

CONSENT ITEM

RE: Medical Renewal

DEPARTMENT: Administration

PROGRAM:

RECOMMENDATION: Accept the 4.5% premium increase from SLAIT.

EXPLANATION: The St. Louis Area Insurance Trust (SLAIT) Board adopted new rates for the policy year 7/1/16 – 6/30/17. These are based on claim results from the previous year. While last year there was no increase to premiums, this was an anomaly. The increase of 4.5% is consistent with rate increases from the eight years prior, which average 4.9%.

The City budgeted for a health insurance increase of 5.5%.

SUBMITTED BY: Denise Keller

DATE: 5/25/16

ST. LOUIS AREA INSURANCE TRUST

A Self-Insurance Pool

Memorandum

TO: SLAIT Health Program Members

FROM: Steve Wicker *Steve*

DATE: April 13, 2016

SUBJECT: 2016-2017 Health Rates

At its meeting of April 7, 2016, the SLAIT Board of Directors adopted rates for the 2016-2017 Health Plan policy year.

Claims results for the seventh year of the SLAIT health program have been slightly worse than expected. As of March 31, 2016, claims for 2015-2016 have been approximately 103% of expected. As a result, additional premium is required and an overall 4.5% rate increase for 2016-2017 was adopted.

As has been done the past four years, the rate increases by member adopted by the Board for the 2016-2017 policy year were developed with the idea of rewarding the best performers, while still maintaining the "one group" characteristics of the plan. To insure that the middle performers were a large number of members, it included all members with loss ratios between 80% and 120% of the group average of 81% for the period July, 2013 through February, 2016. This meant all members with plan loss ratios between 65% and 97%. This left five members in the group of best performers and three members in the worst performing group. The by-member rate increases are attached to this memo.

Relative to the Affordable Care Act (ACA), the reinsurance fee of \$2.25 per month per participant continues for the rest of the 2016 calendar year. Under current law, the fee will phase out completely in 2017. Thus, we will discontinue collecting the fee beginning with your January, 2017 invoice.

Finally, relative to costs, the SLAIT Board has voted to make the first distribution of prior years' surplus from the Health Plan in the amount of \$1 million. The distribution will be made on a pro-rata basis from the 2009-2010 and 2010-2011 policy years to members that participated in the Plan during those years and which are still members when the distribution is made in August or September of 2016. For many members, this distribution will essentially offset the premium increase for 2016-2017. A by-member accounting of the distribution is shown on the attached worksheet.

As “medical inflation” continues to run at approximately 1% per month, no rate change last year, a 4.5% rate increase this year, and the return of \$1 million in surplus are all excellent indicators of the success of the SLAIT Health Plan. Remember, SLAIT is spending less than 10% of premium on administrative expenses and thus the group’s premium and results are based almost entirely on claims experience. For your information, attached is a history of SLAIT rate and plan changes since inception. There will be no plan changes for the 2016-2017 policy year.

If you have any questions about any of this information, please feel free to contact me at 314-444-1937 or wickers@danielandhenry.com.

SLAIT Health Plan 2016-2017 Rate Changes

City	Loss Ratio * July 2013-February 2016	Current Estimated Annual Premium	Rate Change	Renewal Estimated Annual Premium
WCDC	24%	\$85,000	2.5%	\$87,125
St. Ann	40%	\$850,000	2.5%	\$871,250
Ferguson	61%	\$1,650,000	2.5%	\$1,691,250
Frontenac	62%	\$625,000	2.5%	\$640,625
Olivette	64%	\$775,000	2.5%	\$794,375
Totals		\$3,985,000		\$4,084,625
ECDC	90%	\$220,000	4.5%	\$229,900
Chesterfield	70%	\$2,050,000	4.5%	\$2,142,250
Maryland Heights	76%	\$2,220,000	4.5%	\$2,319,900
Richmond Heights	75%	\$1,340,000	4.5%	\$1,400,300
Creve Coeur	71%	\$1,540,000	4.5%	\$1,609,300
Brentwood	83%	\$1,140,000	4.5%	\$1,191,300
Ballwin	94%	\$1,380,000	4.5%	\$1,442,100
University City	91%	\$2,760,000	4.5%	\$2,884,200
Lake St. Louis	71%	\$1,030,000	4.5%	\$1,076,350
Rock Hill	71%	\$420,000	4.5%	\$438,900
Town & Country	97%	\$340,000	4.5%	\$355,300
Totals		\$14,440,000		\$15,089,800
Clayton	102%	\$1,660,000	6.5%	\$1,767,900
Des Peres	110%	\$1,240,000	6.5%	\$1,320,600
Maplewood	108%	\$1,080,000	6.5%	\$1,150,200
Totals		\$3,980,000		\$4,238,700
Total		\$22,405,000		\$23,413,125

* Excludes amounts in excess of individual stop loss.

**SLAIT SURPLUS DISTRIBUTION
HEALTH PREMIUMS**

	2009-2010 HEALTH PREMIUM	% OF TOTAL	2009-2010 HEALTH DISTRIBUTION	2010-2011 HEALTH PREMIUM	% OF TOTAL	2010-2011 HEALTH DISTRIBUTION	TOTAL DISTRIBUTION
1 Ballwin	1,021,311.65	7.29%	\$27,581	1,114,047.94	7.28%	\$45,299	72,880
2 Brentwood	924,375.31	6.60%	\$24,964	1,030,900.27	6.74%	\$41,918	66,882
3 Chesterfield	1,464,961.38	10.46%	\$39,563	1,588,182.70	10.39%	\$64,578	104,141
4 Clayton & CRSWC	1,295,645.96	9.25%	\$34,990	1,495,680.18	9.78%	\$60,817	95,807
5 Creve Coeur	1,105,774.44	7.90%	\$29,862	1,176,425.10	7.69%	\$47,835	77,698
6 Des Peres	886,121.72	6.33%	\$23,931	973,868.79	6.37%	\$39,599	63,530
7 ECDC	69,315.69	0.49%	\$1,872	138,110.16	0.90%	\$5,616	7,488
8 Ferguson							
9 Frontenac	526,360.17	3.76%	\$14,215	507,285.42	3.32%	\$20,627	34,842
10 Lake St. Louis							
11 Manchester							
12 Maplewood	682,670.89	4.88%	\$18,436	798,037.23	5.22%	\$32,449	50,886
13 Maryland Heights	1,727,766.12	12.34%	\$46,660	1,889,903.57	12.36%	\$76,846	123,506
14 Olivette	706,035.99	5.04%	\$19,067	782,202.95	5.11%	\$31,806	50,873
15 Richmond Heights	1,109,454.08	7.92%	\$29,962	1,087,132.60	7.11%	\$44,204	74,166
16 Rock Hill	272,058.21	1.94%	\$7,347	284,622.70	1.86%	\$11,573	18,920
17 St. Ann							
18 Town & Country							
19 University City	2,211,505.40	15.79%	\$59,724	2,393,493.40	15.65%	\$97,323	157,047
20 WCDC	14,003,357.01	100.00%	\$378,174	32,836.64	0.21%	\$1,335	1,335
				15,292,729.65	100.00%	\$621,826	1,000,000

History of SLAIT Health Rate Increases – As of July 1, 2016

1) **For 2010-2011 Policy Year**

- 10% rate increase
- Plan changes equal to 6% reduction in estimated losses
- Pharmacy co-pay increase from \$8/25/40 to \$10/35/60, (3% reduction)
- Office visit co-pay increase from \$20/20 to \$20/40, (2% reduction)
- ER co-pay from \$100 to \$200 (1% reduction)

2) **For 2011-2012 Policy Year**

- 7.5% rate increase
- Plan changes equal to 1.5% reduction in estimated losses
- Office visit co-pay increase \$20/40 to \$25/40 (1% reduction)
- ER co-pay from \$200 to \$250 (.5% reduction)

*\$0 deductible plan eliminated
Maplewood & University City move to \$250*

3) **For 2012-2013 Policy Year**

- Primary Increase 4%
- Varied among members – Range = 1% to 9%

No Plan Changes

4) **For 2013-2014 Policy Year**

- Primary Increase 5.6%
- Varied among members – Range = 3% to 11%
- ACA Reinsurance Fee effective 1/1/14

No Plan Changes

5) **For 2014-2015 Policy Year**

- Overall Increase 4.8%
- Varied among members – Range = 1.8% to 7.8%
- Maximum out-of-pocket increased by \$1,500/\$3,000 as ACA requires medical co-pays be included

6) **For 2015-2016 Policy Year**

- Overall Increase = 0
- Range = -3% to 3%
- Maximum out-of-pocket increased by \$1,000/\$2,000 as ACA requires prescription drug co-pays be included