

Frequently Asked Questions

The Local Government Health Insurance Plan

The following frequently asked questions about the Local Government Health Insurance Plan are not meant to be exhaustive. Refer to your health benefits handbook or contact the Local Government Health Insurance Board for more information.

Q: What type of plan is the Local Government Health Insurance Plan?

A: The Local Government Health Insurance Plan (LGHIP) is a self-insured employer group health benefit plan. This means that the participating units assume the risk of providing health care benefits for their employees instead of paying a risk premium to a third party to insure their employees.

Q: What is the function of the Local Government Health Insurance Board?

A: The Local Government Health Insurance Board (LGHIB) is a state agency established by the Alabama Legislature to administer the LGHIP pursuant to Alabama Code sections 11-91A-1 through 11-91A-10.

Q: How are the LGHIB board members selected?

A: The LGHIB board is composed of nine individuals pursuant to Alabama Code section 11-91A-4. Seven of the board members are appointed:

- Three members are representatives of municipal government, appointed by the Alabama League of Municipalities from municipal employer participants in the LGHIP.
- Three members are representatives of county government, appointed by the Association of County Commissions of Alabama from county employer participants in the LGHIP.
- One member is a retired employee covered under the LGHIP, appointed by the Alabama Retired Employees Association.

Two board members are elected:

- One member is an active full-time employee of a municipal or county government with at least 10 years of creditable coverage in the LGHIP elected by the full-time employees of municipalities and counties participating in the LGHIP.
- One member is either an active full-time employee of an employer participant in the LGHIP that is not a county or municipality, with at least 10 years of creditable coverage in the LGHIP, or a retiree covered under the LGHIP elected by active, full-time employees of an employer participant that is not a county or municipality and retirees participating in the program.

Q: What is the function of Blue Cross and Blue Shield of Alabama?

A: The LGHIB contracts with Blue Cross and Blue Shield of Alabama (BCBSAL), through a competitive bid process, to serve as the claims administrator for the LGHIP. This means that BCBSAL processes member claims through their provider network based on the health benefits approved by the LGHIB. Each month the LGHIB reimburses BCBSAL for the cost of member claims. The LGHIB also contracts with BCBSAL, through a competitive bid process, to serve as the pharmacy benefits manager. BCBSAL also provides customer service and utilization review services.

Q: How is BCBSAL compensated for their services?

A: BCBSAL receives a set fee per member to administer the LGHIP's claims. Under this arrangement, BCBSAL has no financial incentive to deny or approve the medical necessity of any claim it processes.

Q: What is the cost of providing health care benefits?

A: The cost of providing health care benefits is simply a function of the amount of claims incurred by our members and paid by the LGHIP to the providers of service (plus administrative costs).