



CASE STUDY:

Health Care Consortium

Issue

Rising health plan costs for teachers, school administrators and other employees have placed increasing pressures on already shrinking school budgets. School districts want to continue to offer top quality benefits to their employees but are hindered by budgetary constraints limiting which limit their ability to absorb increases in their health care costs. Also, school districts are often limited in the changes that can be made, due to collective bargaining agreements, thus reducing additional cost savings that may be achieved.

Furthermore, complexities of new laws, thin internal staffs, and other operating responsibilities make the task of managing these matters monumental. As such, alternate solutions had to be developed.

Solution

A group of school districts located in the same geographical area banded together to form a health care consortium (“Consortium”) to more effectively manage health plan costs. With the assistance of Cowden, the Consortium has been able to better manage the annual cost increases for its members compared to what they would have experienced on their own. In addition, a large reason for the success is the ability to pool the overall risk of a more extensive population base versus a free standing school district. The savings that have been realized have provided the individual school districts the ability to maintain individual plan designs. Furthermore, the various members of the Consortium benefit from additional support and guidance regarding compliance, administration and claim management issues. An example of the Consortium success is as follows:

- Over the last five years, the average annual increase for health care costs was 6.7% for the Consortium.
- During that same period, 7 of the 11 members would have experienced higher average annual renewals if they were as a free-standing district.
- Of the four who had more favorable average annual rate increases, only one out performed the Consortium by approximately 5%, while the average of the other three was approximately 2% better.

Result

Although the Consortium has been in place for several years, this concept has proven to be valuable in facing an on-going battle of health care cost containment. There are many advantages to using this approach in producing long-term benefits to members:

- Common need
- Bargaining power through volume purchases
- Spread of risk
- Predictability of cost
- Reduced fluctuation
- Lower administrative and stop-loss costs

Consortium Success:

The ability to pool the overall risk of a more extensive population base vs. a free-standing school district.

Self-insured financing while effectively utilizing stop-loss coverage to avoid unnecessary risk.



COWDEN

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