

How an HSA helped Carson City School District cut costs without cutting benefits

Over the last decade, employment-based health insurance premiums have increased 120 percent – more than twice the rate of inflation and four times the rate of wage growth.

How then has a school district in Carson City, Nevada, managed to hold the line on health costs – paying roughly \$7.29 less per employee in 2009 than it did back in 2005?

Part of the answer is that Carson City introduced a Health Savings Account (HSA) and compatible high-deductible plan into the mix of benefit options available to its employees.

About HSAs

Introduced in 2004, Health Savings Accounts, or HSAs, are personal savings accounts tied to HSA-compatible health plans. Both the employer and employee can contribute to the HSAs up to the maximum amount allowed by the IRS. Premiums for HSA-compatible health plans are typically lower than the premiums for traditional insurance.

In January 2009, 8 million people were enrolled in HSAs, according to America's Health Insurance Plans' Center for Policy and Research – a 31% increase over 2008 and 78% increase over 2007.



Carson Middle School is one of 11 schools in the Carson City School District.

Yet with almost 20 percent of the district's teachers and support staff enrolling in the HSA option three years after its introduction, clearly Carson City is doing something different than other districts where similar plans have been met with opposition from union leaders and outright skepticism from the rank and file.

"We're very proud of the fact that over 66 months, we've actually reduced the cost of benefits without reducing benefit coverage," says Bob Anderson, Director of Fiscal Services for the Carson City School District, who credits much of the benefit program's success to the collaborative spirit that went into developing it.

Together we'll go far



A team effort every step of the way

One of the first things Anderson did after joining the district eight years ago was to form a Benefits Committee that consisted of one representative from each of the district's four bargaining units and three members from the district's executive ranks.

"Bringing together the four bargaining units was really a critical juncture for us in building a relationship of trust," notes Anderson. "Up until then, the relationship had been quite adversarial."

Today, the Benefits Committee uses an "interest-based" bargaining process to design a program that will meet the needs of all district employees and participating family members.

"It's been a new way of thinking for us all, where the district lays out its needs in terms of mitigating the cost of healthcare coverage for the employees and the bargaining units try to keep out-of-pocket costs to a minimum," explains Anderson. "We know we've come up with a good plan design when everyone feels like it's a win/win."

Educating the educators

One of the first ideas that came out of the Benefits Committee was the District's annual Benefit Fairs. Attended by more than 50 percent of district employees, Benefit Fairs are held each year in mid-October at the Carson City High School gym. This centrally located venue makes it convenient for employees to pick up information packets and get help evaluating which plan might work best for them.

It also gives the district a chance to educate employees about how being smart consumers enables the district to keep its premium costs and out-of-pocket expenses low for employees.

"Having the employees understand the relationship between utilization and cost has probably been the most valuable approach we've taken in terms of mitigating cost," says Anderson.

Shortly after the Benefits Fair, the District begins holding Benefit Enrollment Labs at each of Carson City's 11 schools. Human Resources and Payroll Personnel are on hand to assist 900 employees with the District's easy-to-use online enrollment process.

Designing a win/win HSA option

In 2007, Carson City selected Saint Mary's Health Choice to provide the District's new HSA-compatible health plan as well as the four plans the district had traditionally offered (two high/low premium HMOs and two high/low premium PPOs).

Based on the District's commitment to deliver a specific claims/payment ratio, Saint Mary's was willing to work with the District to keep premiums low. "We created a consumer-driven model that's helped us keep costs down," says Anderson.

Regardless of the plan in which employees enroll, their out-of-pocket cost is \$0 for themselves. With the HSA option, the employer contributes \$3,000 into the employee's account each year — and the employee has a chance to save any unspent funds.

To administer the new HSA accounts, Carson City engaged Wells Fargo Health Benefits Services. "We already had an excellent banking partnership with Wells Fargo," notes Anderson. "Once we discovered they had a division that could supply the services we needed, including the ability to pay with a swipe card, we really didn't look any further."

Making the grade

In 2007, about 12 percent of employees participated in the HSA plan. The second year about 16 percent enrolled and in 2009 almost 20 percent are now taking advantage of the option.

"Part of the growing interest comes from the fact that some of the people who have been in the plan for three years have something approaching \$8,000 in their accounts," says Anderson. "The word of mouth from those people has been very good and as far as I know nobody's complained about any kind of major misfortune."

While premium costs for the PPO and HMO options have risen slightly over the last several years, the lower premiums for the employees in the HSA option have not only mitigated — but actually lowered — the district's overall cost of providing healthcare benefits.

"We're very pleased with our results so far and hope to build on that success with favorable renewal for the 2010 calendar year," concludes Anderson.

Wells Fargo can help your organization cut rising healthcare costs and enhance your employee benefits package. For more information, call Wells Fargo Health Benefit Services at 866 449 9929.