



# Oak Park Elementary School District 97

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TO: District 97 Board of Education  
Dr. Carol Kelley, Superintendent

FROM: Steve Cummins, Senior Director of Human Resources

CC: Therese O'Neill, Assistant Superintendent for Finance & Operations

DATE: April 8, 2016

RE: Insurance Rates and Benefits Plan Recommendations for the 2016-2017 School Year

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The Benefits Committee has been working with the District's insurance consultant, HUB International, and its representatives (John Herr, Brian Butler and Susanne Flowers) on the 2016-2017 renewal. The composition of the Benefits Committee includes representatives from all categories of staff (teachers, teacher aides, secretaries, custodians, administration and Board of Education).

The Benefits Committee has engaged in discussion and analysis of our health plan offerings identified the following goals as a basis for plan recommendations:

- Maintaining sustainability of the insurance plans.
- Continuing to address the health insurance terminal reserve fund.
- Addressing plan design modifications that can delay the impact of Federal "Cadillac tax" penalty payments.

The Benefits Committee was pleased to be informed by HUB International that for the FY 2017 budget Oak Park School District 97 is projected to have an **overall 5.6% increase to the Employer contribution costs for all insurance programs**. This figure is below the number used in the financial planning model, thus we are pleased that this will result in a savings to the district.

The following are highlights of the rate increases and plan design analysis from the final renewal presentation:

## **Medical Insurance**

Medical renewal projections were calculated using the most recent 24 months of experience ending January 31, 2016. Based upon the district experience levels, claims administration expenses, Federal PCORI fees, and other fixed costs the following modest increases to premiums are being recommended:

1. **4.0%** increase to the premium rates for the PPO/HSA annual medical rates for 2016-2017.
2. **3.6%** increase to the premium rates for the HMO medical premium rates for 2016-2017.

The medical insurance contract language for bargaining unit members states that the Board shall pay one hundred percent (100%) of the first seven percent (7%) of any annual premium increase in any Board-offered health insurance plan. Because the medical increases fall below 7%, employees will not have to share in the costs of the medical premium increases for the 2016-17 school year.

Additionally, the contract language for the medical insurance benefits states that there shall be no carryover in the event any annual premium increase is less than seven percent (7%). This good medical experience year will have a compounding effect for employer costs in future years.

The Board has an opportunity in this good experience year to consider an additional contribution to the insurance reserve fund. The impact of the employer contributing an additional 1% contribution towards medical insurance premiums would be approximately \$87,000 to the insurance reserve fund. Per the collective bargaining agreement language, if the Board's contribution would exceed the actual premium expense for a given plan, the Board will credit the excess to its insurance reserve.

### **Dental Insurance**

Based upon the district experience levels, claims administration expenses, and other fixed costs the following increases to dental premiums are being recommended:

1. **16.4%** increase to the Dental PPO premium rates for 2016-2017.
2. **4.0%** increase to the Dental HMO premium rates for 2016-2017.

The 16.4% increase to the dental PPO premium is a high figure compared to the other premium renewals. It should be noted however that in recent prior years there has also been a 12% decrease, no change, and a 1.9% decrease. The 2016-17 annual dental PPO premium cost of approximately \$418 annually is only \$14 greater than the cost for single dental insurance from five years ago. The 2016-17 annual dental HMO premium cost for single HMO coverage (which the employer expense figure is derived from) remains below the cost from five years ago.

### **Federal "Cadillac tax" and plan design changes**

HUB International presented the benefits committee with an analysis of when District 97 may be impacted by federal "Cadillac tax" penalty payments in future years. Based upon an 8% trend in insurance premium rates, the Oak Park PPO/HSA plans are estimated to exceed the Cadillac thresholds and 2020, and the HMO plan is expected to exceed the Cadillac tax thresholds in 2022, which would result in excise tax payments to the government. The committee was presented with medical plan change options that could be considered. These would minimally impact participants, and result in a reduction of premiums. Thus incremental changes like this made in advance over time to lower the premium rates will delay the Cadillac tax. Changes supported include:

- Increasing the cost of the Tier 2 and Tier 3 prescription co-pays by \$10 to all plans
  - This change was projected to have an estimated savings of \$71,000.
  - There would be no changes to the Tier 1 prescription co-pay, thus encouraging more individuals to move to the Tier 1 alternatives.
  - These increases would bring the district's co-pay figures closer to the marketplace in regards to other governmental entities in the Midwest.

- Adding step therapy and prior authorization for Tier 2 and Tier 3 prescriptions all insurance plans
  - This change was projected to have an estimated savings of \$71,000.
  - The impact to participants would be that authorization would be sought from physicians before Tier 2 and Tier 3 prescriptions would be issued. This would occur behind the scenes between the physician's office and the prescription carrier.
  - Prior authorization is already a component of the HMO insurance plan, and participants in this plan have not brought this forward as having any negative impact.
- Making the specialist office visit co-pay amount twice the general office co-pay
  - Current office co-pay amounts are \$20 for the PPO/HSA, and \$10 for the HMO
  - New specialist co-pays would be \$40 and \$20 respectively
  - This is estimated to save the plan approximately \$35,000-\$40,000.
- Having outpatient and surgical and diagnostic applied to deductible and coinsurance
  - This is for fairly standard amongst the marketplace in insurance plans.
  - There is minimal impact two individuals for if they are admitted to the hospital the amount is waived.
  - This is estimated to save the plan \$68,000.

The strategy discussed by the benefits committee was to consider incremental changes to plan designs over a three-year period in order to implement changes in a less impactful manner. These are the changes the committee supported in the initial year. An update with more the estimated savings for these plan change options will be presented to the board as an update to this memo at the next meeting.

### **Additional Insurance Benefit**

The benefits committee was presented an option for employees to purchase group supplemental life insurance through our current life insurance carrier (UMUM). This benefit would be at no cost to the employer, as it would be a voluntary employee deduction. This is a benefit program that would give bargaining unit employees the option to purchase at their own cost additional life insurance beyond the \$50,000 District benefit contribution for themselves, their spouses, and children. One significant benefit to the group offering would be that there would be guaranteed issue to all individuals in the initial offering regardless of health history. The committee felt that this would be a valuable additional benefit to offer employees, and that offering this mid-year as an initial offering in January (in conjunction with the FSA enrollment) would afford time to educate employees regarding the value of the initial guarantee issue.

Therefore, the Assistant Superintendent for Finance & Operations, the Senior Director of Human Resources, and the District's Insurance Committee, in concert with the District's insurance consultant, HUB International, are recommending the premium increases and changes as outlined above for the 2016-2017 school year. The renewal recommendations brought to you in this memo are being presented to you at the April 22, 2016 meeting for approval. Please let me know if you have any questions or comments.