FAQs
The State Employees’ Health Insurance Plan

The following frequently asked questions about the State Employees’ Health Insurance Plan are not meant to be exhaustive. Refer to your health benefits plan book or contact the SEIB for more information.

Q: What type of plan is the SEHIP?
A: The State Employees’ Health Insurance Plan (SEHIP) is a self-insured employer group health benefit plan. This means that the State of Alabama assumes the risk of providing health care benefits for its employees instead of paying a risk premium to a third party to provide health insurance coverage.

Q: What is the function of the State Employees’ Insurance Board?
A: The State Employees’ Insurance Board (SEIB) is a state agency established by the Alabama Legislature to administer the SEHIP pursuant to Alabama Code Sections 36-29-1 through 36-29-19.8.

Q: Who are the members of the SEIB?
A: The membership of the SEIB is composed of 11 members pursuant to Alabama Code Section 36-29-2. The members include the five members of the State Personnel Board, the Director of Finance, the Secretary-Treasurer of the Employees’ Retirement System of Alabama, two elected active employees of the state and two elected retirees covered under the SEHIP.

Q: What is the function of Blue Cross and Blue Shield of Alabama?
A: The SEIB contracts with Blue Cross and Blue Shield of Alabama (BCBS) through a competitive bid process to serve as the claims administrator for the SEHIP. This means that BCBS processes member claims through their provider network based on the health benefits approved by the SEIB. Each month the SEIB reimburses BCBS for the cost of member claims.

Q: How is BCBS compensated for their services?
A: BCBS receives a set fee per member to administer claims of the SEHIP. Under this arrangement, BCBS 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 SEHIP to the providers of service (plus administrative costs).

Q: What are the administrative costs of the SEHIP?
A: The cost to administer the SEHIP is less than 2% of total expenses. This means that more than 98 cents of every dollar expended on the SEHIP goes directly to paying member claims. Administrative costs are primarily composed of amounts paid to BCBS to process claims, SEIB personnel costs and consulting fees.