

APPROVAL TO DISCONTINUE THIRD PARTY ADMINISTRATOR KENTUCKY SCHOOL BOARDS INSURANCE TRUST FOR PAYMENT OF UNEMPLOYMENT INSURANCE CLAIMS

BACKGROUND AND RATIONALE: Unemployment Insurance is a statutory requirement for all employers to provide short term benefits for those who are unemployed through no fault of their own. Employers have two ways to satisfy this requirement, as a Contributing Employer where a quarterly tax is paid on employee payroll, or as a Reimbursing Employer where payment is made for the direct cost of benefits paid. All school districts in the Commonwealth of Kentucky are Reimbursing Employers. Fayette County along with most other school districts utilizes Kentucky School Boards Insurance Trust (KSBIT) as a third-party administrator (TPA) who pays claims to the State on the District's behalf. If the District self-administered unemployment claims and paid the State directly, it would yield \$295,236 in financial gain.

COST SAVINGS: The description of cost savings are summarized as follows:

\$218,362	returned to the district from its KSBIT escrow account
\$41,874	in average direct annual savings from administrative fees
<u>\$35,000</u>	in estimated indirect savings from internal oversight
\$295,236	Total

By assuming self-administration duties within current staffing, the District eliminates a step in the unemployment claiming process and receives a recurring savings of \$41,874, the average TPA cost from 2008 to 2012.

	2008	2009	2010	2011	2012
Benefits Paid	\$439,140	\$805,834	\$856,783	\$838,259	\$ 540,378
KSBIT TPA	\$35,579	\$62,624	\$43,923	\$29,770	\$37,474

An internal employee administering and focusing exclusively on Fayette County claims will provide for more scrutiny, follow-up and closure and is estimated conservatively at 5% (\$35,000) of average benefits paid from 2008 – 2012. Over this time period 80% of unemployment claims filed were for lack of work or during scheduled breaks and District liability can be reduced or eliminated with letters of reasonable assurance or timely responses.

	2008	2009	2010	2011	2012
Lack of Work	131	181	188	189	132
Not Separated	32	45	45	14	31
Quit	10	18	13	10	12
Discharged	8	16	12	15	15
Misc Code	6	13	27	44	33
TOTAL	187	273	285	272	223

In addition to the annual savings and increased oversight from self-administration, KSBIT does not bear any financial responsibility for unemployment claims; therefore there is no additional risk to the District for self-administering its claims.

STAFF CONTACT: Myron Thompson

REFERENCE: KRS 341, 341.275

RECOMMENDATION: A motion is in order to:
“approve discontinuing third-party administrator Kentucky School Boards Insurance Trust for payment of Unemployment Insurance claims.”

On motion by _____, seconded by _____,
the Board approved discontinuing third-party administrator Kentucky School Boards Insurance Trust for payment of Unemployment Insurance claims.

John Price, Board Chair

Tom Shelton, Superintendent