

### 8. IS THE PROVIDER A NON-PROFIT?

Why is a non-profit provider important? Stockholder profits do not have to be considered which allows “profits” to be returned to the participating school districts and union members with lower rates, better service, no unfunded risks or a combination of all three.

### 9. HOW IS CUSTOMER SERVICE HANDLED?

After the district has negotiated rates and plans and have been enrolled, the most important factor follows: service. Look for a provider whose reputation for customer service is exemplarily. Ask the provider to explain how each district is handled by their member services group. Is there a dedicated representative inside the provider who is assigned to the district? Is there an outside manager who is a liaison between the district and the provider?

### 10. IS THE PROVIDER A TRUST?

Trust funds pour their profits back into making their plans and service better as previously noted. The most prominent of the non-profits are the “Trusts” which exist in California solely for the benefit of the education community. Another form of provider is the Joint Powers Authority (JPA) which is typically operated by management only without labor representation at the management level. Trusts are composed of equal union and management representatives and oversee the providers’ operations. Trusts typically “pool” their resources so that all member districts can take advantage of a larger buying power. The collected premium contributions are held in a Trust fund and used only for payment of member claims and not for other uses such as loans or improvements.

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THE ESSENTIAL QUESTIONS TO ASK WHEN

# CHOOSING A HEALTHCARE BENEFITS PROVIDER



IN THE EDUCATION COMMUNITY

# THE ESSENTIAL FACTS ABOUT CHOOSING A HEALTHCARE PROVIDER

**N**o topic is more critical in the US today than healthcare benefits and skyrocketing healthcare costs. Everyone is searching for the best benefits at the lowest possible costs. This is especially true in the education community in California where there are a multitude of choices in healthcare providers.

The need to balance premiums with benefits has never been greater and those charged with that responsibility, whether in a school district, union or a member of a benefits committee, must ensure that they have all the facts before choosing a provider.

The purpose of this brochure is to help guide you with the selection process and to reduce your risk with a prudent balance between the cost of the benefits package without compromising the interest of the participants. It is a good idea to ask each provider to respond to the following questions:

## 1. ARE THERE FULLY FUNDED RESERVES?

Many providers do not maintain sufficient reserve funds to protect districts and individuals in the event of a shortfall during the plan year or if the district chooses to terminate the coverage of a provider. If a district terminates coverage with a provider, there could be an assessment against the district and even participants who pay a portion of their premiums for claims that have been incurred but not reported. Look for a provider who fully funds for this contingency in order to reduce your risk and protects you against potential catastrophic costs. Make sure you won't be asked by your provider to pay more money to cover these claims, known as a run-out or buy-out.

## 2. ARE RATES GUARANTEED?

Many providers have no rate guarantees resulting in the possibility of rates being raised during a plan year. Some providers will guarantee the rates for a full plan year protecting your district against having an unplanned increase.

## 3. HOW DOES THE PROVIDER HANDLE PARTICIPANT PRE-EXISTING CONDITIONS?

Many providers will exclude pre-existing medical conditions leaving some of your participants without coverage for that particular condition. However, there are a few providers who will accept everyone who is eligible regardless of their health history.

## 4. DO RETIREES HAVE THE SAME BENEFIT ACCESS?

With the multitude of baby boomers coming of retirement age, many districts are concerned about making sure they have access to the same benefits as the actives. While that may be true, you may want your retirees to have similar benefits even if they have to pay a portion of the costs. Ask the prospective providers what benefit packages are available to retirees.

## 5. DO YOU HAVE TO SIGN MULTIPLE YEAR CONTRACTS?

Ask the provider about contract terms. Some want contracts for three or more years. That ties your hands if you are not satisfied with their service, rates or benefits and want to change. Look for a provider who only requests a one year contract. It minimizes your risk and expands your options.

## 6. DO YOU HAVE TO PAY A BROKERAGE COMMISSION?

You may not see it in the premium but some providers use brokers to sell their plans to school districts and pay commissions. This has two impacts: (1) Is the broker really looking out for your district's best interest or the commission? (2) Does the commission inflate your premiums? Could you be getting a lower rate without it? Look for a provider who does not use brokers and pays commissions to avoid these issues.

## 7. IS THE PROVIDER SUPPORTED BY BOTH MANAGEMENT AND LABOR UNIONS?

Labor and management endorsement goes a long way to ensuring that the provider is responsive to participants needs. It will typically make benefit negotiations easier. Union endorsement often shows a responsible focus on participants.



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