1,780.50	15
HDHP	\$ 599.00	\$ 1,612.18	812

Note: Includes plans where employees contribute 50% to the medical premium.  
Note: Includes plans where prescription and/or dental is included in medical premium.  
Note: n = number of plans.

Source: [https://serb.ohio.gov/static/PDF/Insurance\\_Report/Health\\_Insurance\\_Report\\_2019.pdf](https://serb.ohio.gov/static/PDF/Insurance_Report/Health_Insurance_Report_2019.pdf)

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## Ohio Public Sector Health Insurance Breakdown

**Table 10**  
Statewide Average Annual Cost Per Year by Funding Type (SINGLE)

Comparison Group	2015	2016	2017	2018	2019	n
Fully-Insured	\$6,894	\$7,043	\$7,352	\$7,541	\$8,124	428
Self-Insured	\$6,730	\$6,835	\$7,162	\$7,486	\$8,097	1,581

Note: n = number of plans.

Source: [https://serb.ohio.gov/static/PDF/Insurance\\_Report/Health\\_Insurance\\_Report\\_2019.pdf](https://serb.ohio.gov/static/PDF/Insurance_Report/Health_Insurance_Report_2019.pdf)

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## What Drives Costs

- Deductible
- Utilization or Claims
- Aging Workforce
- Catastrophic Claims
- Chronic/Serious Health Conditions
- ER Visits as a "doc visit"

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## Steps to Control Costs

- High Deductible Health Plans
- Wellness Initiatives
- Telemedicine – Use of Teledoc and like services
- Change Cost Sharing – Approximately 13% is average employee contribution (serb.gov)
- Pharmacy Management Techniques – Providing resources to employees to buy affordable prescription meds
- Opt-out Payments – They need to actually work and not just pay those who are going to opt-out regardless

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## Steps to Control Costs

- Spousal Carve Out and Surcharges – Becoming more and more popular; push employed spouse or penalty for using ER insurance. Careful not to carve out your healthy employees or reduce your ability to spread the risk.
- Spreading Your Risk – Use of Consortiums and Buying Power
- Going to Market Annually – Unfortunately, this is something you need to do to continue to put pressure on the insurance companies
- Use of Health Insurance Consultants
- Use of Multiple Plans

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## Insurance Language at the Bargaining Table

The Bad and the Ugly:

- Embedded Plan details including deductible, copays, pharmacy costs. Some even include the carrier!
- Restrictive Cost Sharing – e.g. Fixed caps on premium/contribution limits
- Inability to Adapt - “Substantially the same” or “Substantially identical”

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## Insurance Language at the Bargaining Table

Okay Language:

- “Substantially Similar” or “Reasonably Similar”
- Premium or contribution limits based on a percentage
- Committee structure to approve modifications to health insurance. Committees only work with participation and a “working” structure.

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## Insurance Language at the Bargaining Table

Good Language:

- “Same as nonbargaining unit employees...” Health insurance is a global issue.
- Open-ended cost sharing
- Ability to adapt and change carriers as the Employer needs to.
- Cost containment provisions – “The Township reserves the right to institute cost containment measures...”
- Ability to comply with the ACA or other legislative mandates.

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## Questions?



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