

Memo

To: Village Clerk

From: Mike Harrington, Chairman-Insurance Committee

CC: Board of Trustees, Village President, Robert Kosin, Acting
Chief of Police Rich Semelsberger

Date: December 16, 2014

Re: Insurance

Summary

The Insurance Committee recommends the following:

1. Adoption of a 2015 Property and Casualty (P&C) insurance program at a final quote of \$214,932, which represents a decrease of -3.96% versus 2014;
2. Renew the Health Insurance Plan with the Blue Cross Blue Shield (BCBS) Blue PPO Gold health policy for 2015 at an estimated annual premium of \$435,008, an increase of 3.61% vs. the 2014 premium;
3. Increase employees' share of the annual health insurance premium from 5% to 10%, generating additional annual savings to the Village of approximately \$10,000 (police union member's share of the annual premium, if any, would be determined through collective bargaining);
4. Promote and market the Wellness benefits imbedded in the BCBS health insurance program rather than contract for a stand-alone, dedicated Wellness program;
5. Renew the Ameritas Group dental plan with ACA required pediatric dental benefit for 2015 at an annual premium of \$62,188, representing a 6.98% increase over 2014;
6. Consistent with the collective bargaining agreement, provide health benefits to MAP union members that are "substantially similar" to current benefits.

Background

In a series of meetings, the Insurance Committee reviewed insurance policy renewals for the coming year, 2015. Insurance coverage for the Village of Barrington Hills ("Village") can be classified into two general categories: 1) Property and Casualty ("P&C"); and 2) Health Insurance.

Property & Casualty

The P&C policies for the Village cover risk of loss related to property damage, personal injury and liability. The Village maintains a number of policies, including Property, Commercial General Liability, Commercial Umbrella/Excess Liability, Commercial Automobile, Employment Practices Liability, Public Officials Liability, Law Enforcement Liability, and Workers' Compensation. Other forms of P&C insurance are available but we believe the policies we have in place are sufficient to manage the reasonably expected risks that the Village faces.

The quote for Workers Compensation coverage from Illinois Public Risk Fund (IPRF) for 2015 is \$108,149 representing a reduction of \$4,492 or -4% compared to 2014. The reduction is primarily attributable to lower loss ratios and excellence in the village's loss control program, which was recognized as one of the top five among IPRF member organizations throughout the state of Illinois in 2014.

For the remainder of the P&C coverage the committee reviewed two competing programs – one each from Scottsdale Insurance and Travelers Insurance. Although the Travelers premium quote (\$88,515) was \$22,282 lower than the Scottsdale quote (\$110,797), the committee concluded that the Scottsdale program represented superior value for the Village based upon several key differences in the policy coverages:

- Scottsdale offered Full Prior Acts coverage (EPL and Public Official) while Travelers quoted "Retro Date TBD," meaning coverage for liabilities occurring in prior years is more thoroughly covered by Scottsdale;
- Scottsdale offered \$5,000 medical payments coverage while Travelers offered none;
- Scottsdale included coverage for the Cuba Road Bridge while Travelers excluded such coverage;
- Most of the price difference (\$15,082 or 68% of the difference) in the quotes from Travelers and Scottsdale is attributable to a lower automobile quote for Travelers; however, our brokers advised us that the Travelers quote was unsustainably low and likely to be adjusted to a much higher level after the first year.

The liability coverage includes \$10 million in lead liability coverage and \$20 million in excess liability coverage, for a total of \$30 million in liability coverage, which is the same amount of total coverage as 2014.

Overall, the committee's recommended P&C coverages (including Workers' Compensation) for 2015 are quoted at a premium of \$214,932, which represents a decrease of \$8,506 or -3.96% vs. 2014.

Health Insurance

The second category of insurance is Health Insurance. The Village has historically provided its employees with Health Insurance benefits, including a dental policy. Health insurance for 2014 was complicated by the Affordable Care Act ("ACA"), most of which officially took effect on January 1, 2014.

Managing health insurance for 2014 was also complicated by a newly adopted collective bargaining agreement with Metropolitan Alliance of Police ("MAP"). This agreement expires at the end of this year and the terms of a new agreement, including health care benefits, are yet to be determined via a currently ongoing collective bargaining process. Consistent with the collective bargaining agreement, the village is obligated to provide health benefits to MAP union members that are "substantially similar" to current benefits.

For 2015 the Committee is recommending the Village renew coverage with the Blue Cross Blue Shield of Illinois ("BCBS") policy known as Blue PPO Gold – G513PPO. We believe this policy is the best choice for employees and the Village for the following reasons:

- 1) BCBS is our current provider and offers the largest network of doctors and providers, which minimizes the chance that our employees would have to change doctors or providers or use higher-cost out-of-network providers;
- 2) The Village and its employees have been satisfied with BCBS;
- 3) The new BCBS policy offers benefits that are essentially identical to the prior policy, which contributes to employee satisfaction and is helpful for the Village to meet its current obligation of providing MAP union employees a health benefit that is "substantially similar" to existing benefit.

The estimated quote for the annual premium is \$435,008 for 2015 vs. \$419,857 for 2014, an increase of 3.61%. However, the village's total cost of the insurance benefit is comprised of: A) The annual premium minus the employee share of the premium; and B) The village's share of deductible reimbursements, which is a function of the stated deductibles on the policy and actual usage by insured employees; and C) The number of employees and whether they are married and/or have children.

Employee Cost Sharing

The Insurance Committee's investigation of insurance benefits offered for similar sized employers in late 2013, and specifically similar sized municipal employers, revealed that our health insurance benefits were not in balance with the marketplace. Specifically, the Village's practice of paying 100% of the health insurance premium was not common; typically most employers require their employees to share in the payment of the premium. Accordingly, the Committee recommended, and the Board approved, a plan to begin to bring the Village more in line with the marketplace. This plan involved a gradual phase-in of employee sharing in premiums over a three-year period beginning with 5% in 2014, increasing to 10% for 2015 and to 15% for 2016. For 2015, the Committee continues to recommend employee sharing in the cost of health insurance premiums at the 10% level. Employee cost sharing of the health insurance premium for MAP union member employees will be determined under the collective bargaining process.

The Village also subsidizes the payment of deductibles. In 2013, the Village paid all deductibles for employees above the first \$250 for single coverage and \$500 for family coverage. At that time policy in-network deductibles were \$2,500/\$5,000 for single/family coverage. These deductibles increased to

\$4,000/\$12,000 for single/family under the 2014 policy and remain at that level for the quoted 2015 policy. In line with the higher deductibles, the Insurance Committee recommended, and the Board approved, an increase in the employee portion of the deductible to \$500/\$1,000 for single/family coverage for 2014. This increase in the employee's responsibility for the deductible began to move this portion of the benefit to a level that is more in line with the marketplace.

It is important to note that the changes made by the Committee to the health benefits program for 2014 – a higher deductible policy with an imbedded per person deductible, higher employee sharing in deductibles, and employee sharing in premiums – in combination with what was likely a healthier/less-injured employee base in 2014, helped reduce the village's overall health benefits cost to \$541,748 through November 30 of this year versus \$619,582 for the same 11 month period last year. This is a 12.6% cost reduction year-over-year.

Dental

The Committee recommends that the Village continue offering Dental coverage from Ameritas Group. Under the Affordable Care Act (ACA), we are required to include pediatric dental benefits. The estimated annual premium for 2015 is \$62,188, representing a 6.98% increase over 2014.

Life/Accidental Death and Dismemberment (AD&D) Renewal

The policy from Dearborn National for Life/AD&D is under the second year of a two-year rate guarantee until 1-1-2016. The estimated annual premium for 2015 is \$1,980.

Long Term Disability

The policy from Standard Insurance for Long Term Disability Insurance is under the second year of a three-year rate guarantee until 1-1-2017. The estimated annual premium for 2015 is \$18,081.

Wellness Benefits

The Committee recommends promoting the Wellness benefits imbedded in the BCBS health insurance policy rather than contracting with a separate, dedicated Wellness Benefit provider. A separate, dedicated Wellness Benefit program would cost the village approximately \$6,000 annually and there would be no direct savings in our annual health care premium costs, because under ACA our policy pricing is rated on the age of our insured employees rather than their health history. Several Wellness benefits are imbedded in the BCBS health insurance policy, including stress management, physical activity, nutrition, tobacco cessation, and weight management programs, as well as self-directed on-line lessons and health assessment tools and "Life Points" for participating in a range of healthy activities. Furthermore, the Committee recommends encouraging employees to take advantage of preventive care benefits included in the BCBS policy and specifically the free annual physical. Annual physicals are valuable for early disease detection and for establishing a baseline health data. To help encourage all employees to get an annual physical, the Committee recommends that 4 hours of "comp time" be provided for employees to get an annual physical.

2015 Recommendation

The insurance Committee recommends that the Board of Trustees adopt an insurance program for 2015 in accordance with the recommendations outlined in this memo.