

Inside the EHA

**Nebraska Educators Health Alliance
November 2007, Issue 2**

Welcome to *Inside the EHA*, the newsletter for quick updates on timely EHA topics of interest, issues and decisions before the EHA Board, and information about your health insurance plan.

This issue is devoted entirely to addressing the new **EHA Rating Rules** that will affect premium rates beginning September 2008. Each subgroup will be notified in December 2007 by Blue Cross Blue Shield of the premium rate impact, if any, resulting from the application of the new rules.

The additional EHA Rating Rules to take effect September 1, 2008, are as follows:

1. Any EHA subgroup that has less than 75% enrollment, (excluding those covered under a spouse's plan), shall remain eligible under the EHA and be subject to a 5% premium rate surcharge.
2. Any EHA subgroup that has less than 50% enrollment, (excluding only those covered by EHA under a spouse's plan), shall remain eligible under the EHA and be subject to a 5% premium rate surcharge.
3. Any EHA subgroup where the employer contribution to the premium is less than 50% of the single rate shall remain eligible under the EHA and be subject to a 5% premium rate surcharge.
4. Any EHA subgroup where the employer contribution is made exclusively for health insurance premiums only, with no options, and such contribution is in the amount of 100% of the single and 100% of the family rates shall be subject to a 5% premium rate reduction.

The following sections provide background and explanation of the EHA's decision to add these rules.

EHA Vision Statement:

The Educators Health Alliance is working together to provide access to quality health care for all Nebraska educators.

The EHA Board's development of the rating rules is done in alignment with the EHA Vision Statement.

Group Insurance Principles:

The EHA works as an insurance pool. In order to carry out its Vision, it is the priority of the EHA to effectively manage this insurance pool for the benefit of all of its members.

One of the key tenants of effective insurance pool management is to function according to group insurance principles. “Group insurance principles” means insurance is provided to members of a group that is not formed out of the need for insurance. EHA employers constitute such groups. In order to lower the cost for each member, the objective is to enroll in the insurance plan as many members as possible. This is known in insurance terms as spread of risk and includes members with more and less present need for the insurance.

The EHA uses insurance professionals to assist in making sound decisions for the benefit of the insurance pool and balances the input received with the needs of the NSEA, NCSA, and NASB.

Employee Participation and Employer Contribution:

In general, the higher the percentage of employees enrolled in the insurance plan, the lower the cost per person. This is because a high percentage enrolled implies a positive spread of risk.

The portion of the premium contributed by the employer is the factor that most significantly influences employee participation levels.

Like nearly all group health insurance programs, the EHA plan has operated with underwriting rules regarding the participation percentage and the employer contribution level. Unfortunately, the only remedy for groups that did not meet the rules was elimination from the EHA group. However, this remedy was not consistent with the goals of the NSEA, NCSA, and NASB and has not been enforced in recent years.

Changing Contributions and Health Plan Enrollment:

Over time, a variety of approaches have been adopted for providing employer contributions toward the employee health benefit. In many cases, the employer contributed the entire premium or nearly the entire premium. In other cases, the employer makes an amount of money available which the employee can choose to take as salary or use toward the health insurance. Some employers provide a portion of the health premiums with or without an incentive or payment amount for employees who do not take health insurance. These different approaches to the employer health plan contribution have had an effect on employee participation levels and the spread of risk in the EHA plan.

The EHA Response

The EHA undertook a study in 2006 to examine the issues of participation, contribution, and spread of risk in the EHA insurance pool.

We found there are varying levels of participation, contribution, and spread of risk.

We found that if individuals are given the opportunity to enroll in the health insurance but do so with their own money, participation levels are lower, the spread of risk is reduced, and the cost per person for the remaining members is higher.

We did not find it acceptable to terminate the EHA members who did not meet the present plan rules regarding participation and contribution.

We concluded that the most equitable way to both include and treat all members of the EHA plan was to determine various levels of contribution and participation and provide slight premium variations for the various levels to reflect the differences in the expected spread of risk present.

We also concluded the premium variations should be made on a cost-neutral basis and include the opportunity for groups to lower their rates if they provide the highest incentive for a positive spread of risk.

Finally, we concluded that the changes should be communicated well in advance of their effective date so that we might enable groups, local associations, and employees time to adjust to the new rules and time to make desired changes to best benefit in light of the new rules.

EHA Closing Thoughts:

The EHA Board believes it has established rating rules that are fair to all, encourage health plan participation, and provide flexibility to participating groups and local employee associations.

The EHA Board also believes that this action will help insure the future viability and competitiveness of the EHA insurance pool. This pool has the extraordinary record of having rate increases of less than 10% for each of the EHA subgroups in each of the last 5 years. While some elements of health costs are beyond our control, we will continue to work to manage the pool in a way that keeps rate increases as low as possible and maintains a quality health insurance program.

The EHA Board hopes all subgroups can take whatever action is needed so no EHA subgroup is subject to any of the premium surcharges.

We encourage any EHA member with questions about these rules to contact an EHA Board member or your BCBS representative.