



**To:** Dr. Mike Riggle  
Dr. R.J. Gravel  
Board of Education

**From:** Mrs. Alice Raflones

**Date:** June 2, 2017

**Re:** SSCRMP Medical Administrative Fee

### **Recommendation**

The Administration recommends to vote as a SSCRMP member district, to change the BlueCross BlueShield Administrative Fee from a Percent (%) of Claims model to a Per Employee Per Month (PEPM) model.

### **Background**

The SSCRMP Health Insurance Cooperative, undergoes a medical insurance renewal each year, effective July 1st. Included in the Plan Renewal, our benefit consultant, Gallagher provides the SSCRMP Cooperative the anticipated projected claims and fixed costs for the period 7/1/17 through 6/30/2018.

### **Projected Claims**

Below are the anticipated claims costs for our PPO Plans with BlueCross BlueShield of Illinois.

Projected Gross Claims - 7/1/17 through 6/30/18			
	Medical	Prescription Drug	Total
<b>D225</b>	\$5,943,121	\$56,197	\$5,999,318
<b>D214</b>	\$17,254,054	\$2,811,102	\$20,065,157
<b>D207</b>	<u>\$6,214,064</u>	<u>\$30,110</u>	<u>\$6,244,174</u>
<b>TOTAL CLAIMS</b>	\$29,411,239	\$2,897,408	\$32,308,648
<b>Total Lives</b>	2,303	914	
<b>PEPM Claims Cost</b>	\$1,064.24	\$264.17	

### **Fixed Costs**

The three SSCRMP Districts (214, 207, and 225) must elect a model in which the BlueCross BlueShield PPO Administrative Fees are applied to each District. Each SSCRMP Board Member will vote on the model that Administrative Fees will be applied for next Plan Year.

Gallagher provided SSCRMP with an analysis of the two different Administrative Fee models based on projected claims and enrollment. The Administrative Fee is negotiated annually. The first model is as a Percent (%) of Claims. The second is a Per Employee Per Month (PEPM) model. It is anticipated that if a change to PEPM model occurs, BlueCross BlueShield has the right to not offer the Percent of Claims model in the future.

Below are the anticipated fixed costs for our PPO Plans with BlueCross BlueShield of Illinois. The left column demonstrates the fixed cost if D225 were to retain the Percent of Claims Administrative Fee Model. The right column demonstrates the fixed cost if D225 were to change to a Per Employee Per Month Administrative Fee Model. The impact to changing to a Per Employee Per Month Administrative Fee Model would be an anticipated savings of \$8,051.

DISTRICT 225	Percent of Claims Administrative Fee Model - 5%	Per Employee Per Month Administrative Fee Model
Projected Lives	517	517
Projected Fixed Costs - Annual	\$322,283	\$314,232
Months to Project	12	12
Projected Fixed Costs - PEPM (equivalent)	\$51.95	\$50.65
Impact to Changing to PEPM (Annual)	\$8,051 (Savings)	

Below is an overview of the anticipated change in fixed cost if SSCRMP changed to a Per Employee Per Month Administrative Fee Model. .

RENEWAL YEAR: 7/1/17 - 6/31/18	Percent of Claims PPO Admin. Fee	Per Employee Per Month PPO Admin. Fee	Cost Difference
District 225	\$322,283	\$314,232	\$8,051
District 214	\$1,003,258	\$705,656	\$297,602
District 207	\$312,209	\$379,875	(\$67,666)

#### Additional Fixed Costs (Resulting from 2017 Cost Containment Activities)

Effective 9/1/17, District 225 will incur additional fixed costs due to the addition of the PPO Programs, Blue Value Advisor and MDLive. In addition, the High Deductible PPO (HDPPO) plan will “carve out” the Pharmacy Benefit Manager to RxBenefits/Express Scripts. The additional fixed costs for the above programs and changes are listed below.

Fixed Cost Item	Per Employee Per Month Fee (517 PPO members)	Months to Project	Total Fixed Cost for Projection Period
Blue Value Advisor	\$2.50 - PEPM	10	\$12,925
MDLive	\$.45 - PEPM	10	\$2,326
HDPPO Carve Out*		10	\$2,000
HDPPO Carve Out	\$5.00 - PEPY	10	\$2,585

\* Flat, annual cost