

## Village of Orland Park Employee Benefit Renewal - October 1, 2008

### Market Analysis

Including the incumbent carriers, we approached multiple markets for quotations on behalf of The Village of Orland Park.

- Medical – 6 carriers; 2 carriers quoted, 4 declined
- Ancillary Lines – 13 carriers; 8 carriers quoted, 5 declined

All Carriers were requested to quote 12 and 15-month rates to accommodate the Village's desire to move the renewals to a calendar year basis, with the next renewal effective January 1, 2010. All outcomes below are based on 12 months. The additional 3 months of liability to move to 01/01/2010 are calculated and included on the attached spreadsheets for each line of coverage.

### Outcome

**Medical – Current program is partially self-funded and administered by Blue Cross Blue Shield of Illinois.**

Blue Cross had some noticeable competition from United Health Care this year. UHC was not a consideration the past four years because the Advocate Hospital System was absent from their network (in the region this includes Christ, Children's Hope, South Suburban). In January 2008, UHC secured the Advocate contract again. They presented an aggressive proposal for consideration to The Village of Orland Park. After analysis of reinsurance contract provisions, fixed rates, including administration and reinsurance fees, network discounts and service guarantees, we concluded that the United Health Care claims projection could not be supported. UHC had slightly higher fixed costs with lower projected claims. Their reinsurance contract (from which claims are projected) covered a shorter window than Blue Cross's (15/12 vs. Paid Contract). Their claims projection, although lower than Blue Cross, covered a shorter time span contract and was not supported by the fact that Blue Cross carried deeper discounts in this area. With such an aggressive projection, we requested a rate guarantee or cap from UHC to protect the Village, but were denied this option. In addition, UHC would not provide a rate extension to January 1, 2010 to match the Blue Cross offer. Therefore, we have recommended The Village remain with Blue Cross Blue Shield of Illinois.

Blue Cross' renewal is increasing 9.9% on fixed costs and 12.8% on claims projections for a combined increase of 12.4%. This is slightly higher than market trends of 10%. The increase is not tied to any large claimant activity, but instead high-utilization overall. At the current pace, sustainability of current programs will be in question. We offer several recommendations for future consideration in the strategy section below.

**Dental – Current program is self funded and administered by Delta Dental.**

Administration rates per employee were negotiated to a flat renewal - 0% and guaranteed for 3 years. However, claims utilization has been running higher than expected and is anticipated to increase 20% this year. Annual impact is projected at \$44,000 above 2007 projections

**Life, AD&D and Dependent Life – Current program is fully-insured by Fort Dearborn.**

Renewal was negotiated to Flat – 0%. This comes off a decrease of 5.3% last year and flat renewals previously since 2003.

**Vision – Current program is fully-insured through Vision Service Plan (VSP)**

Renewal was negotiated to a 9.10% rate increase and guaranteed for 15 months. This action is coming off a 2 year rate guarantee of 0%. Historically we averaged 0% increase since 2003.

**Flexible Spending Account Administration – Current program is provided through Allied Benefit Systems**

Renewal fee increase of 10% (from \$4.10 to \$4.25 per participant per month). Debit card fee of \$1.50 per participant per month remains the same. Based on an estimated target of 60 participants, total annual cost would be \$4,140.00 plus annual admin fee and estimated meeting assistance of \$1,000.00 equals \$5,140.00. This is the first increase since program inception (2006).

Special Note: Current enrollment is approximately 26 participants, therefore, estimate of 60 for 2009 is an optimistic goal.

**Service Retainer Fee – Current Broker Services provided through The Horton Group**

Annual Service Retainer Fee will increase 10% (from \$50,000 to \$55,000). Barring any expansion of additional services or additional lines of coverage, this Retainer Fee will be guaranteed through 12/31/10. This is the first increase since the original effective date in 2003. This fee is paid on a quarterly basis. Horton is compensated in the form of fees for their services. All carriers' rates are quoted net of standard commissions.

**Renewal Recommendations**

Based on our findings, we recommend The Village of Orland Park renew with their incumbent carriers at rate actions noted above.

Medical and Rx - Blue Cross Blue Shield of Illinois

Dental - Delta Dental Insurance

Life, AD&D and Dependent Life - Fort Dearborn

Vision - Vision Service Plan (VSP)

## **Strategy to Mitigate Rising Health and Rx Costs.**

In a closer review based on an employee per capita, we find plan administration costs have been relatively flat the past four years. Plan utilization; however continues to rise at a fast pace. This comes from a combination of rich plan designs, high family participation, and an aging population. All three of these are commonly found in public sector.

Although they all play an integral role, there is no one carrier or plan design to correct this problem. However, changing the worksite culture to include a greater shift to employee consumerism, plan design education, and a greater emphasis on employee wellness would have a major impact.

The Horton Group is anxious to assist Village Manager, Paul G. Grimes and Human Resource Director, Stephana Przybylski with efforts they have already started in the past to expand Consumer Driven Health Plans, Employee Education and Worksite Wellness efforts.