



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
Dr. Alicia Evans, Assistant Superintendent for Finance and Operations

Re: Preliminary Insurance Renewal Rates – Information Only

Date: February 13, 2018

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 1st through June 30th. In January, districts receive 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, 2016 through October 31, 2017. Final renewal rates are based on activity within the last calendar year - January 1, 2017 – December 31, 2017.

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 2018-2019 banding formulas.

For the 2018-2019 pre-renewal period, the PPO loss ratio for the entire Cooperative was 93%. Based upon this loss ratio, districts in the average or middle band will see a 1% decrease in premiums for the upcoming plan year. District 97's loss ratio for the PPO pre-renewal period of 98.9% was higher than the average band thereby resulting in application of a 0% change in PPO rates for the 2018-2019 plan year. The 2018 trend for PPO plans is 5%.

For the 2018-2019 pre-renewal period, the HMO loss ratio for the entire Cooperative was 85.5%. Based upon this loss ratio, districts in the average or middle band will see a 0.7% decrease in premiums for the upcoming plan year. District 97's HMO loss ratio for the pre-renewal period was 68.5%, and better than the Cooperative as a whole, resulting in a 3.7% decrease. The 2018 trend for HMO plans is 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.

Final renewal information will be presented to the Board of Education in early April. This pre-renewal information will be shared with the District's Benefits Committee at their February 13th Meeting.



Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

JULY 1, 2018 – JUNE 30, 2019 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 preliminary rate increase for July 1, 2018 for the PPO, HMO, and Dental plans.

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

PPO Average Loss Ratio = 93.0%		
Paid Claim Loss Ratio	Rate Adjustment	# of Members in Band
0.0% to 63.0%	-6.0%	2
63.1% to 69.5%	-5.0%	0
69.6% to 76.0%	-4.0%	6
76.1% to 82.5%	-3.0%	6
82.6% to 89.0%	-2.0%	16
89.1% to 97.0%	-1.0%	33
97.1% to 103.5%	0.0%	17
103.6% to 110.0%	1.0%	13
110.1% to 116.5%	2.0%	4
116.6% to 123.0%	3.0%	1
123.1% +	4.0%	1
HMO Average Loss Ratio = 85.5%		
Paid Claim Loss Ratio	Rate Adjustment	# of Members in Band
0.0% to 55.5%	-5.7%	1
55.6% to 62.0%	-4.7%	3
62.1% to 68.5%	-3.7%	7
68.6% to 75.0%	-2.7%	13
75.1% to 81.5%	-1.7%	16
81.6% to 89.5%	-0.7%	18
89.6% to 96.0%	0.3%	9
96.1% to 102.5%	1.3%	7
102.6% to 109.0%	2.3%	8
109.1% to 115.5%	3.3%	6
115.6% +	4.3%	1

