

ATTACHMENT X-D

ATTACHMENT X-D:	Approval of Rural School Insurance Pool Cooperative
Suggested Motion:	Move to approve participating in the Rural School Insurance Pool Cooperative
Recommended Action:	Approve as presented

Attached is a brief overview of the Rural School Insurance Pool Cooperative from Mike Parrott, Area Vice President of Arthur J. Gallagher & Co. They currently have commitments for the initial study from the following districts: Kinnikinnick, Hononegah, Winnebago, Meridian, Oregon, Rochelle Elementary, and West Carroll. Rockton and Riverdale are other districts also considering participation.

If North Boone is interested in participating, there is a one-time \$1800 study fee which will be billed in early November.

Gallagher & Co. will need our response no later than Friday, October 30th, as to our participation status.



Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

Rural School Pool Cooperative Purchasing Discussion

LAURIE MILLER, MIKE PARROTT, AND DENNIS DONAHUE | AUGUST 4, 2015

Invited Members

School	# Of Enrollees	Carrier
Calumet City	135	BC/BS
El Paso	145	BC/BS
Hononegah	198	Alliance S.F.
Kinnikinnick*	141	BC/BS
LaSalle	108	BC/BS
Meridian	152	BC/BS
North Boone	142	BC/BS
Oregon	145	BC/BS
Riverdale	108	BC/BS
Rochelle Elementary	150	BC/BS
Rockton*	133	BC/BS S.F.
West Carroll	142	BC/BS
Winnebago	150	BC/BS S.F.
	1,849 / 4,500	

Forming a Cooperative

- Enabling legal environment for public entities
- Four or more committed organizations / 2,000+ full-time employee lives
- Tolerance for risk assumption
- Consultant experienced in cooperative formation and management

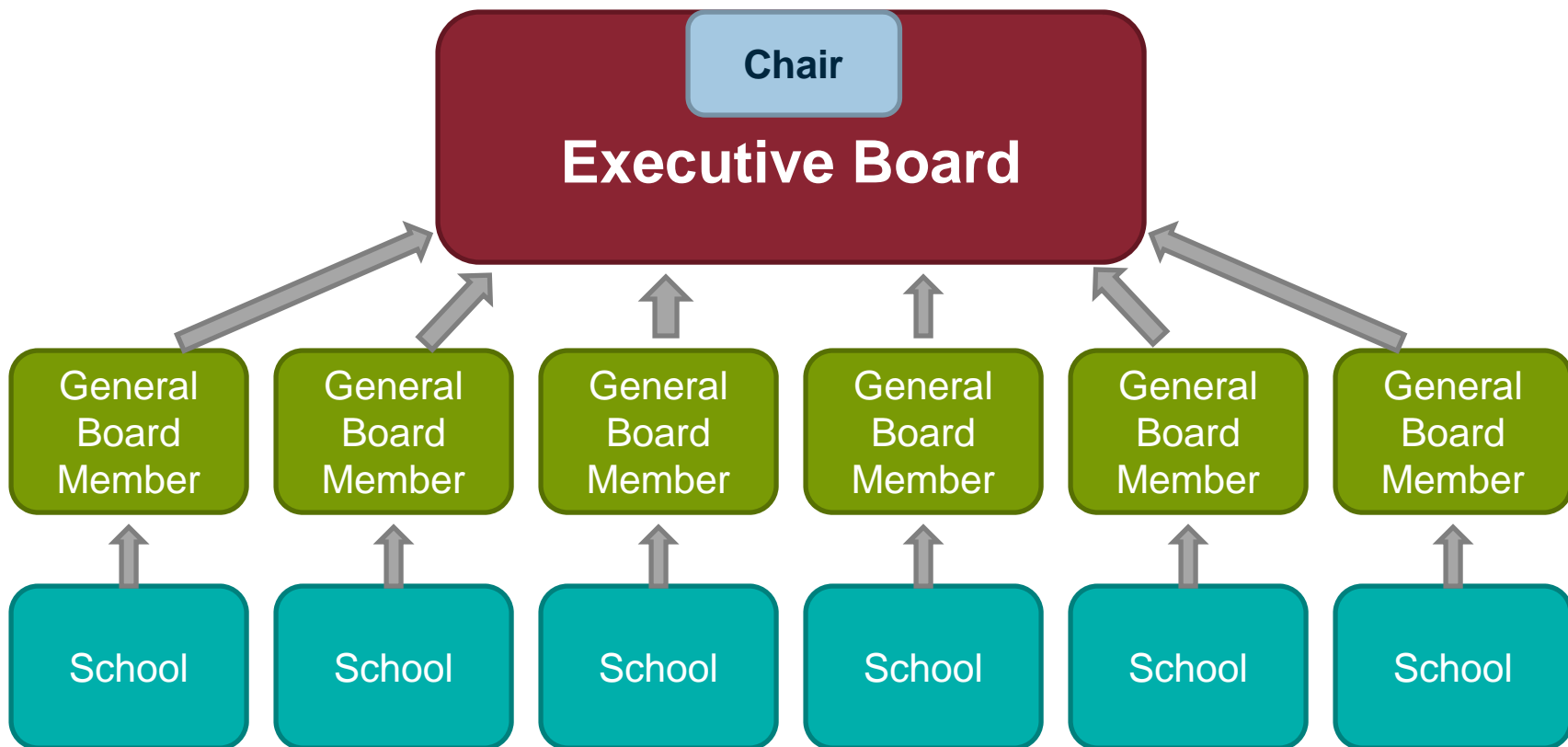
Elements of Success

- Members with a generally similar profile
 - Types of employees
 - Management structure
 - Number of employees
- Tied together for reasons other than purchasing healthcare
- Common compensation and benefit philosophy
- Collaborative working environment
 - Willingness to challenge one another to improve as a group
- Desire to grow and evolve over time

Elements of Success

- Establish guiding philosophy or homogenous approach that everyone buys into before joining
- Rules need to be established in order to prevent anti-selection or minimize the risk of participants using the plan and then leaving
- Cooperatives need to be established for a longer time frame, not just annual participation - generally a three-year commitment

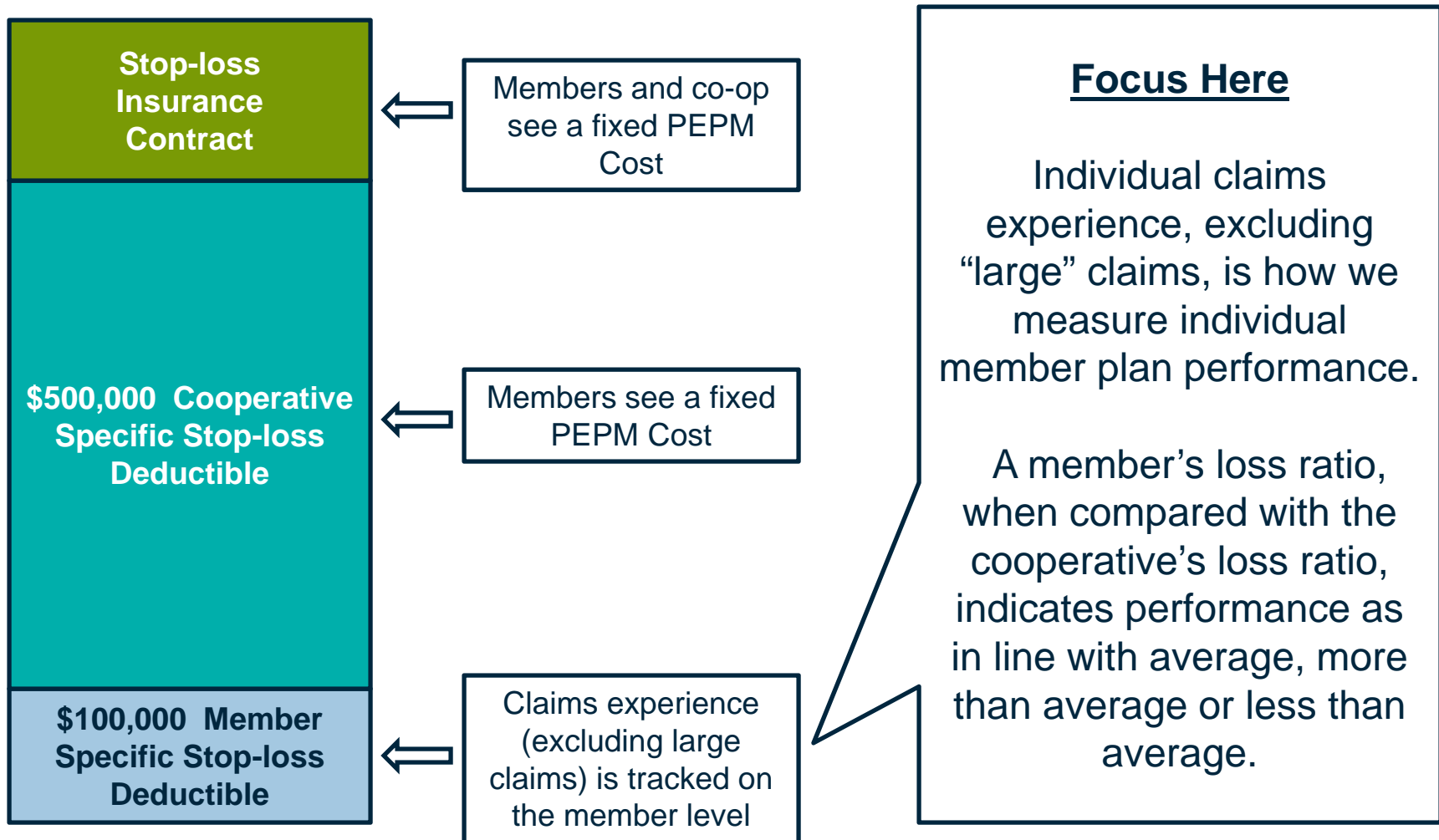
Typical governance structure



Cooperative Governance

- Intergovernmental agreement
- Allowed by the State, Regulated by the DOI and DOL
- Financial vehicle
- Conservatively funded and reserved
- Preserve plan design and vendor selection freedom
- Managed by preeminent public sector vendors
- Fully transparent

Banding formula



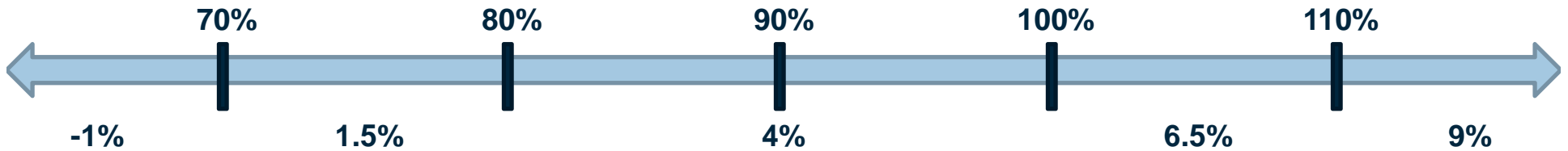
Renewal methodologies

Cooperative Loss Ratio
90%

Cooperative Renewal
+4%

“Band” Width
+/- 5%

Member Loss Ratio



Member Renewal

	Member 1	Member 2	Member 3	Member 4
Member Loss Ratio	92%	79%	88%	102%
Member Renewal	4%	1.5%	4%	6.5%

Hurdles and drawbacks

- Change can be intimidating
 - Unfamiliar territory and process
- Bargaining Unit Considerations
- Loss of some control and autonomy
 - You may not like the decisions made by the “majority”

Can we save money?

Short-term advantages

- Most members do keep current program
 - Network and Plan Design
 - Tier structure (single, family, etc.)
 - Retiree/Population consistency

Long-term advantages

- Decision Making Support
 - Sharing of “best practices”
- Budget friendly
- Trend reduction
- Market clout



Generating Cost Savings

Self-insured groups

- Stop loss
- Plan administration
- Professional services
- Rx Prescription purchasing
- Reserve opportunities
- Expanded marketplace and flexibility

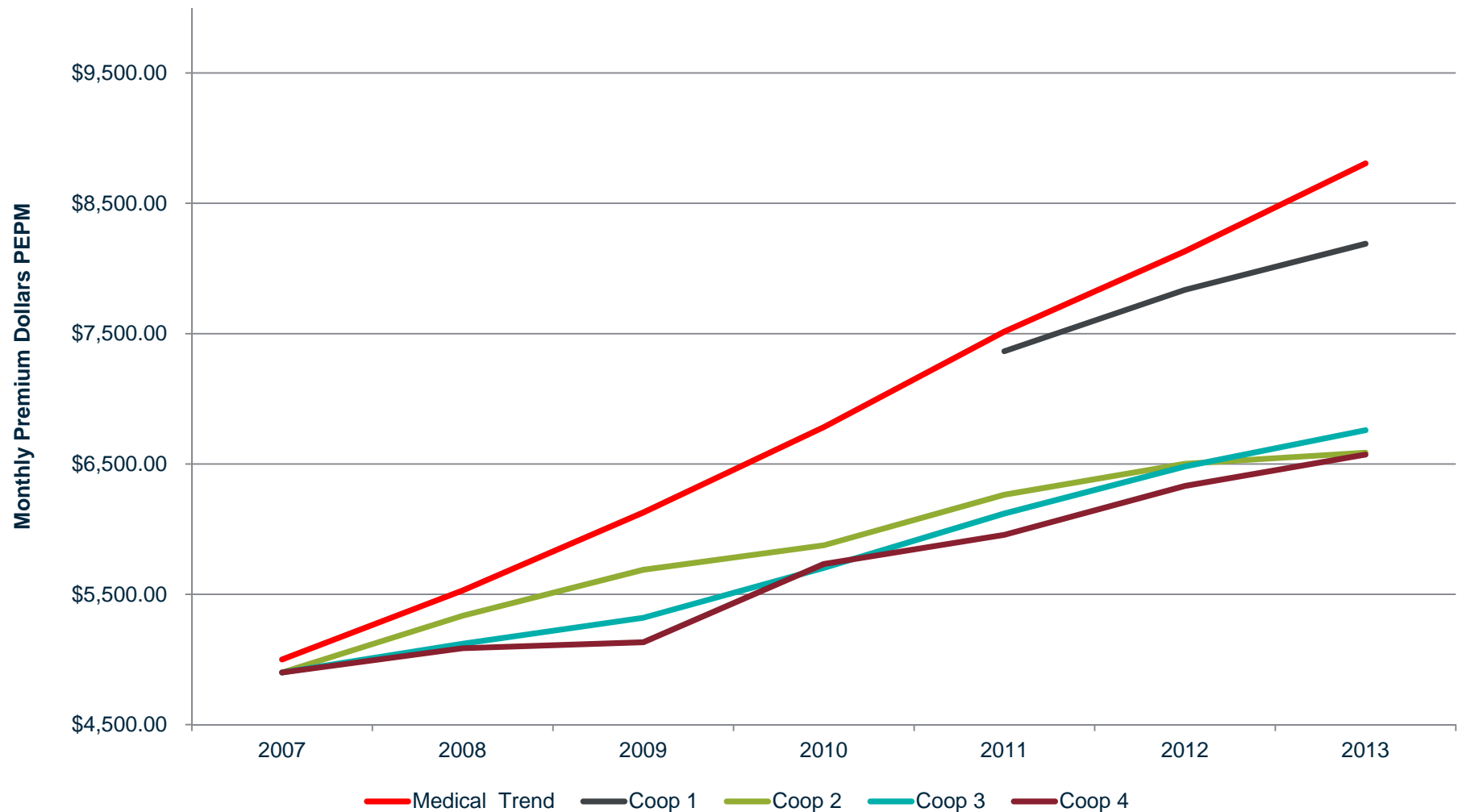
Fully-insured groups

- PPACA fees
- Carrier profit margins



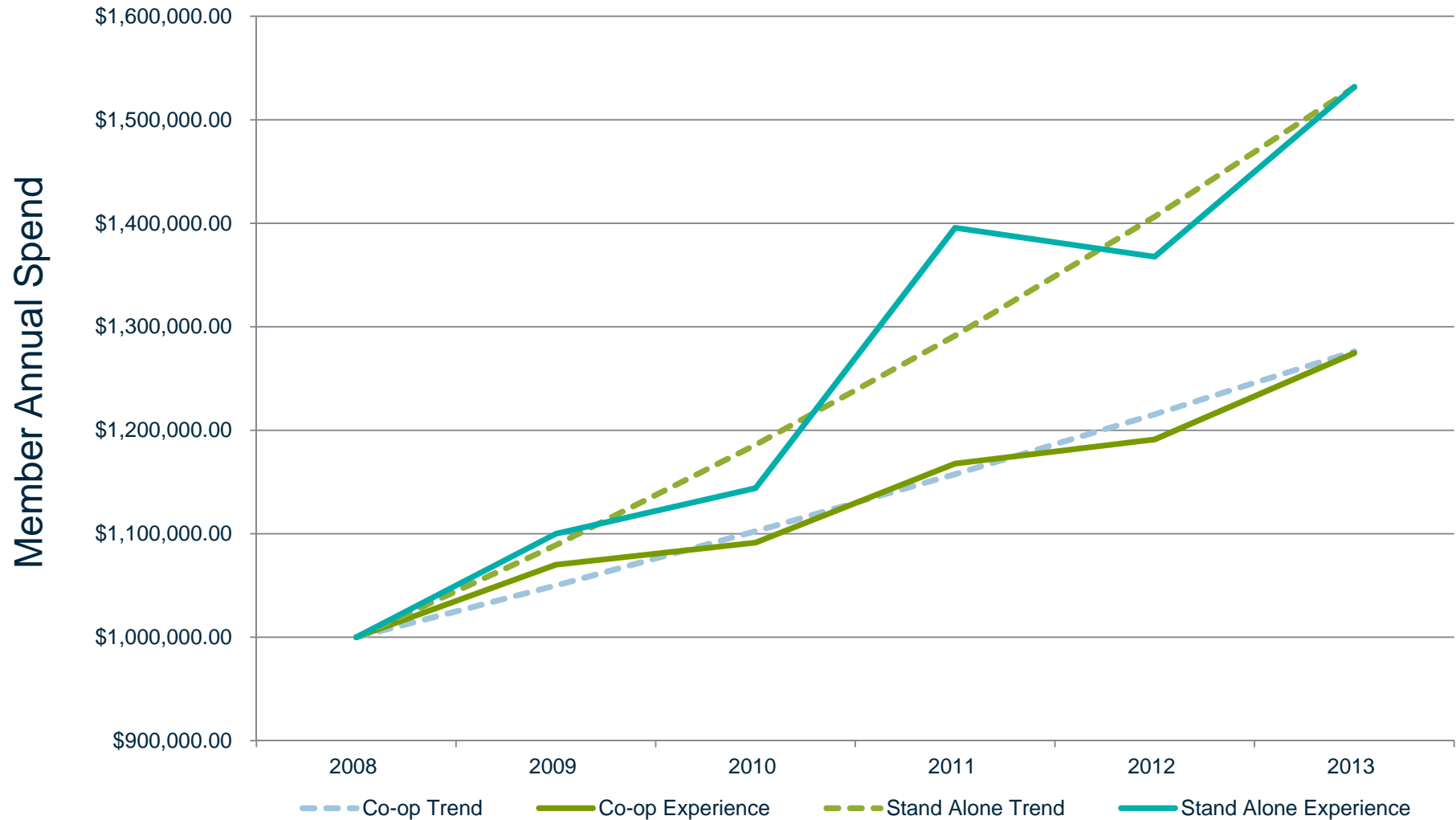
Stabilizing Experience Over Time

Market Trend vs. Cooperative Trend



Individual experience

Volatility vs. Stability



Stabilizing Experience Over Time

- More consistent stop loss renewals
- Risk sharing at renewal
- Improved predictability with larger population
- Greater effectiveness with cost savings initiatives
 - Wellness
 - Disease management
 - Claims management
 - Program audits

Cooperative Deliverables

- Proactive approach to managing Benefits
- Retaining plan design
- Access to information/data
- Increased purchasing power
- Dedicated Municipal service team
- Budgetable, Predictable, Stable, and Flexible
- Full disclosure and transparency
- Intangibles
- Benchmarking

Why Now?

The Marketplace

- January 1, 2016 – BC/BS minimum lowered to 100 vs. 150.
- Healthcare Reform – 50-99 Individual Rating Impact
- Budget and pension restraints
- Board pressures
- Competition and choice

Gallagher Pooling Success

Pooling Success

- 18+ benefits cooperatives
 - 1,700+ benefits clients
- 150+ liability cooperatives
 - 3,400+ P&C clients
- Dedicated focus to serving Public Entities
- Resources

Building a Partnership

Feasibility Study

- Current Gallagher Rockford Clients – Initial Group
- Gallagher underwriting/market assessment
- Anticipate 100+ AJG Hours to Coordinate
- Commitment of \$1,800 Per School for study

Proposed Implementation Timeline

July 1, 2016 Effective Date

- August 2015 – Initial Meeting
- September 2015 – School Study Sign-up
 - Begin BOE & Insurance Committee Education
- October/Nov 2015 – Gather Information for UW
- Dec/Jan 2016 – Underwriting
- Feb 2016 – Initial Rates
- March 2016 – BOE/Insurance Committee Meetings
- April/May 2016 – Open Enrollments