

to cost them about 200,000 a year premium for their county employees, in this case. They decided to go self-insured, and there's a local broker. The broker, under this plan, said their premiums would be 100,000 rather than 198,000, so they could save \$98,000. The broker would be paid \$5 per head, per employee, per month for administering the plan. The way it worked, as it applied to paying bills was they contracted with a firm out of Georgia, they simply paid bills. There was no coordination of benefits, period. After about eight months into the plan they discovered that they would spend, with bills that they were paying close to \$280,000 that same year, rather than 190, and they had about \$65,000 of claims pending. They obviously dropped the plan. The broker left town, by the way, and they were stuck. They wanted to come back. I advised the people that had the plan not to take them back. They were advised that this could happen because they had no coordination of benefits and a number of other things. What protection would those taxpayers have in that county who were stuck with well over \$100,000, almost twice as much, \$200,000 of what it would have cost them, if they hadn't gone self-insured, against that sort of practice and activity going in and what kind of guidelines are established to make sure that jurisdictions understand when they're talked to by fast talking insurance people, like some people we may or may not know, about what the down side is on being self-insured? How big you should be before you can really try it, and what kind of protection they have against things like not providing coordination of benefits, and in fact costs for administering as compared to total costs with no liability at all?

SENATOR LANDIS: Okay. I hope I understand the hypothetical correctly, Senator Lynch. They moved from an insurance company based plan to self-insuring their own risks with an administrator to help them manage their plan. Okay. If that's the hypothetical, it is...okay, it's usable under LB 167 in one and only one circumstance. It's unavailable to any city, any county, any school district, with one exception. That situation could arise for the City of Omaha. There is an exception in 167 that says the hypothetical that you create, which is the political subdivision itself becomes the insurer, and that situation could occur in the City of Omaha. They could become the administrator of their own plan. In fact the City of Omaha is now in that circumstance, they are one of the plans that is out of compliance, if you will, with state law. Omaha is doing that practice without an actuarial study, to my knowledge, and