Fact Sheet

Insurance #2 Administration and Claims

1. **What kind of insurance company is PBA? Is it like Blue Cross/Blue Shield? Is it an HMO?**

   PBA stands for Professional benefits Administrators, Inc. PBA is not an insurance company like Blue Cross or an HMO; PBA is a plan administrator.

   The District hires PBA to keep claim accounts on every employee who is in the plan and to monitor claims to make sure they qualify under our plan. They will then pay the claim for the District. The claims are paid from the insurance account established by the District and held within the District. PBA receives a flat fee for its services and makes no profit based of the numbers or amounts of claims.

2. **Someone told me our insurance is self-funded, what does that mean?**

   Our insurance is called a Self-funded insurance plan. To provide a self-funded plan, first a school district must establish a separate insurance account. The district contributes to this account and the employees contribute to this account. When you look at your paycheck, you will notice a deduction for insurance; this money goes to the insurance account. All claims are paid from this account.

3. **What is a PPO? How does it affect me??**

   A PPO network is a group of hospitals and doctors who have agreed to provide their services at a discount. If you use a doctor or hospital in the PPO network, then you and the insurance plan saves money.

   Our PPO network is **Private Healthcare Systems, INC (PHCS)**. To find a doctor or hospital in the PHCS network, call 1-800-240-1940, or you may go on-line at www.PHCS.com.

4. **How does the District guarantee the payment of claims for a very expensive illness?**

   The District insurance account is protected by two insurance plans (called reinsurance) that the District buys. The first plan is called a “stop loss plan.” If an employee has insurance claims that exceed $185,000, then the stop loss insurance has to pay for any claims that exceed $185,000.This helps protect the District insurance account from being drained by unusually high claims.

5. **What happens if the cost of claims is greater than the amount in the District insurance account?**

   The second insurance plan the District buys is called an Aggregate insurance plan. If the insurance account gets too low, then this plan would pay our claims.

6. **Wouldn't it be cheaper and easier to pay a company like Blue Cross?**

   No. We pay less for insurance than we were to purchase comparable insurance through an insurance company. Why? We are not looking to make a profit from our District insurance account; insurance companies want and do make a profit.

   Our Self-funded plan also allows us to define what we want our insurance to cover, as opposed to buying a pre-packaged plan. The Self-funded plan also allows us to have our money work for us. The money in the insurance account draws interest and the interest stays in the account and helps to keep our costs down. Once we pay premiums to an insurance company, the money is gone, no interest, and no longer does our money work for us.

7. **How are the amount the District contributes to the insurance account and the amount the employee contributes determined?**

   This is established in negotiations. Currently, there is a "buy-in" schedule that ends with the district paying 85% and the employee paying 15%.

   There are several factors that go into determining the cost of our insurance plan. 92% of the total cost of the plan is claims, 8% of the cost goes to the administration of the plan (PBA & PPO costs, reinsurance costs, etc.) These costs are reviewed every year. Administration costs are fixed, but the amount of claims are determined by how often and how much we use our insurance. If we are spending more on claims than we are taking in, then we have a problem and have to increase our rates. This year our rates were increased by 8%. The average increase this year, nationwide was 15%.

   We also look at the benefits being offered. If we want to increase benefits, we go to an insurance broker and ask how much that new benefit will cost. If the Distinct account balance is "healthy," then we might be able to add the benefit without increasing the premium.

   It is important for everyone to know that when we negotiate with the District, we have to carefully look at all the "big money items" such as the cost of salary, insurance and stipends, etc. The final settlement will include all these costs.

8. **How do I appeal a claim that was denied?**

   First, if you do not understand why the claim was denied, call PBA (1-800-435-5694) and ask for an explanation. Sometimes they simply need more information than what the doctor initially provided. You may also request a review of your claim. This must be submitted in writing to PBA. Normally you will receive a written decision on your appeal within 60 days. You may also request a review from our Insurance Review Committee. This process also starts with PBA. They will forward all information to the insurance committee for review. All appeals are blind and confidentiality is assured. The committee has representatives from all bargaining units that contribute to the insurance plan: NUEA, NUMA and NESPA.