

Memo

To: Dr. Michael Robey, Superintendent

From: Jacqui Parisi, Assistant Superintendent of Business Services

Date: February 8, 2013

Re: Medical/RX, Dental, Basic Life/Accidental Death & Dismemberment,
Voluntary Long-Term Disability and Vision Insurance Renewal &
Recommended Changes effective April 1, 2013

We have been working with our medical and dental broker Corporate Benefit Consultants (CBC), on the District's April 1, 2013 insurance renewal. According to CBC, the District renewal from BlueCross BlueShield of Illinois reflects the average increase seen in the Self-Funded market. Most Public Entities are managing costs by passing along increased employee contributions along with plan adjustments to create sustainable Medical/Rx programs.

The following is a breakdown of the renewal along with recommended plan change scenarios and employee contribution changes to manage rising costs.

Medical/Rx Coverage offered by BlueCross BlueShield of Illinois:

Original renewal presented an 11.5% overall increase. Negotiated reduction of fixed costs represented an overall 11.1% increase, a savings of \$21,257. An 11.1% increase represents an additional \$659,887 required in premiums over prior year. To further decrease the renewal rate, recommended plan change scenarios are summarized below:

Scenario #1 Recommended Medical/Rx Plan Changes:

Will reduce the District expected cost by 2% or approximately \$120,335 resulting in a 9.1% renewal rate increase.

- Increase Single Deductible from \$300 to \$400
- Increase Family Deductible from \$600 to \$800
- Increase In-Network Out of Pocket Maximum from \$600/\$1200 {Single/Family} to \$800/\$1600 {Single/Family}
- Increase Out of Network Out of Pocket Maximum from \$1000/\$2000 {Single/Family} to \$1600/\$3200 {Single/Family}
- In-Network Physician Office Visits: Currently employees are responsible for their Deductible and/or Coinsurance for any Physician visit. By changing this benefit to a copay structure:

- **\$20 Primary Care Physician Copay & a \$40 Specialist Copay**, both the District and employee will realize a savings.
- NOTE: Surgeries, Therapies and certain diagnostics performed in a Physician's office may be subject to the deductible and/or coinsurance.
- Adding an Emergency Room copay of \$100. Currently the District pays 100% for the cost of each Emergency Room visit.
- Increasing the Prescription Mail Order program to 2x the Retail cost to a 90 day prescription will cost the employee \$20 for generics / \$40 for Formulary Brand and \$100 for Non-Formulary Medications

Scenario #2 Recommended Medical/Rx Plan Changes:

Will reduce the District expected cost by 3.5% or approximately \$208,385 resulting in a 7.6% renewal rate increase -- aligns with Industry Standard.

- Increase Single Deductible from \$300 to \$500 / Increase Family Deductible from \$600 to \$1000
- Increase In-Network Out of Pocket Maximum from \$600/\$1200 {Single/Family} to \$1000/\$2000 {Single/Family}
- Increase Out of Network Out of Pocket Maximum from \$1000/\$2000 {Single/Family} to \$3000/\$7000 {Single/Family}
- In-Network Physician Office Visits: Currently employees are responsible for their Deductible and/or Coinsurance for any Physician visit. By changing this benefit to a copay structure:
 - **\$20 Primary Care Physician Copay & a \$40 Specialist Copay**, both the District and employee will realize a savings.
 - NOTE: Surgeries, Therapies and certain diagnostics performed in a Physician's office may be subject to the deductible and/or coinsurance.
- Adding an Emergency Room copay of \$150. Currently the District pays 100% for the cost of each Emergency Room visit.
- Increasing the Prescription Mail Order program to 2x the Retail cost to a 90 day prescription will cost the employee \$20 for generics / \$40 for Formulary Brand and \$100 for Non-Formulary Medications

Recommended Employee Contributions:

- Increase Active Full-Time Employee contributions by 11.1% for **Scenario 1** or 9.6% for **Scenario 2** -- the additional 2% would cover the impending health care reform PCORI and Transitional Reinsurance fees and the 2013 \$58K CBC consulting fee which up to this point was 100% subsidized by the District.
- Increase contributions for the 65+ Retiree class over the next few years to normative levels; BlueCross BlueShield of Illinois typically recommends Retiree contributions up to 75% of Active Full-Time rates.
 - Though there exists no contractual obligation, staff retiring at 65+ years of age can opt to remain on the District's medical plan at a very low monthly rate; single coverage of \$100.98 per month and \$177.28 for family. Because we are self-insured, the District pays the actual claims which have run \$79K to \$239K in the past three years.

- The recommendation is to phase-in an increase in the monthly premium until we achieve the 75% of Active Full-Time rates. Effective 4/1/2013, we would increase single coverage from \$100.98 to \$201.96 and family from \$177.28 to \$354.56 per. With no existing contractual obligation, the District would cease offering the Retiree class 65+ to new retirees effective July 1, 2013.

Dental Coverage offered by BlueCross BlueShield of Illinois:

Original Dental Renewal presented a 3% decrease for 4/1/2013. It is recommended we maintain our current Dental program with no plan changes and also maintain current employee contributions for another year.

Basic Life/Accidental Death & Dismemberment offered by MetLife:

The District is coming off a 3-year rate guarantee with MetLife. During the past (3) years, the District experienced an average Loss Ratio (insurance premium versus death claims) of 340.5%. Having surveyed the market, MetLife maintained competitive with an increased annual premium of \$3,023 or a rate increase of \$0.04 per \$1,000 of coverage. MetLife has agreed to another 3-year rate guarantee with the next renewal being 4/1/2016.

Voluntary Long-Term Disability offered by MetLife:

The District is coming off a 3-year rate guarantee with MetLife. MetLife is offering a rate pass on this line of coverage for another (3) years.

Vision offered by VSP:

The District has been a VSP client since 1983 and has had minimum increases for this line of coverage. For the 4/1/2013 renewal, VSP presented a 9.3% increase, or \$4,303.80 annually, with no plan changes. We are recommending a minimum plan change in Office Visit from \$10 copay to \$20 copay. This change results in an overall increase of 2.1%, or \$986.76 annually, with a 2-year rate guarantee.

There are additional costs District 89 will incur over the next 5 years due to the implementation of the Affordable Care Act (ACA):

Healthcare Reform / Affordable Care Act Timeline for the District (dates reflect effective date for D89):

- **April 2013:** Distribution of Summary of Benefits Coverage (SBC)
- **April 2014:** Transitional Reinsurance Fee. Based on 995 District members, this will pose a potential increase District liability of \$62,685.
- **April 2014:** Employer-Shared Responsibility "Play or Pay": The District must provide minimum essential coverage and affordable coverage to all Full-Time employees averaging 30 hours per week including those that work less than 30 hours per week
- **July 2014:** Patient Centered Outcomes Research Institute (PCORI) fee: The District is responsible for \$1 per coverage life = \$995 in year (1) and \$2 per covered life = \$1,990 in year (2)
- **January 2018:** Cadillac Tax which is To Be Determined