Look Before You Leap – The Difference Card

As described below, The Difference Card ("TDC") is both a product and a service, collectively referred to in this article as the Program. TDC *product* is an actual plastic card, like a debit card. The service is described below.

There are a lot of moving parts to this Program, so before adopting it, be sure your school district understands all the players, their roles and the short- and long-term financial impact to your district.

<u>Why Might TDC Be Attractive to a School District?</u>

Instead of renewing its health insurance as is, but with higher premiums, a school district decreases its premiums by selecting a health insurance program with deductibles and provider, ER and/or RX co-pays ("Costs") *that are higher than the expiring benefit plan.*

Since employees' salaries don't increase enough to cover these higher Costs, the district softens the financial impact of same on employees and their families by allowing employees to continue paying the same or similar Costs as the prior year. The difference between what the employees pay and the actual Costs, referred to as "Expected Claims," are funded by the school district.

The district hopes the premium savings accrued by electing a higher deductible/co-pay program more than cover the "Expected Claims" and TDC Program fees.

<u>How Does TDC Work? Explain the Mechanics to Me.</u>

1. The district pays:
   - Health insurance premiums to the health insurance company;
   - A one-time set-up fee to TDC; and
   - A fee, "TDC Service Premium," to cover administrative expenses and cap its Expected Claim risk at 120% of Expected Claims. This is charged on per employee per month basis.
2. Insureds receive an actual TDC, which works like a debit card. Employees use their personal credit or debit card or check to fund the co-pay (or other Costs) they've always paid, and then use TDC to pay the balance of the Costs.
3. The district sets up, and funds, a bank account from which money is withdrawn when employees and dependents use TDC. The district is responsible for funding up-front*, 100% of the difference between* the expired, and new Costs, even if they are double what is expected.
4. At year end, the district is *reimbursed* by TDC for payments exceeding 120% of the Expected Claims.
5. If elected, school districts may incur run-out service expenses.

See Exhibits 1 and 2.

Who Are the Players in This Program?

1. EB Employee Solutions, LLC is the company offering the Program.
2. TDC is a debit card used by employees to pay the difference between their portion of the Costs and the actual higher amount.
3. Alegeus Technologies issues the actual card and processes the payments of the Costs to the insurance company.
4. Assurant, Inc. provides the stop loss insurance issued to EB Employee Solutions, which is triggered if Expected Claims exceed the 120% threshold.

Sounds Like A Great Arrangement. What Are the Potential Down Sides?

Most financial arrangements have pros and cons and attempting to describe the Programs are outside the scope of this article. The only way to get this information is to educate yourself, talk to other Wisconsin public school districts who've implemented the Program, ask a lot of questions and ask them again if the responses don't make sense. Also, be sure to:

1. Read and understand all contracts involved with the Program. Engage your legal counsel for assistance, if necessary.
2. Ask for a multi-year example of an actual TDC client (with name redacted). Don't accept examples of projected expense for years two and three, or phrases like, "on average, customers save XXX per year."
3. Be mindful of marketing materials exuding how much money your district can save in year one and thereafter. If it's too good to be true…
4. Realize the Program contemplates elements usually seen in self-funded health insurance programs. For example, in what time period must claims from employees be submitted? Who pays Expected Claims if they are submitted after the allowable time frame?
5. If applicable, review the similarities and differences between the Program and your district's HRA.
6. Work with your insurance consultant or agent. (Please find information regarding the WASB Insurance Plan Endorsed Insurance Agency Endorsed Employee Benefit Agencies – Associated Benefit & Risk Consulting, M3 or TRICOR - here.)

SUMMARY

TDC Program may or may not be a good fit for your school district. Make sure you have all the facts about how the Program works, including the funding and risk after year one, before implementing TDC for your district.

Disclaimer: This article is based on material received in August 2019. Presenting all the details and nuances about TDC is beyond the scope of this article. School districts and their legal counsel should review all program-related materials and agreements prior to adding TDC to its benefit program.

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