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## Managing Local Government Employee Health Insurance Costs

As Indiana local governments have struggled to do “more with less,” they have faced rising costs to provide employee health benefits. At the same time, they also must meet the complex requirements of the Affordable Care Act (ACA). Counties, townships, cities and towns, and school districts are pursuing a variety of options to cope with these changes.

The Indiana Advisory Commission on Intergovernmental Relations (IACIR) has surveyed local governments about rising healthcare costs and strategies for managing those costs each year since 2008. The commission heard expert testimony in 2012 and 2014. A complete description of the commission’s most recent work, including data sources, appears in *Report to the General Assembly: 911-Dispatch Consolidation and Funding, Fiscal Benchmarking, and Managing Local Government Employee Health Care Costs* ([www.iacir.spea.iupui.edu](http://www.iacir.spea.iupui.edu)).

### Findings

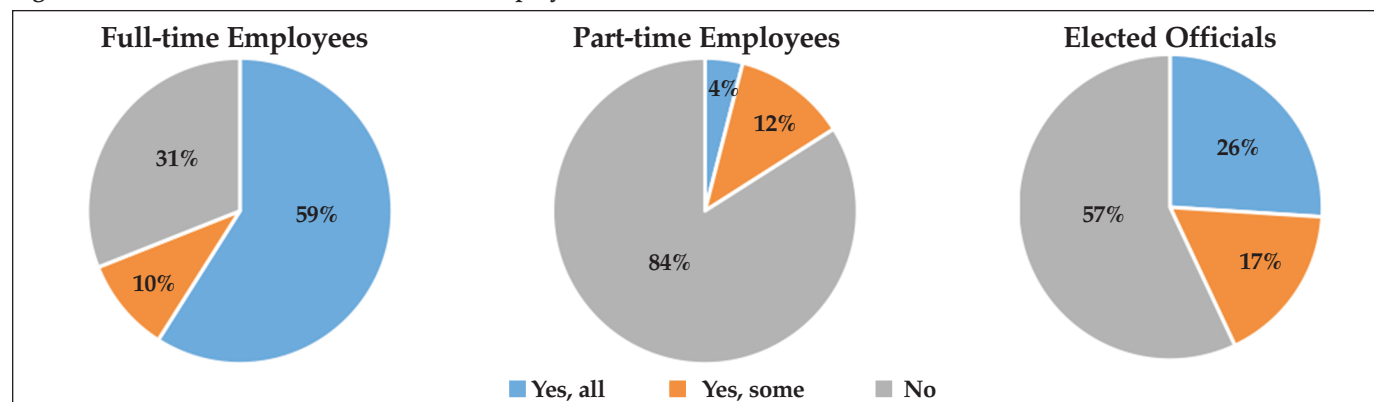
Since 2008, a large majority of local government officials responding to the survey reported increasing costs for employee health benefits. In addition, local governments are subject to ACA rules requiring employers, depending on their size, to offer certain health insurance benefits to full-time employees who work 30 or more hours per week. In some cases, ACA may require the provision of these benefits to elected officials. Local governments required by the act to offer health insurance coverage, but which fail to do so could be subject to penalties.

Local governments provide health insurance coverage in varying degrees to full-time and part-time workers, as well as, in some cases, to elected officials (Figure 1). A large majority of local government officials report providing health insurance to full-time employees, except for townships. Generally, few officials report providing health care benefits to part-time employees. An increased number of schools reported providing benefits to part-time employees, however. Counties and cities most often report providing health insurance benefits to elected officials.

Local governments use a range of tools to manage health insurance costs. Preliminary results of the most recent IACIR survey (2014) indicate:

- More than half of local governments—primarily counties, cities, and school districts—reported increasing the health insurance contributions made by employees for 2012 and 2013, and for previous benefit years.
- Overall, more than 25 percent of respondents reported that they adopted a self-insurance arrangement individually or with a group of local governments in 2012 and 2013 and for previous benefit years. Counties and school districts reported using this tool most often.
- Increasingly, individual or groups of local governments are establishing on-site medical clinics. Experts suggest that it takes at least 500 employees for clinics to be cost effective. Counties, cities, and school districts reported using on-site clinics more often than towns and townships.

Figure 1. Provision of health care benefits to employees and elected officials.

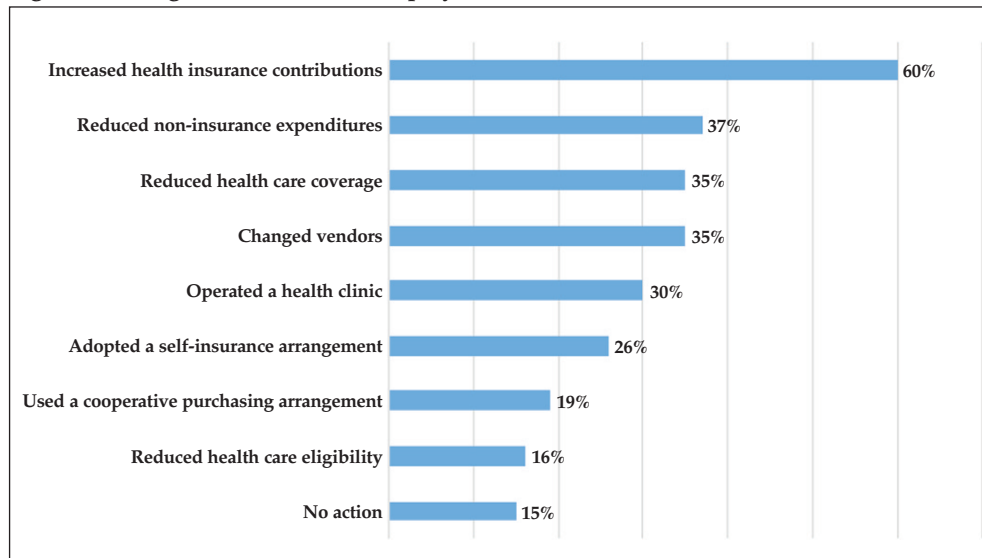


Source: Preliminary results from the IACIR 2014 Survey of Local Elected Officials

Other options in use include:

- Changing health care insurance vendors;
- Risk pool management, in which an employer uses a benefits broker or consultant to create a series of relatively equal health plan options from the perspective of the employer and employees;
- Consumer-driven health plans, which typically include high-deductible health plans and health savings accounts;
- Contracts with exclusive provider organizations (EPO), in which participants are reimbursed only for “in network” services provided by the EPO’s network of medical care providers or groups;
- Pharmacy contracts or prescription benefits managers;
- Reference-based pricing that usually sets reimbursement rates at cost or based on Medicare reimbursement rates plus a markup;
- Analysis of medical and prescription drug claims to identify the best “bang for the buck” across management options;

**Figure 2. Strategies used to reduce employee health insurance costs (2012-2013 Benefit Years)**



Source: Preliminary results from the IACIR 2014 Survey of Local Elected Officials

- Health intervention and member engagement programs aimed at helping employees manage health issues and navigate the health care system;
- Cost-comparison tools that allow patients to find options for procedures or medications at lower costs; and
- Incentives for healthy behaviors, including rewards for positive behaviors and penalties, such as higher premiums for smokers.

## ABOUT THE INDIANA ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

The Indiana Advisory Commission on Intergovernmental Relations (IACIR) was established by the General Assembly in 1995. The 24-member commission includes: state legislators, state administration officials, local government officials (county, township, city and town, and regional), and citizens. The IACIR’s mission is to create effective communication, cooperation, and partnerships between the federal, state, and local units of government to improve the delivery of services to the citizens of Indiana.

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