



To: Dr. Mike Riggle
Board of Education

From: Alice Raflares

Date: Monday, November 12, 2018

Re: Healthcare Premium Rates for Plan Year January 1, 2019 - December 31, 2019

Recommendation

It is recommended that the Board of Education accept the recommended premium equivalent rates for the 2019 health plan year as presented by our health insurance consultant, Gallagher.

Background

At the October 22, 2018 Board Meeting, the Administration presented a preliminary forecast of the healthcare premium rates for the upcoming health insurance plan year (January 1 - December 31). Since that time, the finalized forecast has been prepared and summarized below.

Enrollment

The final renewal projection reflects health plan enrollment as of the start of the current plan year (September 1, 2018 to December 31, 2018). Overall, the PPO plans saw a decline in participation from 450 to 433 total enrollees (-17). The HMO plans saw a slight increase in participation from 307 to 310 (+3) total enrollees. The change in participation impacts the overall health plan expense calculation that was prepared for the final renewal.

Premium Equivalent Rates

In developing the premium equivalent rates for each line of coverage, Gallagher utilized the District’s fixed costs (5% of total medical expenses), claims experience, and trend factors. Overall, all lines of medical and dental coverage had a loss ratio of 104.2% for the plan year ending in August 2018. The Final Renewal Projection

Total Lines of Medical and Dental Coverage (PPO/HMO/Dental)

Pre-Renewal Projection		Final Renewal Projection	
Current Funding/Total Premium:	\$14,701,678	Current Funding/Total Premium:	\$14,526,251
1/1/19 - 12/31/19 Projection:	\$15,301,457	1/1/19 - 12/31/19 Projection:	\$15,239,842
Projected Change:	\$599,780	Projected Change:	\$713,590
Recommended Medical Blended Rate Adjustment:	4.5%	Recommended Medical Blended Rate Adjustment:	5.27%

The HMO/PPO Medical blended increase to the current medical funding is 5.27%.

Glenbrook PPO and High Deductible PPO Plans (Blue Cross and Blue Shield of Illinois) and Pharmacy Plan (RxBenefits/Express Scripts)

Pre-Renewal Projection		Final Renewal Projection	
Current Funding/Total Premium:	\$9,249,976	Current Funding/Total Premium:	\$9,004,213
1/1/19 - 12/31/19 Projection:	\$9,712,048	1/1/19 - 12/31/19 Projection:	\$9,726,566
Projected Change:	+ \$462,073	Projected Change:	+ \$722,353
Recommended Rate Adjustment:	+5%	Recommended Rate Adjustment:	+8%

Considerations:

- The change in the rate adjustment is primarily due to the Open Enrollment changes and how they affected the projected funding needed. In the final renewal projection, the total projected gross plan costs on the PPO is at \$9,726,566 versus the pre-renewal amount at \$9,712,048. The gross plan cost change is about \$14,000 on the PPO and approximately \$83,000 lower on the HMO. The PPO projected gross plans costs increased and the HMO projected gross plan costs decreased. This takes into account all claims, trend, and fees.
- In addition, the PPO funding premium increased by about \$250,000 from the pre-renewal projection. This is due to changes during Open Enrollment. The final renewal is showing less contribution of approximately \$245,000.
- Lastly, the PPO Stop Loss fee change was projected at 20% (\$164,606) and it came in at approximately 40% (\$339,089). This is still undergoing final negotiations, however, is not expected to significantly change the recommended rate adjustment.

HMO Illinois and Blue Advantage HMO Plans

Pre-Renewal Projection		Final Renewal Projection	
Current Funding/Total Premium:	\$4,741,634	Current Funding/Total Premium:	\$4,799,405
1/1/19 - 12/31/19 Projection:	\$4,887,572	1/1/19 - 12/31/19 Projection:	\$4,804,683
Projected Change:	+ \$145,938	Projected Change:	+ \$5,277
Recommended Rate Adjustment:	+3.1%	Recommended Rate Adjustment:	+0.1%

Considerations:

- The change in the rate adjustment is primarily due to the Open Enrollment changes and how they affected the projected funding needed. In the final renewal projection, the HMO projected gross plan costs decreased. This takes into account all claims, trend, and fees.

Dental PPO Plan

Pre-Renewal Projection	Final Renewal Projection
Current Funding/Total Premium: \$710,837	Current Funding/Total Premium: \$722,633
1/1/19 - 12/31/19 Projection: \$701,837	1/1/19 - 12/31/19 Projection: \$708,593
Projected Change: - \$8,231	Projected Change: - \$14,040
Recommended Rate Adjustment: -1.2%	Recommended Rate Adjustment: -1.9%

Considerations:

- The recommended dental funding rates call for a decrease of -1.9%, however, it is recommended a rate pass (0% change) occurs for better positioning against expected claim trends and to mitigate impact to employee contributions year over year.

Realignment of Health Insurance Premium Equivalent Rates

As part of collective bargaining efforts during the spring, the Board of Education agreed to share the expense of realigning premium equivalent rates with employees for the 2018-19 plan year. The cost sharing is fulfilled by providing employees in an eligible plan with a one-time payment of 50% of the cost of realignment. The cost sharing credit will be paid to employees on their February 15, 2019 paycheck. The total estimated expense to the District for this credit is \$54,157 (active employees only).