



# Oak Park Elementary School District 97

260 Madison Oak Park Illinois 60302 ph: 708.524.3000 fax: 708.524.3019 www.op97.org

To: Members, Board of Education  
Dr. Carol Kelley, Superintendent

From: Laurie Campbell, Assistant Superintendent for Human Resources

Re: Final Medical Insurance Renewal Rates – Information Only

Date: April 9, 2019

Oak Park Elementary School District 97 joined the Educational Benefits Cooperative (EBC) effective July 1, 2017. The EBC is an entity created under Illinois state law, which allows school districts to join together for the purpose of purchasing insurance. The EBC, established in 1984, began with eight school districts and has grown to a current membership of over 110 school districts. Prior to joining EBC, the District had experienced more severe fluctuations to insurance premiums. Joining the Cooperative was intended to provide greater stability relative to increases that is the result of being a part of a larger pool.

Oak Park Elementary School District 97 currently offers Blue Cross/Blue Shield PPO, PPO High Deductible Health Plan with a Health Savings Account, and BlueAdvantage HMO health plan options to its employees and eligible dependents. These plans, along with life insurance through Reliance Standard, are managed through EBC. The District's plan year for insurance runs from July 1<sup>st</sup> through June 30<sup>th</sup>. In January, districts received pre-renewal rates from EBC to use in budget planning for the upcoming fiscal year. Final renewal rates are provided in March.

EBC renewal rates are based on PPO and HMO claims experience and fixed costs for the Cooperative as a whole and, to a lesser extent, individual district claim experience. Pre-renewal rates are based on the claims experience period from November 1, 2017 through October 31, 2018. Final renewal rates are based on activity within the last calendar year - January 1, 2018 – December 31, 2018.

Each type of plan (PPO and HMO) undergoes a separate analysis. As a result of this analysis, an average increase is developed for the PPO and HMO. This average increase becomes the center point for the banding of increases or decreases for each member district. The use of the banding formula allows districts with favorable claims data to receive lower renewal rates while those with unfavorable claims data receive higher renewal rates. Please see attachment #1 for details on the 2019-2020 banding formulas.

In addition to the banding formula, large claims over \$75,000 are removed from the individual loss ratio for the specific district and applied to Stop Loss that is distributed evenly among members of the Cooperative.

On March 21<sup>st</sup>, District 97 received the final renewal information from EBC. For the 2019-2020 final renewal period, the PPO loss ratio for the entire Cooperative was 96.2%. Based upon this loss ratio, districts in the average or middle band will see a 2.8% increase in premiums for the upcoming plan year. District 97's loss ratio for the PPO final renewal period was 99% and within the average band thereby resulting in application of the 2.8% increase in PPO rates for the 2019-2020 plan year. The 2019 trend for PPO plans is 5.5%.

For the 2019-2020 final renewal period, the HMO loss ratio for the entire Cooperative was 88.8%. Based upon this loss ratio, districts in the average or middle band will see a 3.3% increase in premiums for the upcoming plan year. District 97's HMO loss ratio for the final renewal period was 81.7%, and better than the Cooperative as a whole, resulting in a 2.3% increase for the 2019-2020 plan year. The 2019 trend for HMO plans is 5.5%.

The Cooperative has secured life insurance rates with Reliance Standard through July 1, 2020. Therefore, there will be no change in the rates the District is paying for the Board provided life insurance for employees.

This final renewal information was shared with the District's Benefits Committee at their April 4th meeting.



## EXHIBIT C

### JULY 1, 2019 – JUNE 30, 2020 RENEWAL SUMMARY

#### BANDING FORMULA

Exhibit C illustrates the Banding Formula which was described earlier in this material. Exhibits A and B showed how the Pool Average Paid Claim Loss Ratio and the Pool Average Rate Increase were developed.

Each EBC member's Loss Ratio is shown on Exhibits 16, 17 & 18 in the Appendix, along with the final rate increase for July 1, 2019 for the PPO, HMO, and Dental plans.

The loss ratio bands and corresponding rate increases are shown in the table below.

<b>PPO Average Loss Ratio = 96.2%</b>		
<b>Paid Claim Loss Ratio</b>	<b>Rate Adjustment</b>	<b># of Members in Band</b>
0.0% to 66.2%	-2.2%	0
66.3% to 72.7%	-1.2%	1
72.8% to 79.2%	-0.2%	6
79.3% to 85.7%	0.8%	11
85.8% to 92.2%	1.8%	18
92.3% to 100.2%	2.8%	31
100.3% to 106.7%	3.8%	14
106.8% to 113.2%	4.8%	6
113.3% to 119.7%	5.8%	6
119.8% to 126.2%	6.8%	3
126.3% +	7.8%	4
<b>HMO Average Loss Ratio = 88.8%</b>		
<b>Paid Claim Loss Ratio</b>	<b>Rate Adjustment</b>	<b># of Members in Band</b>
0.0% to 58.8 %	-1.7%	3
58.9% to 65.3%	-0.7%	6
65.4% to 71.8%	0.3%	5
71.9% to 78.3%	1.3%	14
78.4% to 84.8%	2.3%	18
84.9% to 92.8%	3.3%	16
92.9% to 99.3%	4.3%	13
99.4% to 105.8 %	5.3%	9
105.9% to 112.3%	6.3%	2
112.4% to 118.8%	7.3%	2
118.9% +	8.3%	3

