Idaho School Benefit Trust Insolvency FAQs

1. **What is the Idaho School Benefit Trust (ISBT)?**

The Idaho School Benefit Trust was created to allow school districts to pool resources to provide health, dental and vision coverage to their employees. The trust established a 'self-funded' health plan, meaning the trust and its member districts are ultimately responsible for paying all claims and expenses.

2. **Is a self-funded health plan a type of insurance?**

No. A self-funded plan is not insurance. It is an alternative form of coverage where member employers of a trust share in the risk of paying claims as promised. The trust does not participate in the Idaho Life & Health Insurance Guaranty Association.

3. **What caused the ISBT to become insolvent?**

Multiple factors likely contributed, but the most significant factor was that medical claims significantly exceeded projections. On August 3, the Department of Insurance (DOI) called for a financial exam of ISBT. DOI staff and external contractors will determine specific contributors.

While determining what went wrong is important, ***it does not absolve*** *the trust or district members from the responsibility of paying employee medical claims. In order to pay the employee medical claims, the trust has required districts to increase contribution payments by approximately $13 million; a factor of $782.64 per member for the 2025-2026 plan year. A monthly payment option of $21.74 per member per month will be offered.*

4. **Did school districts know the trust was self-funded?**

While there may have been some confusion, most – if not all – districts understood the trust was self-funded. All districts signed participation agreements and had a responsibility to be aware of the plan's structure. Trustees clearly knew the health plan was self-funded and were responsible for communicating this to member districts.

5. **Are school district employees' claims at risk?**

Without the trust collecting the additional contributions there would be insufficient funds to pay employee medical claims. In such a case, an employee's recourse would be legal action against their employer or the trust. This is why the Department's priority was for the trust to correct the funding deficit through the additional contribution amount to protect school district members and ensure claims continue to be processed.

6. **What is the Department of Insurance's role?**

The DOI monitors the financial solvency of the trust through examinations every five years and annual audited reports after each plan contract year, which is August 31 for ISBT. Due to the current deteriorating financial condition of the trust, the DOI issued an order declaring the trust is in *hazardous condition, and the DOI has filed a petition in district court to be appointed as rehabilitator of the trust.*

7. **When did the department learn of the shortfall?**

The DOI received the 2025 annual audit in February 2026. At that point, the trust reported $2 million dollars in surplus. Although that was a significant reduction, the trust and its advisors expected at that time that stop-loss coverage would allow them to finish the contract year. The department was not informed until July 2026 that the trust had exhausted its funds and was unable to pay claims.

8. **Why weren't districts informed sooner?**

District members should have received regular updates and reports on the trust's financial condition. It was the trust's responsibility to keep its members informed. In April 2026, during the trust's planning for the 2026-27 contract year, the trust decided to switch to a fully-insured plan because the proposed rate increase would be lower than continuing self-funding. Several districts chose to leave the trust during that time.

9. **What is Blue Cross of Idaho's (BCI) responsibility?**

BCI served as the third-party administrator, not as an insurer. As a third-party administrator, BCI processes claims using the trust's funds. BCI also provides stop-loss coverage, which pays the medical claims if they exceed a pre-defined level. As third-party administrator, BCI is not required to pay claims that exceed the trust's available funding.

10. **What is the claims financing agreement between BCI and the trust?**

To protect Idaho educators and member districts BCI and the trust entered a claims financing agreement. Under that agreement, BCI issues a 'surplus' note to finance the claims of the trust. The trust, working with the DOI, will receive repayment from the member districts. Repayment can be either as a lump-sum or can be structured as one-year agreements which will be renewed until the financing is paid off. The repayment is $21.74 per member per month.