

## North Suburban Library System

**MEMORANDUM**

TO: NSLS Board of Directors

FROM: Sarah Long

DATE: May 19, 2010

RE: Discussion and Recommendation Regarding Group Insurance Changes

NSLS organized the Group Insurance Program more than 30 years ago. In 1998, the Group Insurance Medical and Dental Plans were changed to self-funded plans. The advantage of a self-funded plan is that the group has more control over the plan design and may add additional options for coverage that makes sense for the group. One of the management objectives of a self-funded plan is to keep enough in reserves so that in the event of a high claims year, there is sufficient funding to pay for unexpected high claims without disrupting the group. In 2001, NSLS took over the administration of the plan. Since that time, the Group Insurance Program and Trust Balance have been carefully managed. The current balance in the Trust as of April 30 is \$1,886,781. Note: we have reinsurance claims that total approximately \$130,000. If we add this into the balance, the trust will have \$2,016,781. Our trust balance on 7-1-2009 was \$2,134,790.

In August 2009, NSLS was informed of cuts to its budget. We understand your concerns for us. While we believe we will receive our funding for FY 09-10, our current concern is to protect the group insurance program.

Recent trends have shown that many schools, government agencies, and companies have formed self-funded insurance consortiums. The benefits for groups to join together for their health insurance include 1) having more local control over their plan, and 2) pooling a larger number of covered lives together for better rates and cost efficiencies.

We have been in contact with our benefits attorney, and he indicated that we should discuss our concerns with the group members, and then with the NSLS Board.

The Management Affairs Committee reviewed this, and recommends that the NSLS Board approve and initiate new Intergovernmental Agreements for each member, and create a completely separate legal entity including a new Group Insurance Board of Directors.