

A photograph of a Springfield Township building. The building features a large clock at the top, a sign with the township's name and logo, and a large flower basket hanging from a pole on the right. The sky is blue with some clouds.

CASE STUDY:

Springfield Township

Making the Switch to Self-Funding Simple

How Custom Design Benefits Made Saving on Health Care
Seamless for Springfield Township



Introduction

Making big health benefit plan changes can be a stressful time for anyone, especially when switching carriers. But it can be even more so when you need to coordinate everything as a human resources department of one, like Springfield Township's Larry Mullins.

From researching options with a broker, ensuring the plan aligns with the needs of an organization, to addressing employee questions and concerns, the entire process can be a lot for one person to manage.

As human resources director, Mullins is responsible for securing cost-effective and competitive benefits for law enforcement, fire protection, public works, and other essential services staff that Springfield Township's 36,000 residents depend on every day.

So in 2014, when news broke that the Township's health insurance carrier was preparing to pass along a 35% increase to the tune of \$500,000, Mullins knew it was time to explore other benefit plan options.

“

Our reaction was there was no way we could afford to take that big of an increase.

-Larry Mullins

Springfield Township At A Glance

36,000 residents

\$32 million annual budget

106 Employees with Medical Coverage

120 Employees with Dental Coverage

\$800,000 Annual Savings with Custom Design Benefits



Exploring Self-Funding

Mullins thought back to a time when his previous employer faced a similar challenge. To avoid a massive rate hike, a decision was made to switch from large carrier insurance to self-funding with Custom Design Benefits.

Unlike large carriers and other third-party administrators that act as a subsidiary of insurance companies, CDB is an independent TPA. That means CDB is free to offer more tailored and flexible solutions focusing solely on the best interests of their clients.

“We looked at some other self-funded groups through the big insurance carriers, but it made more sense to go with CDB because they can do more than just regular medical and dental plans.”

-Larry Mullins

“I found (self-funding) appealing because at any given time, you know where you’re at and you know what you’ve spent,” Mullins said. “You have more control when you do self-funding than when you’re fully funded.”

Mullins admits it did take a lot of convincing to take the leap into self-funding, however.

“I didn’t understand stop loss insurance and how seamless the process would be to pay claims for our employees,” Mullins said. “It took three or four meetings to explain how it all worked, so when I came to Springfield Township, I was already convinced it was the way to go.”

“What also convinced me was the downside of fully funding and not having any idea what we’re spending money on,” Mullins added. “If we went with self-funding, at least we’d know if we’re having a bad year in advance so there wouldn’t be any surprises.”



Making the Switch



With that previous experience and knowledge of working with CDB, Mullins made a recommendation to Springfield Township's Administrator to explore the self-funded option. A committee made up of representatives from every department was formed to research CDB and study the impact of making the switch to self-funding.

Because Springfield Township's employees had grown accustomed to the large insurance carrier, the committee recommended CDB administrate a self-funded PPO with a high deductible plan that closely resembled the previous medical plan. The recommendation was unanimously approved by the Township's Board of Trustees.

"We kept the exact same plan design as we had when we were fully funded that first year with CDB," Mullins said. "So the employees didn't see a difference at all other than greatly improved service."

“

I very rarely spoke to anybody when we were fully insured. It would take quite a bit of time to get the answer that you needed. With CDB, we get answers immediately.

-Larry Mullins

And in Springfield Township's human resources department, the process of switching from a traditional carrier to self-funding felt no different than any other year when they would switch from one large carrier to another.

"We were used to switching every year, so that wasn't anything different," Mullins said.

Two things that did change, however, were the personal attention Mullins received from CDB and the cost of the plan.

**Instead of paying
\$500,000 more the
following year, Springfield
Township actually saw
their costs drop by 19%.**



Transitioning to TrueCost

After back-to-back years of cost savings with CDB, Springfield Township's medical costs started trending upward. That's when Mullins and the health care committee regrouped to take a closer look at CDB's TrueCost offering with Reference-Based Pricing.

TrueCost is a copay-only plan that gives employers more transparency over health care costs by using Medicare rates as a basis for payment. Employees that use TrueCost benefit from a simple plan design that eliminates coinsurance and deductibles.

"We did have a little pushback after we went away from Health Savings Accounts," Mullins said. "But everyone seemed to quickly like TrueCost once they realized they were paying a 70% reduced out-of-pocket cost."

Going to one simple plan also made things easy.

"In my previous job, we never had just one plan," Mullins said. "We always had two or three different plans our employees could choose from. So, you're explaining multiple plans to employees, which can make things more difficult. The fact we didn't have to switch companies and fill out new applications and get new cards every year was also a plus."

"We'll come up with different plan design changes, but we're not going to have to research and find other companies every year and work with our brokers to do that."

Mullins also found that having the flexibility to make plan changes, such as prescription coverage, co-pays for MRIs, and eligibility requirements to cover part-time employees in the middle of the year, to be another advantage.

"We've done that a few times, which would be virtually impossible with a fully funded plan to make those types of plan design changes on the fly."



A Reason to Celebrate: Six Years of Successful Results with CDB

With most large insurance carriers, rate increases of 15-20% from year to year are commonplace. However, with CDB, Springfield Township kept the trend at 16.5% from 2013 to 2021.

“We’re around \$800,000 lower what we pay now on an annual basis than we would have been had we stayed fully funded,” Mullins said.

Another source of frustration with the large carrier was not being able to speak directly to a person or get questions answered quickly, Mullins said.

With CDB, Mullins and the Township can expect service that acts like an extension of their HR department.

“CDB works with us on this,” Mullins said. “They’re not only an administrator. They give us advice, share information, and answer questions from our employees.”

“Our police, fire, and public works staff have stressful jobs, so we want to make sure they don’t have any concerns over their insurance and that together, we’ll be able to handle it all for them.”



Contact Your Broker,
or the **CDB Team** for
more information!

5589 Cheviot Road, Cincinnati, Ohio 45247

513.598.2929 | 1.800.598.2929

CustomDesignBenefits.com



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