

CELEBRATING 30 YEARS



This year we celebrate 30 years of providing quality and customizable health benefits options to public entities. What started as a proactive move to deal with the insurance crisis has evolved into one of the largest, most stable and reliable non-state-owned health insurance funds (HIF) in New Jersey and across the country.

History

Prior to 1991, options for municipalities and public entities to obtain health benefits coverage were limited to the State Health Insurance Plan and commercial insurance. In the late 1980s and early 1990s rates began skyrocketing 20% to 30% per year which caused chaos in the marketplace.

The State of New Jersey which had approved the formation of Joint Insurance Funds (JIF) for municipalities several years earlier to help alleviate a liability insurance crisis, finally passed a law in 1991 to allow the creation of Health Insurance Funds (HIF). Both JIFs and HIFs allow public entities to pool or share resources to leverage greater buying power for insurance.

The first HIFs to be established were the Bergen Municipal Employee Benefits Fund (Gateway/BMED), Central NJ Regional Employee Benefit Fund (Central Jersey), the Southern NJ Regional Employee Benefits Fund (Southern Jersey) and the North Jersey Municipal Employee Benefits Fund (NJMEBF).

The HIFs were formed as partnerships between public officials, insurance entrepreneurs, fund administrators, and regionally based claims agents.



"Health insurance funds are the finest example of shared services for the 567 municipalities and 610 school districts in NJ."



The Beginning

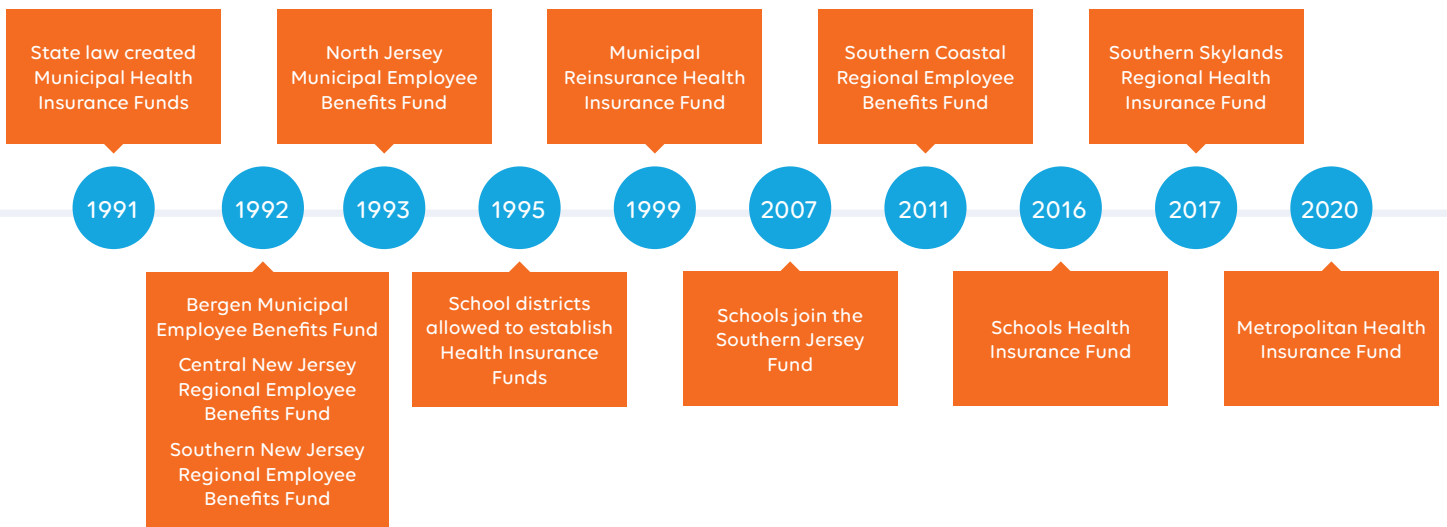
"There was a 26% increase in State health benefit costs and we knew we needed to do something," explained Charles Cuccia, one of the founders and a former chair of the Gateway/BMED Fund, the first to be launched. "A number of Bergen area mayors and small groups were already doing purchasing together, the JIF structure was in place, so creating a HIF to deal with the health insurance issue was a logical way to go."

"I remember travelling across the state with a few of my colleagues in my used Cadillac Brougham trying to explain how the HIF would work and trying to convince towns to give it a chance," said Jack Tarditti, a seasoned broker, former mayor and one of the founders of the Southern Jersey Fund. "We wanted to create the HIFs because we wanted to do a better job as elected officials and to find a better way of spending, or in this case saving, taxpayers money."

According to Cuccia members were happy because coverage was good and claims were being paid, but they soon realized that health funds are very different from liability funds.

"At first we were just operating, we didn't know the nuances of controlling how claims were charged and adjudicated or how to negotiate with a hospital over fees," related Cuccia. "So, we changed actuaries and consultants, started doing claims audits and handling a lot of very specific tasks related to health funds. We learn what to do which made it a very strong and efficiently run fund."

Gateway/BMED which now provides health benefits to more than 5,100 lives set the standard and served as the model for the other funds. It has also served as an incubator for many new funds which need to



obtain 1,000 employees before they can become stand-alone funds.

"We had a lot of very small towns in South Jersey, some with only 30 or 40 people," said Mike Mevoli, one of the founders and the current chair of the Southern NJ Fund which incubated under the Gateway/BMED and started with 20 members. "Size matters in the buying power you can have, if you don't have the volume you can't get the discounts and wind up paying top dollar." He added, "There were a lot of moving parts, but once we got the right people in place and got it going the savings were tremendous!"

"The HIFs give us a better product and price points on health, dental and prescription coverage than if we were off by ourselves and not working together. And they give us ownership and a stake in the action." He added, "Today, we are still just as committed to delivering a better product to make sure that our employees get a health benefit plan."

The Southern NJ Fund has grown to over 5,000 members and added large Fire Districts, the Camden County Board of Social Services and MUA's to the list of public entities they serve in three counties.



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Member Centric Design

The HIFs were created to be regional and hyper-local focused on the needs of their members. They are self-governed and are set up so that every town has a representative that is elected to serve on the HIF commission and gets to vote on fund decisions and operations.

"We have found it is better to have regional funds because it fosters a greater feeling of ownership by the various towns and they are more likely to participate and work together," said Dave Vozza who helped establish several funds including the NJMBEF which has doubled membership since inception and the Municipal Health Reinsurance Fund (MRHIF).

"Our fund is very responsive and tuned into the needs of the individual municipalities," explained Tom Nolan, a founding member and current chair of the Central Jersey Fund. "If you have an issue you can take it right to the top. If they are not able to solve it on the spot they will put the right people on it and get it resolved."

Vozza noted, "The process is very user-friendly. We want to try and ease the stress that is going on in their life, not add to it, so we are committed to finding solutions that help people and make sense."

Flexibility and plan customization also made a huge difference for HIF members who didn't have to settle for the "one-size fits all" approach or be priced out of better-quality services.

"We are able to develop benefits programs that meet the requirements of your contractual agreements," relayed Cuccia.

"The real magic in this is each of our towns is a little different and we have the ability to create an individual plan for town A, B, or C and while they are similar, they are not exactly the same," said Cuccia.

Saving money is important, but the prudent management of these funds has created stability and reliability that goes well beyond a short-term price break, the members are in it for the long haul.

Dividends can be put back into the fund as surplus, distributed directly to members for their use, and can even be used to fund wellness programs

"We can eliminate the profit, overhead and premium taxes normally charged by an insurance company, and because the towns in the fund own the plan any money left over comes directly back to them - not to the insurance company," noted Vozza.

"We have retained 80% of our original members over the years," stated Nolan. "This is a tribute to the quality of the fund and the high-level service that we get from our fund professionals at PERMA who have always gone above and beyond - not just for Central, but for all of the funds."

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Model of Success

These original funds created the building blocks for success. Today, there are eight funds and a ninth in incubation. Members have saved millions of dollars and have the management, administration and structure in place to quickly pivot in a volatile healthcare landscape.

"From 1992 to the present day, the HIF model has provided a stable and predictable solution to help public entities manage health benefit costs - their second largest budget expense," said Diane Peterson who has been involved with the HIFs since inception and serves as Partner and HIF Business Leader at PERMA which functions as the executive director of the Funds. "The NJ HIF model is now one of the most successful insurance pooled arrangements for government entities in the United States."

"The rates have been stable, the surplus is remarkable and we have received dividends almost every year since the 2000s," said Nolan. "With the climate in the industry now, I think that if you are not in a HIF you could see extreme increases to the costs of insurance coverage. We know we can rest easy and are in it for the long haul."

"We have had bumps in the road, but we have the right people in the right positions who are doing things the right way and our members believe in us," stated Mevoli. "We are still going strong after 30 years, we must be doing something right!"

"Health insurance funds are the finest example of shared services for the 567 municipalities and 610 school districts in NJ," added Tarditi.

Joe Buckelew, Chairman at Conner Strong & Buckelew remarked, "Thirty plus years ago a few other benefit brokers and I had a vision to set up these HIF programs. Thanks to the hard work of our professionals, participating public entities and partners, this model we built together has become a successful reality and source of enormous pride."

"Today, the HIFs have attained a collective budget of \$850 million dollars and expanded to provide affordable benefits to nearly 180,000 public workers and their families across NJ," said Buckelew, "And the best is yet to come!"