



## PROSPECT HEIGHTS DISTRICT 23 FINANCE COMMITTEE INFORMATION ITEM

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**Date:** February 1, 2021

**Title:** Discussion of Preliminary 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.

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. While I typically would not provide an update on the preliminary figures, the news was certainly positive enough to share with the Committee.

### **PRELIMINARY EBC RENEWAL SUMMARY:**

District 23 participated in the Pre-Renewal Meeting on Thursday, January 28th. Following is a brief highlight of the EBC renewal projection.

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

- The PPO medical rating formula produces a rate adjustment of **3.2%**
  - Typical market 2021 trend for PPO plans: 5.5%\*
- The HMO projection indicates a rate adjustment of **2.1%**
  - Typical market 2021 trend for HMO plans: 4.5%\*
- The Dental rating formula produces a rate adjustment of **0.8%**
  - 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.

The onset of the COVID-19 pandemic brought a rapid halt to elective medical procedures and most office visits. Subsequently, we saw an increase in lower cost “tele-health” screenings. While there was a substantial reduction in claims, premiums continued to be collected from employees, resulting in a current fund surplus.

As a district, we certainly reap the benefit through these below-trend increases. At this point, 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 that they like to hold on to. While the discussion was held about a potential rate reduction for districts, EBC is planning to retain the surplus funds in the pool and supplement the premium increases to districts, as claims inevitably will go back up in the near future.

#### **NEXT STEPS:**

District 23 will attend the EBC Board Renewal Meeting in March and I will prepare a recommendation for the Board’s action at the April meeting.