



September 20, 2012

To: Superintendent and School Board Members

RE: Renewal of Group Health Insurance

This has been an extremely difficult year for renewal of our group health insurance. We were given a 19% renewal for the health plans we currently offer employees and retirees. This renewal was based on our medical claims loss ratio experience of 86.63% for the prior twelve month period, claims projections for the remainder of 2012, incurred claims that have not yet reported/paid, and medical trend/inflation. Our claims experience was consistent with our claims experience at this same point in time last year so we anticipated an increase at renewal that was very similar to last year's increase of 10.6% when we went out to bid. Needless to say, we were astounded when we were told our renewal was 19%. BCBS advised that last year they made a "*business decision*" to offer a lower renewal because they did not want to lose our business. I have made it very clear that we will plan to bid our medical insurance every year to ensure that BCBS and all other carriers put their best number on the table at renewal.

The challenge to the District Insurance Committee was to put together a health insurance package for 2013 that was cost neutral to the School Board and Employees. The committee is aware of the budget constraints facing the Board and they also understand that finances are tough for many of our employees. Our goal was to find the best plans at the most affordable costs based on the parameters we were working within. We evaluated 13 different plan options and evaluated costs for 24 different scenarios of the high option and low option plans.

The following summarizes recommendations from the District Insurance Committee for renewal of group health insurance for 2013. To achieve the goal of a cost neutral package the calendar year deductibles (CYD) increased, the out of pocket maximums increased and changes were made to the pharmacy plans. This was our only recourse to remove 19 points (our 19% renewal) and get back to a cost neutral number. Detailed plan information and costs are provided as attachments:

Group Health Insurance Recommendations:

- Replace the current BCBS PPO #05360 high option plan with the PPO #5773 plan as our high option. The PPO #5773 is our current low option PPO plan. We did lower the PPO #5773 CYD for 2013.
- Replace the current BCBS PPO #05773 low option plan with PPO #5301 as the low option plan. The CYD increased and there are maximum limitations on office visits and emergency room/urgent care visits. This plan will also have a generic only drug card.
- Replace the current BCBS HDHP/HSA #05180/81 high option plan with the HDHP/HSA #5192/93 as our high option. The HDHP/HSA is our current our low option HDHP/HSA plan. The CYD increased but there are no other plan changes.
- Modify the current BCBS HDHP/HSA #05192/93 low option plan by changing the pharmacy coverage. In 2013, this low option plan will not have a pharmacy co-payment once the CYD has been met. Instead, pharmacy will fall under the CYD and coinsurance scenario (80%/20% after CYD has been met) like all other services are covered.
- Renew the current BCBS Blue Medicare plan. The Centers for Medicare Services (CMS) did make a modification to this plan that no longer permits a 50% discount on pharmacy during the Gap period. The full co-pay amount will continue during the Gap period.
- Continue the current annual School Board HSA contributions of \$750 for single coverage and \$1500 for family coverage tiers

By making these plan changes the end result is a lower level of benefits and a savings to employees and the School Board. The projected annual savings to employees is \$156,781.08 and the savings to the School Board is \$329,291.16. Based on the savings to the School Board, the \$100,000 wellness incentive fund provided by BCBS for 2013 and unused 2012 wellness funds provided by BCBS (approximately \$90,000) the committee would also like to recommend that we continue to offer a \$20.00 per month wellness medical insurance premium credit in 2013 for those employees who participate in the BCBS site bio-metric screenings and complete the BCBS on-line Personal Health Assessment. The projected cost to the Board is \$140,000.

The District Insurance Committee has worked extremely hard over the past several weeks reviewing various plan options and premiums to come up with the above recommendations. I would like to publicly thank them for their diligence and collaborative spirit as we worked tirelessly through this process. Please contact me if you have any questions or would like to further discuss.

Sincerely,

Karen L. Retherford

