Effective Pool Management 101

By Kelly S. Kilgore

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INTRODUCTION

I began my career in employee benefits in August 1992 after graduating with a bachelor's degree in comprehensive general business. As an inexperienced account services representative "spreadsheeting" medical, dental, and life & disability quotes at an employee benefits brokerage agency, I can still remember my supervisor saying we were all going to lose our jobs because of the Clinton plan for universal health care. Our jobs survived, though. The quick stint in the brokerage world followed by six years selling and servicing group dental plans eventually led me to a position with a self-funded insurance pool for local governments in Missouri and Kansas, my former client. As the benefits program grew over the next 12 years, I took on more responsibility and became the director with a staff of three.

Since 1984, the program has grown from 9 founding members to 120 cities, counties and school districts along with other special districts such as health departments, election boards and fire districts with contribution revenues now over $50 million annually.

My role encompasses the design, planning, management, and administration of five traditional PPO plans, two HMOs, two High Deductible Health Plans with Health Savings Accounts, and two dental plans, all self-funded, for almost 7,000 active and retired employees. Key duties include monitoring trends and developments in employee benefits and recommending plan changes to the board of directors; writing, preparing and issuing benefit communications including summary plan documents;

managing relationships with all service providers; and overseeing the budget process and development of rates.

In choosing the interviewees, I relied on assistance from Harold Pumford, Executive Director of the Association of Governmental Risk Pools (AGRIP), in identifying multi-state, multi-line pools that self-fund employee benefits. According to Mr. Pumford, AGRIP identifies about 85 employee benefits pools, some are benefits only and other are part of multi-line pools, none are multi-state except my employer, Midwest Public Risk.

The questions asked of the pool executives included specific information on their organization such as size, plan offerings and staffing statistics along with underwriting and rating processes for new and renewal group members. I was very interested in how the executives had built their professional network, if they had a mentor supporting them in their career and what educational background led them into pooling. Finally, I wanted to see if their current and future goals were at all similar given we are spread throughout the country.

Executive Summary

Through the interview process, I identified a number of key elements for effective pool management. Successful pool managers share a number of similar characteristics – creativity, flexibility and being mission-driven. Having a passion for what you do and believing that pooling is the best option is absolutely critical.

Education is one key to being an effective pool manager. Most pool managers have at least a bachelor's degree, many go on for advanced degrees. Certifications are a way to further your education, and the Associate in Risk Management (ARM) is popular among pool managers. Designations such as Certified Employee Benefit Specialist, Certified Government Benefits Administrator and Registered Health Underwriter would be ideal for managing benefits pools. However, a certification in any area you are lacking skills can be extremely beneficial. For general pool knowledge, Associate in Risk Pool Management should also be considered.

Conferences are an important source of education. Pool managers should commit to attending at least one professional conference annually. Returning with practical ideas to implement will justify the costs associated with attendance at a national conference. Volunteering for committee and board service through relevant organizations such as AGRIP, Public Risk Management Association, and State and Local Government Benefits Association offer key networking opportunities.

Establishing a comprehensive professional network is another key to being an effective pool manager. It's important to surround yourself with those whose skills complement and supplement your own. Rely on the experts within your organization such as actuaries and legal counsel. Most importantly, use networking opportunities to build a support network for both idea exchange and to cultivate mentor relationships.

Effective pool managers will look for current and future opportunities to maintain a competitive edge, whether it's exceptional customer service, below-trend rates and renewals, or value-added programs.   Working with committees and boards will be important to the success of the pool as will keeping the membership engaged and informed.

Pools can explore the use of existing partnerships to develop joint programs to facilitate growth. Tying membership to a sister organization such as a municipal league or county association or offering incentives for membership can help.

The challenges facing pools will make for an exciting career for pool managers. More regulation in the future would be costly and might even place some programs in peril. Funding will continue to be an issue for pools. Finally, quality of governance will continue to be concern, and it may become more commonplace to have outside directors sitting on the board of directors for pools.

The earliest pools have been in existence for over thirty years. It's clear that the viability of pools depends upon effective pool managers to lead us through the next 30 years and beyond.

POOL MANAGER INTERVIEW QUESTIONS

1. What is the number of entities your pool services? Covered employees? Covered lives?

2. How many different plans do you offer?

3. How big is your benefits staff?

4. How involved is your membership – committee level, board level, meeting attendance, etc. How do you boost involvement?

5. How do you underwrite new groups? Are all pool/community rated? What about claims experience?

6. What educational background did you have when you were first hired to manage a pool? Have you continued your education with either formal or professional classes? Which academic or professional classes or programs have helped you the most to succeed in your career?

7. Describe your professional network and how you built it. Are there areas where your network could be strengthened? What are they and how would you proceed?

8. Has a mentor been instrumental in your reaching your goals; and, if so, what characteristics of that individual were most inspirational or instructional?

9. What are your goals for your pool for the next five years? Have your goals for the pool ever been in conflict with the board's direction? How did/would you address such a circumstance?

MARTHA RADEMACHER

Director of Finance and Programs
Park District Risk Management Agency
21 Years in Pooling
29 Years in Insurance/Risk Management
Telephonic interview: January 25, 2010

INTERVIEW

Formed in 1984, the Park District Risk Management Agency (PDRMA) has stayed true to it's founding purpose: providing risk financing and risk management programs tailored to the unique needs of park and recreation agencies. PDRMA offers three coverage programs - property/casualty (includes liability and workers' compensation), health, and unemployment compensation. Each of PDRMA's three coverage programs is governed by a Program Council with one representative from each participating member agency. Each council has the critical responsibility of determining the limits and coverage structure of its program, as well as the budget and rates.

PDRMA's benefits program serves 81 entities covering 1,800 employees and approximately 4,500 total lives. The self-funded options include one medical plan with four different deductible options and an HMO. While currently the entity must choose only one option, the agency is considering allowing the entities to offer choices to their employees. New entities are underwritten via health statements but all have the same rate.

Martha Rademacher has been with the agency most of its 25 years progressing through a variety of positions and experiences to her current position of Director of Finance and Programs. The benefits staff of PDRMA consists of 4 full-time and one part-time employee. PDRMA is governed by a seven-member board of directors, three of which are health members. In addition, a health benefits committee meets twice per year.

With a Bachelor's degree in Accounting, Ms. Rademacher began her career as an Accountant with CNA Insurance in the Reinsurance Division. After eight years, she moved into the risk pool industry with PDRMA. She earned her CPCU designation in 1998 which has proved very valuable in her career. Organizational development classes were also helpful in continuing her education. She has found conference opportunities also valuable, mainly Association of Governmental Risk Pools (AGRIP) and Society for Human Resource Management (SHRM).

Ms. Rademacher has relied on her AGRIP contacts to build her professional network. In fact, PDRMA's now-retired CEO, Betsey Kutska, was instrumental in forming AGRIP and was influential in formation of other risk pool organizations. She also builds her network through referrals and counts both her agency's actuary and benefits counsel among the most important in her network. However, she does feel more can be gained in this area.

Ms. Kutska also served as a mentor for Ms. Rademacher during her tenure as CEO pushing her to become a better professional. She was encouraged to pursue a board position for the Illinois Municipal Retirement fund and has now served as a board member for the past nine years. Ms. Rademacher believes that experience has been invaluable, allowing her to see her own agency's issues from a board and staff member standpoint.

Ms. Rademacher has seen many changes in the pooling industry in 21 years, from her start in insurance and risk management to her agency's expansion into employee benefit offerings. The primary goal for PDRMA is to grow the benefits program in order to provide more stability. Delivering renewal increases lower than medical trend is a consistent goal and one which has been accomplished to date. One focus in the near future may be network access which is a challenge is some areas. PDRMA and its board sees the need for growth but also the need to focus on wellness. While much as been accomplished in this area, it will continue to be a major focus/priority.

OBSERVATIONS

- Education and experience are important but so is recognizing your own strengths and weaknesses. Surround yourself with experts on those topics which are not your strengths.
- It's very important to network with similar groups, and I plan to make conference attendance a priority particularly with pooling organizations.
- Don't be afraid to broaden your horizons and "get out of your comfort zone".
- Mentors can be invaluable in your career lifetime and I plan to cultivate some of these relationships.

NOEL KLEIN

Consultant
City County Insurance Services
30 Years in Pooling
30 Years in Insurance/Risk Management
Telephonic interview: February 11, 2010

INTERVIEW

Back in 1979-80, the Oregon League of Cities and Association of Counties jointly formed City County Insurance Services (CIS) for the purposes of providing worker's compensation and property/liability coverage. In 1994, two health pools were brought into the CIS pool. CIS strives to effectively market and efficiently provide a set of benefits and services that are attractive to and cost-effective for employers and employees and promote employee wellness. Today, CIS provides benefits coverage to 265 member entities, 9,000 employee lives and 23,000 total lives. Ninety-five percent of cities and 60% of counties participate in the CIS pool.

The CIS benefits program has been transitioning from a group purchase model to a self funded pool. The dental program was first to go self funded, to be followed by the Regence Blue Cross/Blue Shield offerings. To date, not all health options are self funded. The Regence preferred and traditional options include plans with varying deductibles; the HMO is through Kaiser Permanente; and CIS offers two qualified high deductible health plans. The dedicated benefits staff totals seven employees.

Noel Klein began his career as a city manager in Australia. Upon moving to the United States, he began working for a local Oregon government in 1974. After moving to the

Oregon League of Cities, he was charged with finding alternate coverage. When City County Insurance Services was formed, he became their first staff member. Eventually he served as Executive Director until his retirement in February 2010. He now serves as Managing Consultant.

CIS is governed by a board of trustees appointed by the both the League of Cities and the Association of Counties. The board meets four times per year. However, there is very little member involvement at the board level. Instead, the CIS staff spends a lot of their time out visiting members. A benefits committee also meets twice per year, at the annual conference and a summer meeting. They also hold a series of regional meetings.

Groups with less than 100 employees are community rated. Experience rating takes place on a graduated basis for groups up to 266 at which they become fully experience rated.

Mr. Klein has built his professional network drawing from a variety of associations including AGRIP, PRIMA, and National League of Cities. The exchange of ideas is extremely beneficial. Board service is important as is education and involvement in organizations such as State and Local Government Benefits Association (SALGBA) and Society for Human Resource Management. He encourages completion of the Associate in Risk Management designation.

Several individuals have assisted Mr. Klein in achieving his goals. Harold Pumford of AGRIP has been his “go-to guy.” He also relies on the advice of more senior pool directors and believes in the “sister pool” concept.

Mr. Klein sees wellness initiatives as the focus of his organization in the near future. The CIS board was one of the first to make significant investments in wellness - $1 million annually since 2002. Making the health risk assessment part of the open enrollment process has achieved 80% participation. He would value an independent analysis of the program to measure it’s success. A goal of the organization would be to increase participation in the high deductible offerings. A challenge facing the organization is state and federal health care reform.

OBSERVATIONS

- It makes sense to capitalize on the membership of existing organizations like municipal leagues and county associations to jointly develop programs. Right now we are not working with either of the states in which we operate. I think there is a lot of opportunity here.
- In order to be competitive, pools that use only community rating may have to move to a blended process such as CIS. In my experience, the larger groups consistently have large claims and in most cases are being subsidized by the small to medium sized groups. In addition, many of the larger groups wish to have specific claims reporting and the pool could do so if using this model.

- If the budget allows, I want to visit some other pools to see what they are doing that is new and different. Our organization may be able to develop a sister pool relationship with a similar organization.

SHERRI NOLL

Managing Director of Health and Wellness
County Employee Benefit Consortium of Ohio
10+ Years in Pooling
27 Years in Insurance/Risk Management
Telephonic interview: September 29, 2010

INTERVIEW

County Commissioners Association of Ohio (CCAO) has been in the pooling arena for almost 25 years. The association started the County Risk Sharing Authority to provide property/casualty to county members in 1987. Quite a few years later, in response to concerns expressed by members about the cost of health insurance, it formed County Employee Benefits Consortium of Ohio (CEBCO). Of the 87 county members of CCAO, six counties joined initially in 2004 and over the years, that number has increased to 22 encompassing 9,000 employee lives.

CEBCO has five medical options and two HSA options. It also offers a choice of four prescription plans. Prospective counties are underwritten initially and rated individually based on their census, losses, large claims and current plan design. The underwriters determine which plans can be offered. A dual choice is typical. However, only one prescription plan can be selected. Counties with 300 or more employees are considered fully credible, while those with less than 300 receive a load due to their not being fully credible. At renewal time, CEBCO uses minimum/maximum spreads to smooth out the necessary rate adjustment. Prescription rebates are passed through at this time to lower the renewal increase.

Sherri Noll, as managing director, provides overall leadership of the program, oversees the financial operation, directs program development and manages the program and employees. Two benefit specialists split the servicing of the 22 county members. An enrollment and billing specialist handles enrollment, billings and day to day changes. The carrier, Anthem, performs the underwriting function while Aon does the rating. Aon also provides general consulting support.

CEBCO is governed by a board comprised of representatives of counties that participate in the program. Two-thirds of the directors are county commissioners and one-third are employees of member counties.

As a licensed insurance agent and Certified Property/Casualty Underwriter, Ms. Noll came from a broker agency background. She was selected for the managing director position out of over one hundred applicants because of her knowledge of property/casualty and health pooling. She relies on information exchange with her peers at AGRIP and PRIMA conferences and functions and other organizations such as National Council of County Association Executives.

Goals for the program include steady growth – 2 or 3 counties per year, a new staff person and continuing delivery of extraordinary service. Challenges include county lay-offs and downsizing that could lead to decreased enrollment.

Wellness will be an area of focus as Ohio is one of the fattest states. The program has been progressive in the offering of preventive services at 100%. A know your numbers campaign was critical in educating their participants on their health status and risk factors.

OBSERVATIONS

- More is not necessarily better. I think we have done a disservice to our members by allowing them, particularly the small ones, to offer too many plans. They think they are offering choice to the employees but it just gets complicated and confusing.
- I plan to identify new associations to become a member of that I have not previously considered. I will attend local and regional meetings and volunteer for committee or board service.

GREG HALL

Chief Executive Officer
Special District Risk Management Authority
4 Years in Pooling
4 Years in Insurance/Risk Management
Telephonic interview: September 29, 2010

INTERVIEW

As Director of Administration for a special district in California, Greg Hall participated in pooled programs through Special District Risk Management Authority (SDRMA) for a number of years before first joining then board, and then taking over as CEO of the agency. SDRMA is a non-profit public agency providing full-service risk management services for California local governments. In conjunction with the California Special Districts Alliance and CSAC-EIA, the agency serves 430 Property/Liability members, 351 workers' compensation members and 60 health benefits members. With 11 total staff members, there is not one person solely dedicated to the health benefits program.

The health benefits offering is relatively new. In 2006, the agency partnered with CSAC for the medical program and now manages the small group program for agencies with 2-200 employees. In 2007, ancillary benefits were offered. SDRMA receives administrative revenue on the program and cedes all the risk to the carrier, currently Blue Shield. There are roughly 1,300 employees covered through the various districts.

SDRMA has a total of seven medical plan offerings – two HMO plans, three PPO plans, an EPO and a High Deductible Health Plan with Health Savings Account. Underwriters decide which plans will be offered at each entity dependent upon the agency's size and location. A typical offering would be two plans. Member agencies pay different rates based upon geographical location, and SDRMA's coverage area is divided into six regions mirroring the CALPERS regions. Increases are based upon the program's experience as a whole.

Mr. Hall started learning about risk management and pooling during his tenure with the Community Services District. While there were a number of years with no claims, when the agency started having claims, he took a more active role with the coverages, attending board meetings and eventually applying for a board position. The seven member board is elected from the membership but Mr. Hall was appointed to fill a vacant term. Succession planning by the board in January 2006 identified the opportunity for a new CEO and Mr. Hall stepped up.

His educational background was in business and finance and soon after stepping into the CEO role achieved the Associate in Risk Management (ARM) designation. The agency is a member of AGRIP, PRIMA, PARMA and CAJPA. Mr. Hall regularly attends PRIMA conferences to further his knowledge and network. The agency and board involves its consultants (certified safety professionals), actuaries, auditor and broker when formulating their three year strategic plan. As he just began the CEO duties last January, he hasn't yet fully developed a professional network of peers and advisors.

The agency has made a significant investment in IT focusing on the implementation of an online portal for members. Mr. Hall wants to see continuing advances made in that area.

Other goals of the program include steady growth while maintaining their competitive edge of being 15% lower than the commercial marketplace. One area that needs attention is wellness. The program has not put much emphasis on wellness to date but Mr. Hall hopes to offer programs such as smoking cessation and weight management.

OBSERVATIONS

- To belong to SDRMA, your district must be a dues-paying member of the California Special District Alliance. This follows the recurring theme in my interviews that a joint effort with another agency can be very beneficial. Tying membership in another organization would boost their membership as well as ours.
- The district also gives those members who belong in the property/casualty program a 1% discount, providing incentive to join that program as well. Our program could provide an incentive for those in more than one program.
- Self-funding is not always the best option. If a pass-through program will work and you can make money doing it while providing a good program, you should.
- Technology is crucial these days. SDRMA hired an IT consultant who actually worked on site for over a year. The investment may seem high but will pay off in the future. Much can be done in the area of IT with my organization.

TERRY NORWOOD

President and Chief Executive Officer
Midwest Public Risk
27 Years in Pooling
31 Years in Insurance/Risk Management
Interview: October 13, 2010

INTERVIEW

Midwest Public Risk (MPR) has undergone significant changes in its 27 year history. Originally started as Mid America Regional Council Insurance Trust and later called MARCIT (its acronym), it went through another name change in 2009 when it started three new legal entities, Midwest Public Risk of Missouri, Midwest Public Risk of Kansas Inc. and Midwest Public Risk.

Like many pools, MPR was founded by nine public entities in response to the workers compensation crisis facing the public sector. The organization quickly followed with employee benefits and property/liability coverages. Eventually the pool expanded across the state line into Kansas but was limited by state statute to only benefits in the five counties surrounding the metropolitan area. It would take another 20 years before it could expand throughout the entire state of Kansas with all lines after it created another pool in Kansas.

While MPR began with workers compensation and takes pride in the risk management services it offers, the biggest growth has occurred in the employee benefits program. In recent years, the risk management lines have remained stagnant at about 40 members while the benefits program has grown to over 120 entities with almost 7,000 active employees. What began as two medical plan offerings has grown into three PPOs, two HMOs, and one high deductible health plans for non-school groups, and three PPOs and two high deductible health plans for school groups. In addition, a self funded dental plan is offered. Ninety percent of the member entities have the same rates making it a true community-rated pool. Prospective entities are subject to underwriting and subsequent rate adjustment. However, at renewal, all entities receive the pool increase.

So far during his five year tenure, President and CEO Terry Norwood is credited with several of MPR's major achievements including opening the pool up to school districts, expanding into Kansas, and groundbreaking of a new headquarters for MPR. Mr. Norwood has worked on boosting member involvement by developing a robust committee system and fostering a good working relationship with his board of directors. Events such as coverage days and open houses are another contact with the members. In his opinion, those members with a "disconnect" to the pool are a threat to its existence. Under Mr. Norwood's direction, the benefits staff has grown to four full-time positions, three of which are solely dedicated to benefits and one who also performs general administrative duties in addition to providing support to the benefits team.

Mr. Norwood started his risk management career with a degree in Safety and later went on to get an advanced degree before getting into pool administration. He was fortunate to have supervisors who pushed him in his career, providing opportunities to gain experience where he had none. About thirteen years into his career, he felt the need to re-learn the basics and earn further credentials. He earned his Associate in Risk Management.

His advice when building a professional network is meeting new people, asking for ideas and implementing the ones that are successful. One of his closest peers has people skills while Mr. Norwood has technical skills. They complement each other perfectly. Attending conferences and participating on boards and committees are others ways to develop a network of peers and advisors. Mr. Norwood has been involved with numerous organizations including AGRIP, SELF, CSAC-EIA and CAJPA. He never misses an opportunity to strengthen his professional network.

Mr. Norwood has had many mentors over the year, some personal and some professional. All have had a significant effect on his career. A personal friend who was a career counselor and football coach taught him that “success breeds success”. He also learned from this mentor the importance of listening while at the same time understanding you can’t listen to everyone. Mr. Norwood watched his mentor, someone who knew how to move people. He found in one of his supervisors a technical mentor. This mentor taught him that reasonable minds can disagree and not to fear confrontations. This mentor provided encouragement to apply for other jobs and helped him and others get to where they wanted to go professionally.

His primary goal for MPR in the next five years is to get all programs up and running in the state of Kansas. Training will continue to be a major initiative as will wellness. He wants to be the best, not the biggest; although being the best will eventually lead to being the biggest.

Potential long-term goals include evaluating bringing claims in house, reaching $100 million in annual contributions (doubling contributions), and being seen as "the leader" in pooling. He wants to be an example for the six state area.

OBSERVATIONS

- From time to time, the administrator's goals will be in direct conflict with the board. There is a political side you must unfortunately deal with. The challenge is giving the board control without allowing micro-management of the day to day activities.
- Be able to handle all types of people and situations. Be an "idea guy".
- The worst thing you can do is personalize constructive criticism.
- Sometimes you have to be unpopular.
- The committee system is crucial to the success of a pool but you must give them meaningful work. It helps avoid the "disconnect" of the members. Continually look for ways to involve the membership.

POOL VENDOR INTERVIEW QUESTIONS

1. What is your background and history working with pools?

2. What services do you provide to pools?

3. Describe your professional network and how you built it. Strengths and weaknesses.

4. What do you see are the biggest challenges facing pools in the future? How can they overcome these challenges?

5. What characteristics do you think a pool manager needs? Any education/experience you feel is particularly helpful?

6. How do you stay abreast of current issues facing pools?

Pool Vendor Interview
Jenny Emery

Senior Vice President
Towers Watson
25 Years in Pooling
25 Years in Insurance/Risk Management
Telephonic interview: March 15, 2010

Interview

Jenny Emery has been working in the pooling community for a cumulative 25 years and firmly believes in the concept. She got her start in the late 1980s when she joined Tillinghast and helped form pools around the country – setting up the structure and selecting service providers. She currently places excess insurance and does management consulting. Helping pools continue to evolve is one of her top priorities. Throughout the years, she has worked with members to reduce exposures and squeeze out administrative savings. Her firm does the actuarial work as well.

Ms. Emery's professional network is vast, and she believes one needs experts in risk financing, risk management and insurance. Industry experience is beneficial but pooling experience is not necessary if one has the ability to make the conceptual leap from traditional insurance to pooling. She stays abreast of current pool issues by being a frequent speaker and attendee at AGRIP conferences and working through the Towers Watson client base of 40 pools.

According to Ms. Emery, successful pool managers are passionate about pooling. Being mission driven is critically important. Pool managers can have any background and don't need to be an expert in all areas. However, they should augment where necessary. One exception is financial skills. This is an area where duties cannot be fully delegated. In addition, pool managers should understand, respect and work with the pool's governance/governing body.

Ms. Emery sees a number of challenges facing pools in the future. She sees more regulation in the future. Defined regulation could be a good thing but would be costly. She believes there are pools currently in operation that if regulated like insurance companies would not be in business any longer. Pools that are of the most concern are those who rely 100% on vendors and do not employ their own pool staff.

The quality of governance is another issue facing pools. Ms. Emery thinks we will see more Directors & Officers lawsuits against the pool boards. A movement that should happen would be to have "outside" directors sitting on the board. A push from regulators may lead to that practice. Retired executives and outside advisors make good additions to a pool's board.

Funding will continue to be an issue for pools. Although at this time, she is not aware of any pools that have closed their doors and left claims unpaid, there are those with very limited reserves. The good news is those pools at the other end of the spectrum who have stockpiled a lot of money.