



Questions and Answers on Self-insurance in 2010

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The Public Employees' Benefit Board (PEBB) has chosen to self-insure its statewide medical plan beginning 2010. Following are answers to member questions.

Q: Why is PEBB self-insuring its statewide health plan in 2010, and what does that mean?

A: PEBB has three medical plans. An HMO plan with Kaiser, a self-insured small regional plan called Providence Choice administered by Providence Health Systems, and a statewide fully insured preferred provider plan with Regence BlueCrossBlueShield of Oregon (Regence BCBS).

When a plan is fully insured, the carrier receives the premiums, which include the cost to administer the plan and to pay all claims. If the cost of care is more than the premiums, the carrier must pay the difference. If the cost is less, the carrier keeps the surplus.

Many states and large employers self-insure their employee medical plans because they save money in administrative costs associated with covering unanticipated claims. In a self-insured plan, the employer selects a carrier to manage the plan, process the claims, provide a network of hospitals, doctors, etc. For this service, they get an administrative fee. The employer keeps the premium and pays the actual cost of the claims. In these systems, the administrative costs are less because the employer doesn't pay for the additional funds or cushion the carrier (insurance company) needs to protect them if the premiums are not enough to pay all the claims.

During the Board's annual plan renewal process, Regence BCBS projected a premium rate increase of 16.4 percent for its 2010 fully insured statewide plan. Faced with this rate of increase, the Board asked Regence BCBS and Providence Health Systems what the rate would be for a statewide self-insured plan. Their initial bids were between 6.7 and 7.7 percent.

The Board discussed these options during the March meeting. It moved by unanimous vote to self-insure the statewide plan beginning 2010. PEBB believes this is in the best long-term interest of our members to retain quality benefits and keep health care affordable.

Q: How will the Board decide if the plan administrator will be Providence Health Systems or Regence BCBS?

A: Both Regence BCBS and Providence Health Systems meet the qualifications. When the Board selects the administrator for the statewide plan, it will consider access to providers as well as cost, customer service and overall administrative capabilities.

Q: Will my benefits change depending on whether Regence BCBS or Providence Health Systems is the administrator?

A: No. The self-insured plan benefits will be the same if the plan administrator is Regence BCBS or Providence Health Systems. The self-insured PEBB plan will be statewide and worldwide. In 2010, members will be able to select Kaiser (in Kaiser areas), the Providence Choice Plan in Portland, and the PEBB self-insured PPO plan anywhere in the state.

The plan administrator will provide a statewide network of preferred providers and a process for worldwide access. It will operate the plan according to PEBB requirements and PEBB benefit design.

Q: Will I be able to keep my same doctor regardless of who is selected to be the PEBB plan administrator?

A: The vast majority of doctors and hospitals in the state are preferred providers with both Providence Health Systems and Regence BlueCrossBlueShield. The Board is considering provider access in their decision.

Q: How will PEBB pay for the claims as a self insured plan?

A: PEBB will pay the claims costs from the premiums it receives for members and their families. PEBB also must maintain enough funds in reserve to cover unanticipated claims. PEBB has a stabilization fund for this purpose.

Q: What is PEBB's experience with self-insurance?

A: The Benefit Board has self-insured the Providence Choice plan administered by Providence Health Systems since 2006. PEBB also insured the Samaritan Select Plan administered by Samaritan Health Services in 2006 and 2007. Since 2007 PEBB has self-insured the statewide dental plans, administered by ODS. The Board will self-insure the statewide routine-vision plan (VSP) beginning 2010.