

**Written Testimony of Wes Kelley  
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**Before the House Committee on Education and the Workforce  
Subcommittee on Health, Employment, Labor and Pensions**

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Chairman Roe and Members of the Subcommittee, thank you for the opportunity to provide testimony today on the importance of self-insurance to small and mid-sized organizations. I represent one such organization that utilizes self-insurance to provide quality health benefits to our employee while maximizing cost control opportunities.

My name is Wes Kelley, and I serve as the Executive Director of Columbia Power and Water Systems (CPWS), the municipal utility for the City of Columbia and much of Maury County, Tennessee. Columbia is located about 40 miles south of Nashville. Our utility provides electricity, water, and broadband services to more than 25,000 homes and businesses. CPWS is a small organization, with a combined annual operating budget of just over \$85 million. Our staff of 115 employees, 55 retirees, and 204 family dependents are proud of the work we do serving our local community.

In 1993, our local Board of Public Utilities decided to move our employee health insurance program from the fully-insured marketplace and create a self-funded group health plan to better manage costs and the benefits provided to our employees and eligible retirees. Enough money was saved in the first year of self-funding to establish a solid financial reserve that has continued to build to this day.

Initially established with a \$20,000 specific stop loss risk retention level, this was increased to \$30,000 in 2004, where it remains. Last year, total funded costs were reduced by 1.8%, and this downward trend has been in place for several years. For example, claims were \$1.7 million in 2006, but have reduced gradually to \$1.2 million last year, even though coverage was provided to essentially the same number of individuals. While occasionally, costs may rise in response to unusual conditions, we have worked closely with our employees to control the cost of our health care and keep the plan affordable. We regularly solicit bids from qualified providers for stop loss coverage, along with our health care network, and third-party administration.

Since the plan was established, we have taken much of our savings and placed those dollars in a reserve account. Today, we have more than \$1 million in reserves. Indeed, in previous years, our Board intentionally reduced funding for the plan to keep the reserves from growing too large.

Over the past 22 years, our self-funded arrangement has allowed the utility to maintain above average benefits for our employees, dependents, and eligible retirees. In an era of ever rising deductibles, we have been able to keep our participants' deductibles at \$200 for an individual, \$400 for a family, and a \$10 drug copay. Also, we provide a full-range of dental benefits, including orthodontia. These benefits are provided without the employees contributing to the cost of health insurance through their paycheck or otherwise. Furthermore, eligible early retirees and their dependents enjoy the same benefits as active employees. Retirees aged 65 and older, along with their surviving spouses, maintain Medicare supplement coverage through CPWS with access to drug card discounts.

These health benefits have allowed us to retain the best possible workforce, increase productivity, and maintain a high-level of satisfaction with the plan. Some of the dollars saved since implementing the self-funded plan have been used to fund wellness and disease control measures, the cost of which would have otherwise been on top of the premiums paid to a fully-insured health insurance company. Some of these wellness benefits include annual blood tests, PSA screening for men, and mammograms for female employees. Also, bi-annual physicals are provided at no cost to the employees.

Controlling the cost of health insurance is critical to our organization because we realize that any cost increase will ultimately impact the utility rates we charge our customers. In spite of our small size, we believe our self-funded health insurance has been successful thanks to the good advice we receive from knowledgeable consultants, a strong business-minded board of directors, an appreciative workforce, and perhaps most importantly—affordable stop loss insurance that protects the financial solvency of our plan.

Thank you again for the opportunity to share our experience, and I will be glad to answer any questions you may have.