ATTACHMENT IX-C:	Insurance Purchasing Pool Study
Suggested Motion:	Move to recommend participating in the School Health Care Purchasing Pool
Recommended Action:	Approve as presented.

It is recommended the board approve participation in the new School Health Care Purchasing Pool with a September 1, 2016 effective date. Entering into this pool agreement is at least a 3-year commitment and we are estimating at least a 5% savings in the first year.

Attached you will find FAQ's regarding this new health care pool. Mike Parrott from Arthur J. Gallagher & Company will be in attendance to address any questions or concerns.

New School Health Care Purchasing Pool – FAQ's

March 16, 2016

1. Why participate in a Health Care Purchasing Pool now?
    a. State funding issues have put additional budget and financial pressure on Illinois school districts. Many districts are looking at shared services models to drive cost savings.
    b. Blue Cross/Blue Shield of Illinois has changed its underwriting guidelines for partially self-funded groups from 150 enrollees to 100. This opens up participation to more school groups.

2. What are the advantages of a shared services model for a purchasing co-op?
    a. Group purchasing leverage in the marketplace
    b. Sharing of "Best Practices"
    c. Budget Friendly – Renewals are available much earlier and AJG's underwriting team can forecast the renewal up to six months in advance.
    d. Historically, AJG's co-ops have mitigated the volatile increases experienced by stand-alone medical plan programs and have performed better than medical trend.
    e. Fully insured groups who did not have access to detailed claims information will now have complete information to use data to make better informed health care decisions.
    f. Risk sharing – The co-op will receive a composite renewal annually. Individual member district renewals will be banded. For example if the co-op receives a 4% renewal increase, a member district that experienced very high claims during the year could be rated up above the co-op renewal by up to 5%. The opposite is also true. If a member district experiences low claims during the year, they could receive a reduction from the co-op renewal of up to 5%. This "rate banding" formula protects the member district in poor claim years and rewards them in good claim years.
    g. Greater predictability with a larger population means more consistent renewals.

3. Which Schools Participated in the Feasibility Study? These schools were invited to participate in the study by Arthur J. Gallagher's underwriting and actuarial team because they are all current, long-term clients of Gallagher Rockford. This means we have all of the underwriting information such as census, plan design, claims history, etc. easily available.

School	**# of Enrollees**	**Carrier**
Hononegah	198	The Alliance
Kinnikinnick	141	BC/BS
Meridian	152	BC/BS
North Boone	142	BC/BS
Oregon	145	BC/BS
Rochelle Elementary	150	BC/BS
Rockton	133	BC/BS
West Carroll	142	BC/BS
Winnebago	150	BC/BS
Total Enrollees	1,353	
Total Members	3,358 (estimated)	

4. What were the results of the study?
    a. The Gallagher underwriting and actuarial team utilized multiple years of each individual district's data including claims information, large claims information, plan designs, medical and Rx trend, etc. to model and forecast the impact of forming a co-op to purchase health and RX coverage. The results forecasted a 5.2% overall decrease (from the projected renewal) for co-op members.
    b. As a partially self-funded pool, the groups will not have to pay fully-insured premium taxes and will avoid some of the Affordable Care Act taxes.

5. What are the disadvantages?
    a. Challenge to work with multiple stakeholders at multiple employers
    b. While little impact to the employee – any change can be intimidating
    c. Loss of some control and autonomy – Decisions made by governing board.

6. Can Each School keep its own benefit plan design? – Yes

7. Who is the network carrier? – Blue Cross/Blue Shield of Illinois

8. Can we change carriers at renewal? – Blue Cross/Blue Shield is currently the carrier for 8 out of the 9 school districts. In order to change this vendor, the entire co-op would have to decide to make a change of carrier.

9. How employee contributions be impacted?
    a. This will depend on your specific bargaining contract language but lower premiums should result in lower employee contributions.
    b. For example – a family paying $1,000 per month – if this is decreased by 5.2% this saves $52 per month or approximately $624 per year.

10. What are the exit and entry criteria for members?
    a. This will be determined by the Governing Board but typical entry criteria is an initial 3-year period with one-year renewals thereafter.
    b. Exit criteria is also determined by the Governing Board but typically a 60-90 day notice.

11. Is there additional risk to the member districts? How are reserves handled?
    a. The greatest risk in being in forming a pool is building enough reserves to have a healthy co-op. With over 18 successful co-ops, AJG's underwriting and actuarial teams have a long –history of success in managing and appropriately pricing co-ops.
    b. AJG's projected rates include appropriate amounts for reserves.

12. If we are self-funded – what is the process for running-out our old plan?
    a. Current self-funded employers will utilize current health plan reserves to pay out old claims incurred on the self-funded plan.
    b. When the new co-op launches, each school will pay a monthly fixed premium. At renewal, each district will receive notice of premium increases or decreases.

13. If we are self-funded –what is the process for handling lasers?
    a. Districts that are self-funded that have lasers entering the co-op will utilize their current laser reserves to fund these potential costs.
    b. Any new lasers at renewal will be shared amongst the member districts.

14. What changes will employees experience?
    a. Employees will receive new ID cards and new group numbers.
    b. Employees at districts that <u>do not</u> have BC/BS will have some network impact both positively and negatively. AJG can do a network comparison to identify these potential changes.
    c. Employees at districts that <u>do not</u> have BC/BS / Prime Therapeutics for RX coverage will need to obtain new mail order prescriptions if they wish to continue to utilize mail order.

15. What changes will district administrative staff experience?
    a. Fully-insured districts – very little change
    b. Self-funded - Administration is easier with only a monthly premium bill to pay rather than weekly invoices.
    c. Districts without BC/BS will need to train on the BC/BS administration system.

16. Can I keep my doctor? – If your doctor is in the BC/BS network – yes.

17. What will happen with my prescription coverage? – Benefits will remain the same. – If the district is not currently with BC/BS then formulary drugs may change. This happens anytime you change a prescription drug vendor.

18. How will this impact my deductible or my deductible reimbursement? – Benefits will remain the same. If your district utilizes a deductible reimbursement cost savings mechanism this remains the same as well

19. What is the timeline for launch?

Date	Activity	Comments
February/March 2016	Meet with District Stakeholders, BOE, Bargaining Units, Insurance Committees	All Scheduled except getting date with North Boone.
April/May 2016	BOE Approval	Final Stoploss Lock Employee Communications Prior to End of School Year
Summer 2016	Employee Communications Transition any Non- BC/BS Clients	Launch Open Enrollment
September 1, 2016	Effective Date of Coverage	

20. What is the likelihood that the School Pool will launch?

Initial indications are that with a projected 5.2% reduction from renewal that the savings are attractive. Combined with maintaining benefit plans and BC/BS network, we are feeling confident that the new pool will be a viable offering for September 1, 2016.