



By Joseph M. DiBella  
Managing Director  
Executive Vice President  
PERMA Risk Management Services

## The Importance of Health Insurance Funds

The cost of employee benefits is likely each New Jersey public entities second largest expense and is growing at alarming rates each year. While there are no “silver bullet” solutions to the healthcare issues facing all New Jersey employers and municipalities, there are several options that are often overlooked. One such option is using “Health Insurance Funds” (HIFs) to produce cost effective benefits delivery.

Using the “shared services” concept for healthcare and employee benefits delivery, HIFs provide an organized framework for schools to band together with other local schools, and even municipalities, to procure more affordable employee benefits. HIFs have been in place in New Jersey since early 1990s and have helped more than 150 public entities across New Jersey to provide cost effective benefits solutions.

State legislation governing the HIFs allows municipalities, counties and school districts, to band together and collectively manage and procure benefits. Using the HIF model, public entities use their collective size and the economies of scale to negotiate more favorable financial arrangements with insurance carriers and administrators. Plus under a HIF, each participating entity can also maintain their own separate plan of benefits to avoid any collective bargaining issues. The HIFs have extraordinary benefit flexibility and enable

member entities to design and offer a menu of plan designs and low cost options that create choice and value for their employees.

Unlike the State Health Benefits Plans, the HIFs are managed and operated by the participating entities who maintain greater control over the operations of the HIF. They have access to their data and there is far greater control and transparency. Plus, HIFs operate using the same successful risk and business model as property and casualty Joint Insurance Funds (JIFs) which have been very successful in helping municipalities effectively control insurance costs for decades.

In addition, like the JIF model, participating entities are less reliant on a single insurance carrier solution and can use more effective financing techniques to deliver discounted provider networks, member services, web-based enrollment, claims data reporting, unique health and wellness features and improved claims management.

The HIF model allows public entities too:

- 1) Use collective purchasing power of many municipalities in a given area to jointly purchase health benefits insurance at more stable, predictable and ultimately lower costs.
- 2) Maintain their own separate benefits plan so collective bargaining obligations are not compromised. Plus, have the ability to offer low cost options.
- 3) Use a proven model (like the JIF) to have more ownership interest in managing health benefit risk and claims and to have the opportunity to share in possible dividends based on superior claims performance.
- 4) Apply successful shared services concepts to their second largest budget line item.
- 5) Enjoy access to health and wellness coaching services, automated benefits administration, consolidated billing and integrated COBRA and Retiree administration.

The HIFs offer a stable, transparent and successful model that enables public employers to better deal with the challenges and rising costs affiliated with health benefits. Among the many solutions available, the HIFs represent a time-tested and well designed model that allows employers to manage their benefit plans for the long term, absent any short-term fixes or gimmicks that usually lead to higher costs and unstained prices. To learn more about the HIF model, visit [www.permainc.com](http://www.permainc.com). ▲

