GESC/Health Insurance
Board of Trustees

Presentation
Before the

Committee of the Whole

August 1, 2025

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Chairperson
GESC/Health Insurance Board of Trustees

Good day members of the 36th Legislature of the Virgin Islands, members of the Committee of the Whole and listening audience. I am Beverly Joseph, Chairperson of the GESC Health Insurance Board of Trustees and the elected representative on behalf of active employees in St. Croix. Today, on behalf of the Board, I would like to present our strategic assessment of self-funded health insurance in the public sector: the opportunities, the risks, and the workforce implications.

I would like to thank the members of the Legislature for the opportunity to appear before you, the Honorable Governor Albert Bryan Jr., and my fellow Board members, Co-Chairperson Dr. Gilbert Commissiong, Elected Active Representative St. Thomas and St. John; Lori Anderson, Secretary & Elected Retiree Representative St. Thomas & St. John; John Abramson Jr., Appointed Member St. Croix; Lorraine Gumbs-Morton, Appointed Member St. Thomas & St. John; Debra Christopher, Elected Retiree Representative St. Croix; Dr. Kisha Christian, Appointed Member St. Croix; and Andre T. Dorsey, Appointed Member St. Thomas and St. John.

I would also like to thank our Advisory Members, the Division of Personnel including the Director, the Chief and Staff of Group Health

Insurance, the Counsel to the Board, our Consultant's and the Gehring Group.

Amid rising healthcare costs and budgetary pressures, government employers from municipal agencies to state departments are reevaluating their methods of providing medical coverage to public servants. Self-funded health insurance has emerged as a viable alternative to traditional fully insured models, offering budget flexibility and operational autonomy. Under this model, the government entity pays employee healthcare claims directly, assuming the financial risk rather than transferring it to an insurance carrier. While this arrangement can deliver cost efficiencies and data-driven control, it introduces significant risks and demands a level of fiscal stewardship and administrative sophistication that not all agencies may be equipped to manage. This presentation will provide a comprehensive examination of self-funded health insurance in the public sector, with emphasis on its disadvantages and the implications for workforce health security.

One of the central appeals of self-funded healthcare is its potential to reduce overall spending on employee health benefits. By eliminating insurer profit margins, public entities can redirect those funds toward direct claim payments and reserve-building. For agencies with large, predictable employee populations self-funding offers the ability to harness economies of scale,

minimize administrative overhead from carriers, and avoid paying for unused risk.

Self-funded plans also allow for nuanced customization. Public employers can design benefits that reflect the unique needs of their workforce, union agreements, and regional health patterns. Additionally, access to granular claims data allows employers to monitor utilization, identify chronic condition trends, and adjust preventative care offerings in real time. This level of control is typically absent in fully insured plans, where benefit designs are standardized across broad populations and data is siloed within the insurer's domain.

Despite these advantages, the self-funded model presents complex administrative and legal burdens. Government agencies must coordinate with third-party administrators (TPAs) to adjudicate claims, manage benefits, and ensure compliance with federal mandates such as ERISA, HIPAA, COBRA, and the Affordable Care Act. Unlike private sector employers, public entities often face additional scrutiny from taxpayers, audit boards, and oversight committees. These bodies require robust reporting and justification for any funding arrangements that could compromise service delivery or workforce protection.

Managing a self-funded plan demands expertise in actuarial forecasting, reserve modeling, and legal compliance capabilities that many government personnel and finance departments lack in-house. As such, agencies must budget not just for claims, but also for the administrative costs of hiring external consultants, legal advisors, and analytics platforms. These indirect costs may undermine the savings the model is intended to provide.

Moreover, transitioning from a fully insured to a self-funded model is not seamless. It requires technical system changes, reeducation of benefits, finance staff and proactive employee communications. Any missteps in rollout can lead to service disruptions, confusion about coverage, and erosion of trust. All factors that have long-term consequences in public employment ecosystems.

The most significant drawback of self-funding is the direct exposure to healthcare claim volatility. Unlike fully insured plans that offer fixed premiums and guaranteed coverage, self-funded models rely on accurate projections of medical utilization an inherently unstable metric here in the Territory. Unexpected health events such as cancer diagnoses, premature births, increase in chronic diseases or epidemics can result in claim spikes that overwhelm budgets.

Although stop-loss insurance is commonly used to cap individual or aggregate claim liabilities, it comes at a cost and may include waiting periods or exclusions that leave agencies exposed. The timing of claim payments can also be unpredictable. Government employers often operate on fiscal calendars tied to legislative appropriations systems not built for absorbing spontaneous, multi-million-dollar claims.

For example, an employer that miscalculates its risk exposure could find itself unable to meet monthly claim obligations. This scenario might require the employer to seek emergency funding, divert capital from other programs, or reduce staffing, all of which carry political and legal ramifications and require immediate resolution. Such instability is less likely under a fully insured model, where premiums are locked in for a term and carriers absorb the actuarial risk.

The impact of unpaid claims reverberates most painfully among the employees themselves. Public servants rely on their health benefits not only for medical care, but as a signal of stability and institutional commitment. When claims go unpaid due to cash flow shortfalls, administrative delays, or stop-loss gaps employees may be denied service by providers, forced to pay bills out of pocket, or compelled to delay needed care. These disruptions are

more than transactional they are personal and could become tragic thus, influencing perceptions of organizational trust.

In practical terms, a government employee could receive a bill for a specialist visit or procedure they believed was covered. Without a timely resolution from the TPA or benefits office, they may resort to credit cards, skipping follow-up care, or reduce medication adherence all of which are linked to worsened health outcomes. The mental and emotional stress caused by coverage uncertainty can be significant, especially among those with chronic conditions or dependent family members.

For unionized workforces, such failures can trigger grievances, calls for contract renegotiation, and workforce action. The reputational damage to the agency may extend into the media, policymaker forums, and voter referendums.

To responsibly implement a self-funded model, government employers must build a strategic risk management infrastructure. This includes:

- Comprehensive Stop-Loss Coverage: Tailored policies that protect both individual high-cost cases and aggregate claim surges.
- Robust Reserve Funds: Financial buffers calibrated to historical claims, health inflation trends, and worst-case scenarios.

- Experienced TPAs and Actuaries: Partners who can accurately process claims and model future risks with transparency.
- Multi-Year Planning Protocols: Forecasting tools and legislative engagement to align healthcare funding with budget cycles.
- Employee Communication Plans: Clear channels for educating employees about coverage, troubleshooting claims, and reporting problems.

These safeguards are essential not just for financial sustainability, but for maintaining employee morale and organizational integrity.

Self-funded medical insurance plans offer government agencies the potential to control costs and customize benefits. However, the risks financial unpredictability, administrative complexity, and employee vulnerability are profound. Without the right expertise, infrastructure, and contingency planning, these plans can jeopardize not just fiscal health, but the wellbeing of the public workforce and the reputation of the government body itself.

For many public entities, particularly those with limited financial flexibility, fully insured models may remain the preferred path. Where self-funding is pursued, it must be done with a deep understanding of the legal, human, and operational stakes and with an unwavering commitment to

protecting both the public purse along with the public servant and family.

Therefore, in terms of the Government's medical plan which is fully insured by Cigna under a participating contract, whereas in the past we have used surpluses to offset increases when the plan performs well; however, we are currently in a $32 million deficit that Cigna is 100 percent responsible for due to the claim's costs increasing over 29% in the past three years. Under the fully insured model we do not have to pay for the claims that exceed our premium, that is the insurance company's obligation but under the self-insured model we will need a fallback strategy to pay the claims and would have had to absorb those excess claims costs or risk loss of coverage.

During this year's renewal negotiations, the Board tasked our consultant, Gehring Group, with analyzing a self-funded model based upon our existing plan benefits and recent claims experience and comparing it to the fully insured renewal would generate approximately 2.5% in savings which is approximately $4.3 million dollars. The fully insured renewal "as is" with no plan changes is a 19.5% guaranteed increase and self-insured plan is a recommended 17% increase and is not guaranteed. I have included the comparison in Exhibit A for further review, Also included in Exhibit B is a White Paper showcasing the advantages and disadvantages of Self-funding

and Fully insured.

We implore the Legislature to use caution when making any consideration for self-funding in the future and I welcome any questions.

Exhibit A

	Existing Traditional Funding (19.5%)	Proposed ASO Funding*
Employees	10,002	10,002
Customers	19,988	19,988
Current Year Premium	$177,459,714	$177,459,714
Mature Claims - Before Concessions	$198,199,551	$198,199,551
+ Concessions	($9,821,000)	N/A
Total Claims	$188,378,551	$198,199,551
Recommended Claim Margin	$0	$1,981,996
Rx Rebates	$0	-$10,947,000
Admin Expense	$25,071,778	$9,121,824
Cost Containment	$0	$1,250,919
eviCore Fees	$0	TBD
Stop Loss	$7,925,300	$8,058,411
UW Adjustment	($9,320,000)	$0
Total Premium / Premium Equivalent	$212,055,629	$207,665,700
% Increase	19.5%	17.0%
ASO (Savings)/Cost		$4,389,929

ZZ **Proposed ASO funding is illustrative. Actual performance will depend on claims experience.*