

DUDLEY-CHARLTON REGIONAL SCHOOL DISTRICT

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1) If we join the Joint Purchase Group (JPG), what are our options in 2 years?

The District can remain with the JPG, or decide to withdraw from the group effective June 30, 2021. If the District did withdraw, we would have the option of looking to be self-insured again by ourselves, join another Joint Purchase Group or look for insurance on a premium basis.

2) Will the District's money always be kept separate if we pay into a joint trust fund?

The Treasurer will keep accounting records by each participating employer, however funds will be combined for a checking account, a savings/money market account and any future investment accounts. The purpose behind a JPG is to collectively share in good years and bad. Some years this may benefit Dudley-Charlton, some years this may not.

3) How will bad claims in other towns affect the District?

Claims experience can and do vary by employer, by plan, and differ from month to month. The District may have higher claims one month, but could be lower than projected the next month. A critical reason to be in a JPG is to spread the risk amongst all members, and minimize the effect of such differences in claims month to month, and year to year. We are pooling at an appropriate Reinsurance Level and using our joint size to mitigate catastrophic claims.

Some concern has been expressed with the fact that there will be non-school employees in this JPG. It is important to remember that injuries that happen on the job are covered by Worker's Compensation insurance, not health insurance.

4) "More predictable claims." Does that mean smaller annual variation?

A large self-funded group creates funding stability by pooling a larger number of healthy people to offset the relative lower number of sick people. A small self-funded group claims experience can be greatly impacted by just 1 or 2 members. A larger group mitigates the risk of a few people impacting the overall rate.

5) "Administrator costs will be lower." What is the current charge? What will be the charge through the larger purchasing group?

Broken down per subscriber/per month:

Fiscal Year (FY) 20 Administration Fee: Individual: \$32.83 Family: \$87.99
Massachusetts Strategic Health Group: Individual: \$20.00 Family: \$54.20

6) "Reinsurance will be less." What are the current rates? What will be the new rates under the group?

Broken down per subscriber/per month:

Fiscal Year 2019 Reinsurance Rates:

Individual: \$47.31

Family: \$137.48

Projected FY 2020 Reinsurance Rates:

Individual: \$49.67

Family: \$144.35

Projected Massachusetts Strategic Health Group:

Individual: \$49.00

Family: \$128.00

Below are the annual DCRSD reinsurance renewals from previous years:

FY 15: 73% Increase

FY 16: 51% Increase

FY 17: 41% Increase

FY 18: 3% Increase

FY 19: 3% Increase

FY 20: 5% increase projected

7) "Chronic disease care management will be added to reduce future claims." Don't we already have this in our old plans?

Carriers do have chronic disease care management at varying levels. Being in a large self-funded TPA allows us to look at diseases that are effecting our members and our claims. A large group gives us the flexibility to direct contract with disease care management companies that only focus on that disease state making members healthier and reduce claims over time.

A large group also allows us to contract with centers of excellence for disease states that are challenging to diagnose and manage.

8) "The new group will have lower Rx costs due to the receipt of rebates." Doesn't our current plan get these rebates?

No. With our size group, Blue Cross/Blue Shield, like most carriers, does not allow for prescription drugs to be handled separately. As a result, BC/BS receives the rebates from the pharmaceutical companies. With a larger group such as the JPG carving out prescription benefits directly to a Pharmacy Benefit Manager (PBM) allows for greater transparency over rebates and maximizes the group's ability to receive them directly.

9) Did the District speak to any other groups to ask the advantages/disadvantages?

Other joint purchase groups' agreements were reviewed to have a baseline for this new group. The District did reach out to the West Suburban Health Group chairman to discuss the creation of the group, and the wisdom of creating one at this time.

10) When did the Insurance Advisory Committee (IAC) hear about this proposal? 9 months ago or a few weeks ago?

The District and the IAC have explored the possibility of joining other joint purchase groups over a number of years, most recently the Hampshire Council of Governments.

The Insurance Advisory Committee has discussed looking at the creation of a new joint purchase group since December 2017. Informal discussions were held in the spring and summer of 2018 with other towns, but the core group started to work on the agreement in the fall. The IAC met throughout the fall and the JPG was a discussion topic at those meetings. However it was not until the agreement was essentially finalized and rates put out to bid and a potential provider selected that useful information was available. The bid deadline was extended with the hopes that Blue Cross/Blue Shield would ultimately participate. With their decision not to bid, this ended up costing the process almost a month, as it was just before February break pricing and disruption reports were made available. The IAC met on 2/27/19 and set the dates to have informational meetings.

11) Did the IAC vote on this proposal?

The Insurance Advisory Committee will be holding a vote on 4/9/19, delayed from the planned 3/26/19 vote.

12) How many retirees are with our insurance?

269 Medicare Eligible Members. There is large potential savings with this group due to the Medicare being fully insured. Moving this to a self-insured model in a larger group would provide substantial savings for the retirees and district.

13) How many active employees are with our insurance?

393 Active Employees

14) What will happen to the funds already in the Health Insurance Trust Fund (HITF)?

If the District joins the JPG, the health insurance trust would remain with the District. It would be used to pay run-out claims incurred but not reported prior to June 30, 2019. After that, the money would sit and collect interest. It would be the District "nest egg" if we were to ever come back to being self-insured as a stand-alone group.

The initial deposit to JPG would come from the HITF. This money would be set aside, and returned if the District left the JPG, or before if finances of the JPG allow. This is the same as when the District utilized Fallon health insurance, who held \$275,000 during the life of our contract with them, and returned it to the HITF after we changed carriers.