



**Gallagher**

Insurance | Risk Management | Consulting

## Glenbrook Preliminary Forecast Executive Summary 1/1/2018 - 9/1/2018

### **Financial Summary – Plan Year to Date**

Overall, all lines of coverage have a loss ratio of 90.3% for the current plan year. The previous plan year period (9/16-8/17) ended with a 102% loss ratio.

The PPO products have an overall loss ratio of 83.9% for the current plan year. PPO PEPM paid claims data for the current plan year is \$1,180.94, down from \$1,348.24 for the previous plan year (-12.4%).

- PPO Loss Ratio Plan Year to Date = 69.4%
- PPO HDHP H.S.A. Loss Ratio Plan Year to Date = 131.9%
- Claim adjustments for PPO coinsurance and Rx copay changes at 9/1/2017
- There is one claimant that exceeded the specific stop loss limit of \$250,000 from July through December 2017.
- PPO Claim Forecast
  - Seasonality adjustment of 3.02% included on PPO projection for the 2017-2018 re-forecast (due to higher expected claims for 1/1/2018-8/31/2018 than what was experienced for 9/1/2017-12/31/2017)

The HMO product have an overall loss ratio of 103.4% for the current plan year. HMO PEPM paid claims (inclusive of physician service fees) are up by 0.2% from previous plan year, \$1,200.46 PEPM versus \$1,197.98.

- HMOI Loss Ratio Plan Year to Date = 112.1%
- BA HMO Loss Ratio Plan Year to Date = 82.8%
- Plan changes included for Rx changes put into effect at 9/1/2017
- Copay changes impacted the PSFs (physician service fees) at renewal
- Claim adjustment included in the month of January 2016, this is due to a large adjustment (-) that came through for Oct-Dec 15 in the month of Jan 16 (understating the data in the experience period)
- There are no large claimants that have exceeded the stop loss limit of \$125,000 from July through December 2017.

The Dental product has a loss ratio of 84.9% for the current plan year.

### **9/1/2018 Pre-renewal Forecast**

24 months of data have been used to forecast claims for the 9/1/2018-8/31/2019 period

- Experience periods used in each forecast were 1/1/2016-12/31/2016 for the prior period and 1/1/2017-12/31/2017 for the current period (90% weight on most recent 12 months).
- The same trend rates were used to forecast Medical and Rx claims on both PPO and HMO, 5.6% for Medical and 7.8% 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**

**Administrative Fee:** +3%

**Individual Stop Loss Fee:** +20%

**H.S.A. Rx Rebate:** 0% (Carved out to ESI on 9/1/2017)

- Estimate based on the utilization comparison between the PPO and H.S.A. The H.S.A. has lower per head Rx spend, thus the rebate estimate is lower than what the PPO is based on.
- The PPO rebate is based on the average rebate received from Rx Benefits for Q1 & Q2 2017 (haven't received Q3 yet)

**BVA/MDLive/Data Extract/Rx Benefits UM Fees/PCORI Fee:** +3%

- The budget comparisons for the PPO and H.S.A. all include the Rx benefits UM program fees for the 2017-2018 period

**HMO**

**Administrative Fee:** +3%

**Physician Service Fees:** +4

**Individual Stop Loss Fee:** +20%

**Rx Rebate:** 0%

**Managed Care Fee:** +3%

**Allocated Taxes Fee:** +76.5%

- Assumed that the total projected taxes and fees would be 2% of the projected SSCRMP PSF spend (only insured piece on the funding), which comes to roughly \$8 PEPM across the board

**Dental**

**Administrative Fee:** +3%

**Summary**

Our suggested increase to funding rates is **+6%** for the PPO products and **+13.3%** for the HMO products, which results in a suggested overall increase of **+8.5%** to current medical funding. Our suggested Dental funding rates is calling for a decrease of **-3.6%**.