



**To:** Dr. Charles Johns  
Board of Education

**From:** Mrs. Alice Rafleres  
Mr. Brad Swanson  
Dr. R.J. Gravel

**Date:** Monday, October 21, 2019

**Re:** Healthcare Premium Rates for Plan Year January 1, 2020 - December 31, 2020

**Recommendation**

It is recommended that the Board of Education accept the recommended premium equivalent rates for the 2020 health plan year as presented by our health insurance consultant, Gallagher, resulting in a year-over-year projected savings to the Board and plan participants in the amount of \$456,021.

**Background**

At the September 9, 2019 Board Meeting, the Administration presented a preliminary forecast of the healthcare premium equivalent 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 Utilized in Health Care Rate Calculations and Estimated 2020 Plan Budget**

The final renewal projection reflects health plan enrollment as of the plan year ending dates (month 9 of 12 for the 2019 plan year). The chart below indicates actual enrollment trends across the school district's HMO and PPO plans.

**Table 1**  
***Health Plan Enrollment Trend Between August 2017 and August 2019***

Plan	Coverage Tier	Plan Ending 8/31/2017	Plan Ending 8/31/2018	Plan Ending 12/31/2019 (Anticipated)
<b>Glenbrook PPO</b>	Single	146	107	106
	Family	200	180	182
<b>High Deductible PPO</b>	Single	45	47	46
	Family	72	99	98
<b>New High Deductible PPO</b>	Single			0
	Single +1			2
	Family			1
<b>HMO Illinois</b>	Single	81	63	58
	Family	176	133	136
<b>Blue Advantage HMO</b>	Single	21	35	30
	Single +1	8	20	28
	Family	17	59	60
		<b>766</b>	<b>743</b>	<b>747</b>

**Change in Plan Design: Addition of Coverage Tiers**

One of the changes to the school district’s health plans for the 2020 plan year is the implementation of four (4) coverage tiers for all plans. As illustrated on the premium equivalent rate comparison spreadsheet, the majority of health plans previously included single and family tiers. For the 2020 plan year, all plans will include single, single +spouse, single +children, and family tiers.

The consistent implementation of four (4) coverage tiers for each plan further enables employees to choose the appropriate level of coverage needed for themselves and their families, and to pay for only the coverage that is necessary (e.g. an employee that has a spouse, but not children, can elect single +spouse coverage, as opposed to family coverage). This transition also benefits the school district as it decreases the overall amount of health care premium contributions to be paid by the Board, and deposited into the self-insurance fund. It is important to also note that the implementation of the additional coverage tiers further reduces the estimated year-over-year health care expense paid by the Board. However, due to this fundamental change in structure, the percent change between the 2019 and 2020 plan year rates appear higher for certain tiers. To provide greater insight into rate changes for comparability purposes, Table 2 has been developed.

**Table 2**  
**Comparison of 2019 to 2020 Rates within a 2-3 Tier and 4 Tier Structure**

Plan	Coverage Tier	2019 Rates	2-3 Tiers		4 Tiers	
			2020 Rates	% Change	2020 Rates	% Change
<b>Glenbrook PPO</b>	Single	\$9,932.04	\$9,505.92	-4.3%	\$9,431.88	-5.0%
	Single +1				\$19,806.84	
	Single +CH				\$17,920.44	
	Family	\$27,809.76	\$26,616.48	-4.3%	\$28,295.52	1.7%
<b>High Deductible PPO</b>	Single	\$8,680.56	\$8,225.64	-5.2%	\$8,161.56	-6.0%
	Single +1				\$17,139.24	
	Single +CH				\$15,507.00	
	Family	\$24,305.64	\$23,031.72	-5.2%	\$24,484.68	0.7%
<b>New High Deductible PPO</b>	Single	\$7,130.28	\$6,824.28	-4.3%	\$6,771.12	-5.0%
	Single +1	\$14,260.44	\$13,648.56	-4.3%	\$14,219.52	-0.3%
	Single +CH				\$12,865.20	
	Family	\$21,390.72	\$20,472.84	-4.3%	\$20,313.48	-5.0%
<b>HMO Illinois</b>	Single	\$7,077.24	\$7,070.64	-0.1%	\$7,058.28	-0.3%
	Single +1				\$14,822.40	
	Single +CH				\$13,410.72	
	Family	\$19,816.32	\$19,797.84	-0.1%	\$21,174.84	6.9%
<b>Blue Advantage HMO</b>	Single	\$6,684.96	\$6,858.60	-0.1%	\$6,846.60	-0.3%
	Single +1				\$14,377.80	4.7%
	Single +CH	\$13,729.92	\$13,717.08	-0.1%	\$13,008.48	
	Family	\$19,228.44	\$19,210.56	-0.1%	\$20,539.68	6.8%

**2020 Healthcare Plan Budget**

Utilizing the project enrollment for the 2020 plan year (as identified in Table 1), the health plans (excluding dental) are projected to require funding in the amount of \$13,371,219. This is a 3.07% decrease from the 2019 plan year, which required \$13,794,935 in funding.

When comparing the contribution from the Board for health plans (excluding dental), there is a projected -\$378,368 year-over-year net difference between the 2019 and 2020 plan years. In addition, employee contributions for health plans (excluding dental) are projected to experience a year-over-year net difference of -\$45,348 between 2019 and 2020 plan years. When including active employee and retiree health plans, the total year-over-year projected savings to the Board and participants is \$456,021.

It is important to note that the premium equivalent rates represent the best estimate for the amount of expenses that the school district will experience in claims. However, there are times when the amount contributed by the Board and employees through the rates is insufficient to pay for the actual claims. This shortfall, if any, would then be funded by the Board. During the 2018-19 fiscal year, the actual claim expense was less than the amounts collected through premium equivalent rates, and the past practice of budgeting for a 13th month. This resulted in a current liability balance (e.g. reserve) in the amount of \$1,285,830. Should the 2019-20 fiscal year end with a higher amount of claims versus premiums collected, this reserve will be used to pay for the shortfall.

**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 95.8% for the month ending August 2019.

An Executive Summary has been provided by Gallagher detailing the different elements of the 2020 Plan Renewal (see pages 5-6).

<b>Total Lines of Medical and Dental Coverage (PPO/HMO/Dental)</b>		
Current Funding/Total Premium:	\$15,220,431	
1/1/20 - 12/31/20 Projection:	\$14,876,337	
Projected Change:	<b>\$344,094</b>	
<b>Glenbrook PPO and High Deductible PPO Plans (Blue Cross and Blue Shield of Illinois) and Pharmacy Plan (RxBenefits/Express Scripts)</b>		
Current Funding/Total Premium:	\$9,460,711	Recommended Rate Adjustment: <b>-4.3%</b>
1/1/20 - 12/31/20 Projection:	\$9,054,760	
Projected Change:	<b>\$405,951</b>	
<b>HMO Illinois and Blue Advantage HMO Plans</b>		
Current Funding/Total Premium:	\$5,034,393	Recommended Rate Adjustment: <b>-0.1%</b>
1/1/20 - 12/31/20 Projection:	\$5,029,705	
Projected Change:	<b>\$4,688</b>	

<b>Dental PPO Plan</b>		
Current Funding/Total Premium:	\$725,327	Recommended Rate Adjustment: <b>9.2%</b>
1/1/20 - 12/31/20 Projection:	\$791,872	
Projected Change:	<b>\$66,544</b>	

**Ongoing Review of Healthcare Plans**

During the 2019-20 fiscal year, the Finance Committee will be performing an in-depth review of the school district’s self-insured healthcare plans. These efforts, supported by the Cost Containment Committee, will include an analysis of all expenses associated with the healthcare plans, and all agreements with service providers (e.g. Gallagher, Blue Cross and Blue Shield, The Standard). It is recognized that the overall cost of employee benefits represent 9.9% of the school district’s operating fund for the 2019-20 fiscal year. Recognizing the substantial expense of employee benefits, it is prudent to review these expenses on an ongoing basis, and to recommend and implement changes as appropriate.

Below are a series of meetings and associated agenda items that have been tentatively set for the discussion of healthcare plans. It should be noted that the schedule of meetings will continue to grow over the next few months:

- **Tuesday, October 22, 2019 - Finance Committee**
  - Overview of how the healthcare self-insurance fund is financially supported through Board of Education and employee contributions.
  - Overview of healthcare expenses represented within the premium equivalent rates, and those that are separate from these rates.
  - Development of Board of Education Cost Containment Items
  
- **Tuesday, November 5, 2019 - Finance Committee**
  - Review and analysis of cost containment strategies to be considered for the 2021 plan year.
  
- **Tuesday, December 3, 2019 - Finance Committee**
  - Review and analysis of cost containment strategies to be considered for the 2021 plan year.
  - Development of the timeline for the marketing of all existing healthcare service provider agreements for the 2021 plan year.



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## Glenbrook Final Renewal Forecast Executive Summary January 2020

### Financial Summary Comparing Year to Date (2019) & Calendar Year 2018

#### PPO Financial Summary Year to Date & Calendar Year 2018

Overall, all lines of coverage have a loss ratio of **95.8%** for claims data January 2019 – August 2019. The previous plan year period (**January 2018 – December 2018**) ended with a **101.7%** loss ratio.

- The **PPO products** have an overall loss ratio of **94% vs. 104.9%** for plan year ending December 2018.
- **PPO PEPM paid claims** data is **\$1,380.72**, down from **\$1,417.82** for calendar year 2018 (**9.3% decrease from last year**).
- The **PPO** has a loss ratio of **88.2% vs. 93.5%** for calendar year 2018.
- The **PPO HDHP H.S.A** has a loss ratio of **107.5% vs. 142.1%** for calendar year 2018.
- Zero claimants exceeded the specific stop loss limit of \$250,000 from January 2019 through August 2019. Two claimants exceeded the stop loss limit of \$250,000 from July 2018 through December 2018.

#### PPO Financial Summary year to date (August 2019)

- The **PPO products** have an overall loss ratio of **94%** for plan year to date
- **PPO Loss Ratio** plan year to date **88.2%**
- **PPO HDHP H.S.A. Loss Ratio** plan year to date **107.5%**

#### HMO Financial Summary Year to Date & Calendar Year 2018

The **HMO products** have an overall loss ratio of **97.3% vs. 96.6%** for calendar year 2018.

- **HMO PEPM paid claims** (inclusive of physician service fees) are up by 10.7% from previous plan year, \$1,134.49 PEPM versus \$1,024.51.
- **HMOI Loss Ratio** is **108.1% vs. 97.5%** for calendar year 2018.
- **BA HMO Loss Ratio** is **79.6% vs. 94.7%** for calendar year 2018.
- Zero claimants have exceeded the stop loss limit of \$125,000 from January 2019 through August 2019.

#### Dental Financial Summary

The claims experience for the **Dental product** are running much higher with a loss ratio of **108.2%** compared to last year's loss ratio of **96.6%** (calendar year 2018).

#### 1/1/2020 Renewal Forecast

- **24 months** of data were used to forecast claims for the **1/1/2020** through **12/31/2020** period.
- Experience periods used in each forecast were **9/1/2017** through **8/31/2018** for the prior period and **9/1/2018** through **8/31/2019** for the current period (**80% weight on most recent 12 months**).
- The same trend rates were used to forecast **Medical and Rx claims on both PPO and HMO, 5.4% for Medical and 7.3% for Rx. Dental claims** were forecasted with a **5% trend rate**.



- Trend is based on the most recent market trend study by Gallagher's Healthcare Analytics Team (in-house actuarial firm).
- The use of market trend, not client specific trend, curbs the effect of changes in utilization year over year for smaller populations such as Glenbrook 225.

Estimated fixed cost forecasts by product type:

PPO plans

**Administrative Fee:** +3.8%

**Individual Stop Loss Fee:** -4.8%

**Rx Rebate:** 0% RxBenefits has not yet released the renewal.

The PPO rebate is based on the average rebate received from Rx Benefits for Q1, Q2, and Q3 for 2019

**BVA/MDLive/Data Extract/Rx Benefits UM Fees/PCORI Fee:**

- The budget comparisons for the PPO and H.S.A. all include the Rx benefits UM program fees for the 2019 period.
- The PCORI fee will no longer apply after 2019. The last payment was in July 2019.

HMO/BAHMO

**Administrative Fee:** +0%

**Physician Service Fees:** For the HMOI single +5% and +5.1% for family. The BAHMO single +1.6% and +0.1% family.

- In 2019, BCBS introduced a group rating for physician service fees/cost. BCBS is aligning actual cost associated with group and HMO networks being utilized by the group. Previously, BCBS had adjusted and subsidized across the board for the entire HMO book of business. Going forward, it will be more group specific.

**Individual Stop Loss Fee:** +12%

**Rx Rebate:** +42.2%

**Managed Care Fee:** +4%

**Allocated Taxes Fee:** \$8.66 per employee per month

Dental

**Administrative Fee:** 3.5% BCBS had not increased the admin fee since 2016.

Summary

Gallagher recommends a blended renewal approach (decrease of -2.8% to the medical plans in order to keep the risk relativity of both the PPO and HMO plans aligned. The separate rate decreases are **-4.3%** for the PPO products and **-0.1%** for the HMO products. Our suggested Dental funding rates is calling for an increase of **9.2%**.

**Premium Equivalent Rate Comparision - 2019 and 2020 Plan Years**

*Final Renewal as of October 7, 2019*

		August 2019								January 2020								
		Actual Enrollment	2019 Plan Yearly Rates (January 1st - December 31st)							Projected Enrollment	2020 Plan Yearly Rates (January 1st - December 31st)							
	Rate Tier	Employees*	Premium Equivalent Rates	Employee Responsibility	Board Responsibility		Total Cost to the Employee	Total Cost to the Board		Employees*	Premium Equivalent Rates	Percent Change	Employee Responsibility	Board Responsibility	Total Cost to the Employee	Total Cost to the Board		
<b>Glenbrook PPO (6%)</b>	Single	106	\$9,932.04	5%	\$496.60	95%	\$9,435.44	\$52,639.81	\$1,000,156.43	106	\$9,431.88	-5.0%	5%	\$471.59	95%	\$8,960.29	\$49,988.96	\$949,790.32
	Single +1									22	\$19,806.84		12%	\$2,376.82	88%	\$17,430.02	\$52,290.06	\$383,460.42
	Single +CH									16	\$17,920.44		12%	\$2,150.45	88%	\$15,769.99	\$34,407.24	\$252,319.80
	Family	182	\$27,809.76	12%	\$3,337.17	88%	\$24,472.59	\$607,365.16	\$4,454,011.16	144	\$28,295.52	1.7%	12%	\$3,395.46	88%	\$24,900.06	\$488,946.59	\$3,585,608.29
			<b>288</b>							<b>288</b>								
<b>High Deductible PPO (6%)**</b>	Single	46	\$8,680.56	5%	\$434.03	95%	\$8,246.53	\$19,965.29	\$379,340.47	46	\$8,161.56	-6.0%	5%	\$408.08	95%	\$7,753.48	\$18,771.59	\$356,660.17
	Single +1									8	\$17,139.24		12%	\$2,056.71	88%	\$15,082.53	\$16,453.67	\$120,660.25
	Single +CH									4	\$15,507.00		12%	\$1,860.84	88%	\$13,646.16	\$7,443.36	\$54,584.64
	Family	98	\$24,305.64	12%	\$2,916.68	88%	\$21,388.96	\$285,834.33	\$2,096,118.39	86	\$24,484.68	0.7%	12%	\$2,938.16	88%	\$21,546.52	\$252,681.90	\$1,853,000.58
			<b>144</b>							<b>144</b>								
<b>New High Deductible PPO **</b>	Single	0	\$7,130.28	5%	\$356.51	95%	\$6,773.77	\$0.00	\$0.00	0	\$6,771.12	-5.0%	5%	\$338.56	95%	\$6,432.56	\$0.00	\$0.00
	Single +1	2	\$14,260.44	12%	\$1,711.25	88%	\$12,549.19	\$3,422.51	\$25,098.37	2	\$14,219.52	-0.3%	12%	\$1,706.34	88%	\$12,513.18	\$3,412.68	\$25,026.36
	Single +CH									0	\$12,865.20		12%	\$1,543.82	88%	\$11,321.38	\$0.00	\$0.00
	Family	1	\$21,390.72	12%	\$2,566.89	88%	\$18,823.83	\$2,566.89	\$18,823.83	1	\$20,313.48	-5.0%	12%	\$2,437.62	88%	\$17,875.86	\$2,437.62	\$17,875.86
			<b>3</b>							<b>3</b>								
<b>HMO Illinois (8.8%)</b>	Single	58	\$7,077.24	5%	\$353.86	95%	\$6,723.38	\$20,524.00	\$389,955.92	58	\$7,058.28	-0.3%	5%	\$352.91	95%	\$6,705.37	\$20,469.01	\$388,911.23
	Single +1									26	\$14,822.40		12%	\$1,778.69	88%	\$13,043.71	\$46,245.89	\$339,136.51
	Single +CH									11	\$13,410.72		12%	\$1,609.29	88%	\$11,801.43	\$17,702.15	\$129,815.77
	Family	136	\$19,816.32	12%	\$2,377.96	88%	\$17,438.36	\$323,402.34	\$2,371,617.18	99	\$21,174.84	6.9%	12%	\$2,540.98	88%	\$18,633.86	\$251,557.10	\$1,844,752.06
			<b>194</b>							<b>194</b>								
<b>Blue Advantage HMO (8.8%)</b>	Single	30	\$6,864.96	5%	\$343.25	95%	\$6,521.71	\$10,297.44	\$195,651.36	30	\$6,846.60	-0.3%	5%	\$342.33	95%	\$6,504.27	\$10,269.90	\$195,128.10
	Single +1	28	\$13,729.92	12%	\$1,647.59	88%	\$12,082.33	\$46,132.53	\$338,305.23	20	\$14,377.80	4.7%	12%	\$1,725.34	88%	\$12,652.46	\$34,506.72	\$253,049.28
	Single +CH									11	\$13,008.48		12%	\$1,561.02	88%	\$11,447.46	\$17,171.19	\$125,922.09
	Family	60	\$19,228.44	12%	\$2,307.41	88%	\$16,921.03	\$138,444.77	\$1,015,261.63	57	\$20,539.68	6.8%	12%	\$2,464.76	88%	\$18,074.92	\$140,491.41	\$1,030,270.35
			<b>118</b>					<b>\$1,510,595.05</b>	<b>\$12,284,339.99</b>	<b>118</b>							<b>\$1,465,247.04</b>	<b>\$11,905,972.08</b>
		<b>747</b>					<b>\$13,794,935.04</b>		<b>747</b>							<b>\$13,371,219.12</b>		

<b>Y-o-Y Net Difference for Employee</b>	<b>-\$45,348.01</b>
<b>Y-o-Y Net Difference for Board</b>	<b>-\$378,367.91</b>

\* Inclusive of former employees currently receiving benefits through COBRA.

\*\* High Deductible PPO plans receive an additional District-funded HSA benefit of \$1,000 for Single and \$1,600 for Family, which is not factored into the premium equivalent rates.

**RETIREE PLANS**  
**Premium Equivalent Rate Comparison - 2019 and 2020 Plan Years**

*Final Renewal as of October 7, 2019*

		August 2019	2019 Plan Yearly Rates (January 1st - December 31st)							2020 Plan Yearly Rates (January 1st - December 31st)							
		Actual Enrollment	Premium Equivalent Rates	Employee Responsibility	Board Responsibility	Total Cost to the Employee	Total Cost to the Board	Premium Equivalent Rates	Percent Change	Employee Responsibility	Board Responsibility	Total Cost to the Employee	Total Cost to the Board				
Plan	Rate Tier	Retirees															
Glenbrook PPO	Single	3	\$9,932.04	5%	\$496.60	95%	\$9,435.44	\$1,489.81	\$28,306.31	\$9,431.88	-5.04%	5%	\$471.59	95%	\$8,960.29	\$1,414.78	\$26,880.86
	Family	1	\$27,809.76		\$18,374.32		\$9,435.44	\$18,374.32	\$9,435.44	\$28,295.52	1.75%		\$19,335.23		\$8,960.29	\$19,335.23	\$8,960.29
		<b>4</b>															
(Retiree) High Deductible PPO*	Single	29	\$8,640.84	5%	\$432.04	95%	\$8,208.80	\$12,529.22	\$238,055.14	\$8,265.60	-4.34%	5%	\$413.28	95%	\$7,852.32	\$11,985.12	\$227,717.28
	Single + 1	9	\$17,340.12		\$9,131.32		\$8,208.80	\$82,181.90	\$73,879.18	\$16,531.20	-4.67%		\$8,678.88		\$7,852.32	\$78,109.92	\$70,670.88
	Family	4	\$22,373.40		\$14,164.60		\$8,208.80	\$56,658.41	\$32,835.19	\$24,796.80	10.83%		\$16,944.48		\$7,852.32	\$67,777.92	\$31,409.28
		<b>42</b>															
(Retiree) PPO Supplement	Single	3	\$4,915.92	100%	\$4,915.92	0%	\$0.00	\$14,747.76	\$0.00	\$4,731.72	-3.75%	100%	\$4,731.72	0%	\$0.00	\$14,195.16	\$0.00
	Family	0	\$9,542.64	100%	\$9,542.64	0%	\$0.00	\$0.00	\$0.00	\$9,398.28	-1.51%	100%	\$9,398.28	0%	\$0.00	\$0.00	\$0.00
		<b>3</b>															
HMO Illinois	Single	4	\$6,864.96	5%	\$343.25	95%	\$6,521.71	\$1,372.99	\$26,086.85	\$7,058.28	2.82%	5%	\$352.91	95%	\$6,705.37	\$1,411.66	\$26,821.46
	Single + 1	0	\$13,300.92		\$6,779.21		\$6,521.71	\$0.00	\$0.00	\$14,822.40	11.44%		\$8,117.03		\$6,705.37	\$0.00	\$0.00
	Family	0	\$17,438.28		\$10,916.57		\$6,521.71	\$0.00	\$0.00	\$21,174.84	21.43%		\$14,469.47		\$6,705.37	\$0.00	\$0.00
		<b>4</b>															
Blue Advantage HMO	Single	7	\$6,864.96	5%	\$343.25	95%	\$6,521.71	\$2,402.74	\$45,651.98	\$6,402.72	-6.73%	5%	\$320.14	95%	\$6,082.58	\$2,240.95	\$42,578.09
	Single + 1	6	\$13,729.92		\$7,208.21		\$6,521.71	\$43,249.25	\$39,130.27	\$12,405.12	-9.65%		\$6,322.54		\$6,082.58	\$37,935.22	\$36,495.50
	Family	4	\$19,228.44		\$12,706.73		\$6,521.71	\$50,826.91	\$26,086.85	\$16,264.08	-15.42%		\$10,181.50		\$6,082.58	\$40,725.98	\$24,330.34
		<b>17</b>					<b>\$283,833.30</b>	<b>\$519,467.22</b>							<b>\$275,131.94</b>	<b>\$495,863.98</b>	
		<b>70</b>					<b>\$803,300.52</b>								<b>\$770,995.92</b>		

<b>Y-o-Y Net Difference for Retiree</b>	<b>-\$8,701.36</b>
<b>Y-o-Y Net Difference for Board</b>	<b>-\$23,603.24</b>