


CITY OF WASHINGTON
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MEMORANDUM

TO: Mayor Manier and City Council
FROM: Joanie Baxter, Controller 
DATE: May 31, 2018
SUBJECT: Health Insurance Renewal

As you may recall, the City opted last year to join the Intergovernmental Personnel Benefit Cooperative (IPBC) for both health and life insurance for plan year July 1, 2017 through June 30, 2018. This was done in an attempt to contain costs and have access to more resources for health and wellness related initiatives. An overall cost reduction of 2.4% was realized by this change of insurance programs.

Renewal premium increases or decreases are determined by sub-pool of which individual municipalities are a part of if they are not big enough to be determined on their own. Washington is a part of the Quad City sub-pool (QCHIP). Staff was recently informed that based on a 50%/50% split of case and market trend, the QCHIP sub-pool will realize a 2.7% decrease in the premium for the plan year beginning July 1, 2018. The average for all members representing 10,497 lives was a 3.6% increase.

Due to this decrease, coupled with a 2.9% increase in dental premiums, contributions for employees are recommended to remain unchanged.

Staff recommends approval of the renewal of the health and life insurance policies with IPBC for July 1, 2018 through June 30, 2019 plan year.

C: Jim Culotta, City Administrator

IPBC - QCHIP

Individual Member PPO Renewal with no margin

50% Market Trend/50% Case Trend

PROJECTION PERIOD: 7/1/2018 TO 6/30/2019
EXPERIENCE PERIOD: 1/1/2017 TO 12/31/2017

Row	Category	Member Community	IPBC Total	Row Formula
A	IPBC Gross Claims	\$3,971,248	\$291,991,635	
B	Claim adjustment	\$464,052	\$20,323,334	
C	Claims over \$125K	(\$206,856)	(\$23,300,633)	
D	Total Net Paid Adjusted Claims	\$4,228,445	\$289,014,336	A + B + C
E	Employees - Lagged 1 Month	4,359	236,218	
F	PEPM Net Adjusted Claim Cost	\$970.05	\$1,223.51	D / E
G				
H	Claims under \$35K	\$3,329,883	\$230,516,387	
I	Claims between \$35K and \$125K	\$898,562	\$58,497,950	
J	Total Net Paid Adjusted Claims	\$4,228,445	\$289,014,336	H + I
K	PEPM Claims under \$35K	\$763.91	\$972.25	H / E
L	PEPM Claims between \$35K and \$125K	\$206.14	\$251.33	I / E
M	Total PEPM Net Claim Cost	\$970.05	\$1,223.58	K + L
N				
O	PEPM Claims under \$35K	\$763.91	\$972.25	K
P	IPBC Average PEPM Claims between \$35K and \$125K	\$251.33	\$251.33	IPBC average
Q	Total PEPM Net Claim Cost	\$1,015.24	\$1,223.58	O + P
R				
S	Annual Trend	4.9%		
T	Trend Months	18		
U	Effective Trend Factor	1.0744		$(1 + S)^{(T / 12)}$
V	Trended PEPM under \$35K	\$820.74	\$1,048.37	O * U
W	Trended PEPM between \$35K and \$125K	\$273.17	\$273.17	P * U
X	Total Trended PEPM Net Claims	\$1,093.91	\$1,321.54	V + W
Y				
Z	Current Lives - December 2017	375	10,497	
AA	Annual Renewal Claim Cost	\$4,922,599	\$166,466,148	X * Z * 12
AB	No Margin	\$0	\$0	AA * 0%
AC				
AD	Individual Stop Loss Premium	\$168,075	\$4,704,755	Z * (Current Fees +0.0%) * 12
AE	Individual Stop Loss Risk Share Corridor	\$392,580	\$10,989,099	Z * (Current Fees +0.0%) * 12
AF	Administration Fees	\$280,301	\$6,795,969	Increase varies - BCBS = 0%, UHC = 3%
AG	Wellness Program Funding	\$39,825	\$2,132,571	Z * (Current Fees -15.5%) * 12
AH	GBS Fees	\$76,185	\$2,132,571	Z * (Current Fees +4.0%) * 12
AI	IPBC Fee	\$9,225	\$258,226	Z * (Current Fees -2.4%) * 12
AJ	Business Solver Fee	\$13,950	\$151,157	\$3.10 PEPM Fee for Business Solver
AK	Data Warehousing Fees	\$5,400	\$151,157	Z * (Current Fees +0.0%) * 12
AL	Total Annual Projected Renewal Costs	\$5,908,141	\$193,003,196	AA+AB+AD+AE+AF+AG+AH+AI+AJ+AK
AM	Current Funding - December 2017	\$6,071,830	\$186,371,489	
AN	Individual Rate Adjustment	-2.7%	3.6%	$(AL / AM) - 1$
AO				
AP	Pooled Rate Adjustment - ±10% from Average, No Internal Banding	-2.7%		

AQ	Benefit Fund Requirement Estimate (1/6 of projected annual funding)	\$984,690
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This analysis is for illustrative purposes only, and is not a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy or contact us for specific information or further details in this regard.