



BOARD OF SCHOOL TRUSTEES

## KELLER INDEPENDENT SCHOOL DISTRICT

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**4B. Preview**

**Date: October 10, 2005**

**SUBJECT: HEALTHCARE INSURANCE RATES FOR 2006**

**BOARD GOAL: All systems in the Keller Independent School District will be effective, efficient, and accountable in support of the district's mission.**

**FISCAL NOTE: HealthCare Insurance Rates**

**ANTICIPATED  
DATE FOR ACTION: October 24, 2005**

### **Background Information:**

- Keller ISD provides employee health insurance benefits through a self-funded health plan in which contributions from the district and premiums paid by the employees are used to pay for medical claims and the costs associated with administering the district's plan.
- The board recently approved the district's third-party administrator, which is the Texas Municipal League Intergovernmental Employee Benefits Pool.
- Because the district is self-funded, it is able to determine the level of funding necessary and then establish the premiums needed to generate the level of funding determined to be necessary.
  - The amount of funding required is based on projections for medical claims and prescription drug costs, administrative expenses to manage and administer the district's program, and the amount paid for re-insurance coverage, which protects the district and the plan from catastrophic claims costs.
  - Projections for medical claims and prescription drug costs are developed based on current or proposed benefit schedules, current enrollment levels for the various coverages provided (i.e., employee only, employee+spouse, employee+children, employee+family), and estimated trends in costs of medical services and prescription drugs.
- The district's health plan is comprised of three distinct options, a Basic Plan, a Core Plan, and a HMP (co-pay only) Plan.

**Administrative Considerations:**

- The district's employee benefits consultant, Smith and Associates, has developed a funding estimate based on the factors outlined above.
- Based on the projected costs for each of the three options as well as current enrollment levels in each option, the district will need to increase premiums in each option by the following percentages:
  - Basic Plan                    4%
  - Core Plan                     7%
  - HMP Plan                     54%
- The majority of KISD employees that participate in the health insurance program provided by the district are enrolled in the Core Plan, which accounts for 1,120 or 80% of the total district plan membership.
  - Of the 1,120 employees in the Core Plan, 772 are enrolled in employee-only coverage, accounting for 69% of total enrollment in the Core Plan and 55% of total enrollment in all plans.
  - The district increased its contribution to \$235.00 per employee per month to help offset a portion of the premium increase.
  - Thus for the majority of employees in the district, the proposed rate increases will represent a \$10 per month increase in out-of-pocket premium expense.
- A combined total of 279 employees are enrolled in the Basic and HMP Plans
  - The HMP Plan is highly benefit-rich, with the employee's out-of-pocket expenses limited to co-payments only for services.
  - The required amount of funding to sustain current benefit levels is significant when measured against the number of employees participating in the HMP plan, thus necessitating a very large overall increase in premium levels for that particular plan.
- A summary of rates proposed for 2006 is attached; the effective date of the new rates will be January 1, 2006.
- Healthcare rates are expected to be presented for the Board of Trustees approval as an Action Item on October 24, 2005.

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Respectively submitted,

Bill Stone  
Steve Levering