



PROSPECT HEIGHTS DISTRICT 23 FINANCE COMMITTEE INFORMATION ITEM

Date: April 5, 2021

Title: Discussion of Employee Benefits Renewal through Educational Benefits Cooperative (EBC)

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BACKGROUND INFORMATION AND PROGRAM OVERVIEW:

The Educational Benefit Cooperative (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 current membership of 120 school districts, 107 individual members and 3 sub pools. Prospect Heights School District 23 has participated in the EBC since 2003.

The purpose of the EBC is to provide economies of scale and risk pooling that allow members greater long-term financial stability than purchasing insurance products individually in the commercial insurance market. Each member district retains the ability to create and change their PPO, HMO, Dental and Life plan design and offerings, which is often required by the nature of bargained contracts. The PPO and Dental plans are self-funded. The HMO is funded on a Cost-Plus funding arrangement and the Life insurance is insured by a third party.

This renewal information will be presented at the upcoming joint insurance committee meeting as articulated in the PHEA negotiated agreement. The final recommendation for approval will be brought to the April Board meeting.

EBC RENEWAL SUMMARY 2021-22:

The full Board and all participating districts meet twice a year to discuss the annual audit and preliminary renewal figures and then again for the final renewal. District 23 participated in the final renewal meeting on March 18th. Following is a brief highlight of the EBC renewal proposal.

The EBC sponsored plans are PPO medical, HMO medical, dental, and life insurance.

- The PPO medical rating formula produces a rate adjustment of -1.1%
 - Typical market 2021 trend for PPO plans: 5.5%*
- The HMO projection indicates a rate adjustment of -4.9%
 - Typical market 2021 trend for HMO plans: 4.5%*
- The Dental rating formula produces a rate adjustment of -1.6%

- Typical market 2021 trend for dental plans: 3.0%*
- The Life/Accidental Death and Dismemberment (AD&D), Supplemental Life and Dependent Life insurance is underwritten by Reliance Standard Life Insurance Company.
 - Effective July 1, 2020, EBC was presented with a rate decrease for both Life and AD&D, and new rates guaranteed for three years through 6/30/2023.

* Typical market trend is a forecast of per capita claims cost that takes into account price inflation, utilization, government-mandated benefits, new treatments, therapies and technology. There is usually a high correlation between trend rate and actual cost increases assessed by insurance carriers.

As I had shared in February, EBC has approximately \$51M invested in long-term securities through PMA Investment Services. In addition to the long-term investments, EBC has approximately 19% fund balance reserved in its Working Cash fund. Admittedly, this is about 10% more than they like to hold on to.

For the 2021-22 renewal, the EBC Board has approved a one time transfer from Working Cash to the claims pool in order to subsidize the renewal costs and minimize the immediate Covid impact to districts. As a district, we are thrilled to reap the benefit of the Cooperative's adjustment to Working Cash and the net below-trend adjustments for the coming year. EBC is planning to retain the surplus funds in the pool and may look to supplement future premium increases to districts, as claims go back up.

The final recommendation for approval will be brought to the April Board meeting.