SchoolCare HEALTH BENEFIT PLANS

of the NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION

May 4, 2010

The Honorable Margaret W. Hassan
Senate Commerce, Labor and Consumer Protection Committee
State House
107 N. Main St., Room 302
Concord, N.H. 03301

Re: Opposition to the proposed Amendment to House Bill 1393 re pooled risk management programs

Madam Chair and Members of the Committee:

The New Hampshire School Health Care Coalition (the "Coalition"), a unique partnership between management and labor, was formed in 1995 to assist public entities in New Hampshire address the multitude of issues affecting health insurance quality, service and costs. The Coalition health plans called "**SchoolCare**" are provided to nearly 14,000 employees, retirees, and their dependents in approximately 60 school districts and municipalities throughout New Hampshire.

The proposed Amendment to HB 1393 relative to pooled risk management programs seeks to mandate a maximum level of reserve for such programs and to require that any reserve above the maximum be distributed to participant political subdivisions. Appropriate calculation of pooled risk management program reserves is critical to assure that such programs will be able to meet their future financial obligations. In making this calculation, several significant risks must be taken into account, including:

Health Care Cost Trend Risk. Health care cost trend is the annual increase in the per capita cost of the benefits provided to plan participants.

Catastrophic Claim Risk. Most plans generally provide an unlimited lifetime maximum benefit for each covered participant. Notwithstanding stop loss protection, reserves could be depleted should the pool experience an increase in the number of high amount claims.

Economic Downturn Risk. A downturn in the local economy, such as the one the state and nation are currently facing, could result in deteriorating claim experience. In a contracting workforce, younger employees are more likely to lose their jobs than older employees who are heavier users of medical services.

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Determination of the appropriate level of reserve for pooled risk management programs is a very complex financial issue. It is not something that should be brought forward at the end of a legislative session when the committee must vote within days and the full Senate must vote by next week.

The Coalition's Board of Directors has maintained a policy which designates 20% of expected annual claims for Medical Risk Corridor (reserves). Net Assets (surplus) beyond the Medical Risk Corridor is designated for Rate Stabilization and returned to the members through reduced premiums. This is accomplished over a period of time to provide rate stability and predictability, avoiding significant swings in premiums year over year. Over the past five years, **SCHOOLCARE** has returned over $8,750,000 of surplus through reduced premiums. For 2006-2010, **SCHOOLCARE'S** five (5) year average annual increase was 5.2% as compared with Health Care Cost Trend of approximately 11%.

The Amendment to House Bill 1393 threatens the future viability of pooled risk management programs such as **SCHOOLCARE.** If we cannot maintain adequate reserve levels, pools will be forced to purchase additional excess insurance and member groups will experience greater rate volatility and increased premiums.

A final consideration not addressed in the Amendment relates to the fact that surplus amounts are comprised of both employer and employee dollars. The employee contribution toward the medical premium varies by school district/municipality and collective bargaining unit within the various public entities making it virtually impossible, from a logistic perspective, to return the surplus to employers and/or individual employees fairly. For this very reason, the Coalition's Articles of Agreement specifically state that surplus accrues to the benefit of the members for the purpose of stabilizing future benefit costs under the program.

Thank you for this opportunity to testify in opposition to the proposed Amendment to House Bill 1393.

Respectfully,

Lisa J. Duquette

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Program Administrator

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