

BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

Minutes of the Committee-of-the-Whole: Health Insurance
held at 6:30 p.m. August 22, 2011
Hendee Educational Service Center
164 S. Prospect Avenue, Park Ridge, IL

President John Heyde called the meeting to order at 6:34 p.m. Other Board members present were Dan Collins, Pat Fioretto, Scott Zimmerman, Eric Uhlig and Anthony Borrelli. Board member Sharon Lawson participated by telephone. Also present were Superintendent Philip Bender, Assistant Superintendents Sandra Stringer and Diane Betts, Business Manager Becky Allard, Director of Technology Terri Bresnahan, Director of Pupil Services James Even, Director of Facility Management Scott Mackall, Public Information Coordinator Bernadette Tramm, teacher Andy Duerkop and five members of the community.

Mr. Heyde stated the purpose of the meeting was to discuss two proposals for providing employee health and dental insurance plans for 2011-12. Ms. Allard introduced teacher Andy Duerkop, the Park Ridge Education Association (PREA) representative from Lincoln Middle School to the District 64 Insurance Committee, who was present to also answer questions about the committee's review of the proposals.

Ms. Allard explained the two proposals presented for the Board's consideration in a detailed memo dated August 8, which was resubmitted in the August 22 Board packet. She noted that the first proposal was obtained from Hub International, the District's current insurance broker, to continue providing a stand-alone program through Blue Cross Blue Shield. The second proposal was for District 64 to participate in a self-insured school insurance cooperative, Northern Illinois Health Insurance Plan (NIHIP), which guarantees the current plan of benefits with Blue Cross Blue Shield.

Ms. Allard reviewed the key points in the two proposals, including the type of benefit offered for medical, prescription, dental, life, long term disability and voluntary long term disability insurances. She compared the coverages being offered, and noted that the Hub proposal is 8.8% greater than the current year costs, while the NIHIP proposal is 6.9% greater, which translates into a difference of \$103,082 between the two. She noted that participation in NIHIP would require District 64 to fulfill a three-year commitment, but that once that is achieved, the District could submit notice of withdrawal within 120 days of the annual renewal date. She affirmed that the NIHIP proposal guarantees the current PPO plan of benefits from Blue Cross Blue Shield. Ms. Allard noted that NIHIP would shift the mail order prescription service to Medco, which will require new prescriptions from physicians if the District moves to NIHIP.

Turning to costs, Ms. Allard pointed out information in Attachment 1 of her report, which compared the medical/dental insurance rates side by side under the two proposals. She pointed out information about the NIHIP organization

contained in Attachment 2 of the report, including underwriting/financial arrangements and consulting services provided through NIHIP consultant Gallagher Benefit Services. She noted that about 5,700 employees are covered by NIHIP for health.

Turning to an evaluation of the proposals, Ms. Allard summarized that there are advantages and disadvantages to any change as noted in her report. She reported that the annual savings would actually exceed \$125,000 for 2011-12 (medical/dental savings plus life insurance savings) by participating in NIHIP. The disadvantages to joining NIHIP are the three-year commitment and the loss of individual control by joining a cooperative.

Ms. Allard reported on the review of the proposals carried out by the District Insurance Committee. She reported that the committee had met on Friday, August 19 and the views at that time were four to stay with Hub International and six who wanted more information. The committee met again on Monday, August 22 to review additional information on the most recent six years of renewals, which indicated that Hub International averaged 6.1% and the NIHIP pool average was 3.2% with a range of 11.4% to -4.1%. The views at the second meeting were six in favor of staying with Hub and two to move the District insurance to NIHIP; two members did not attend on Monday.

Board members then asked clarifying questions of Ms. Allard about the proposals, including: NIHIP reserves and the incurred but not yet reported (IBNR) claim liability; how rates would be adjusted annually in NIHIP through a banding formula +/- 10% applied to the pool average based on District 64's claim experience; and the claims experience reviewed by NIHIP in developing its current proposal.

Mr. Duerkop responded to Board member questions about the Insurance Committee's views, noting that the District had been self-insured in the past and had also looked at cooperatives previously. He reported that the committee had considered the issue of losing control to a cooperative as a concern and that the pool would diminish the positive impact of a payoff from having good claims experience. He stated that if only the past four years of rate increases are compared, the renewal average history actually favors Hub International, which is 3.8% compared to 5.1% for NIHIP. The view of the committee was that while the savings offered this year are appealing, the majority are hesitant to commit to three years with NIHIP since the District will lose control. He pointed out that Hub International is under contract to District 64 and if the District so chooses, it can ask Hub to look at options other than Blue Cross Blue Shield. It also was noted that \$45,000 of the anticipated savings is from consulting services and not insurances renewal costs.

Board members then asked questions to further clarify how the information was displayed on the rate increase comparison chart, and how consultant services are shown: NIHIP includes the consultant fee within its insurance rates, while Hub breaks it out separately. Ms. Allard reported that NIHIP utilizes about 90% of dollars to pay claims and 10% is for administrative, reinsurance and fixed fees.

Board members then questioned Ms. Allard about NIHIP's membership history, reasons for withdrawals from the cooperative, new members who have joined recently, and claims experience of various members. She reiterated that District 64 has received in writing from NIHIP that our plan of benefits would not change. Board members discussed how NIHIP rate increases would be negotiated with Blue Cross compared to Hub, and how NIHIP analyzes cash reserves for potential distribution back to member districts every year. Ms. Allard confirmed that a switch to NIHIP in the short term would be more work for District staff, but that it would not be a factor in the long term.

Board members inquired about open enrollment. Ms. Allard explained that open enrollment was available under both proposals, and that the rates include it for both, but that it was not required under either plan. She stated that it is not currently in the District's plan.

Board member Collins noted that he had attended both Insurance Committee meetings as a Board liaison and had listened to the views expressed.

Mr. Heyde verified the information on the memo distributed at the meeting regarding renewal rates over the past six years for Ms. Lawson, who was attending by telephone.

Mr. Heyde concluded the Committee-of-the-Whole meeting at 7:23 p.m., which was followed by a brief recess before the regular Board of Education meeting.

President

Secretary