

**From the Business Office      March 23, 2007:**

**RE: WEC Schools Consortium 2007-2008 Renewal**

**The Following pages include the WEC Schools Consortium proposed rate adjustment and renewal for the fiscal year 2007-2008 based upon updated loss ratio calculations. Subsequent pages include additional supporting documentation. The proposed premium reduction for fiscal year 2007-2008 equates to approximately \$ 500,000. This reduction is based primarily upon positive experience in relation to loss ratio over the past 3 years.**

**Please be advised that since the Warren County School District is in the process of seeking quotes from other providers and that these documents include confidential information regarding the other four school district members of the consortium, it would not be prudent at this juncture to reveal this information to the public or any of the participating providers.**

**Due to that opinion, the documents have been placed on the private side of Board Docs.**

**These documents are for the sole use of School Board Directors and the WCSD central office administration.**

# WEC SCHOOLS CONSORTIUM

## Contract Counts - 2006 vs. 2007

Contracts as of February 2006					Contracts as of February 2007				
School District	Traditional Contracts	POS Contracts	PPO Contracts	Medical Totals	Traditional Contracts	POS Contracts	PPO Contracts	Medical Totals	
Crawford Central	62	554	0	616	48	1	567	616	
Forest Area	51	72	0	123	37	0	87	124	
Titusville Area	0	313	0	313	0	0	316	316	
Union City Area	0	166	0	166	0	0	168	168	
Warren County	75	0	720	795	63	0	725	788	
TOTAL	188	1,105	720	2,013	148	1	1,863	2,012	

**WEC Schools Consortium**  
**Self Funding Analysis**  
**Month Ending: February 2007**

	<u>Income</u>	<u>Expenses *</u>	<u>Outcome</u>
Month End	\$ 1,601,363	\$ 1,478,919	\$ 122,444
Contract Period Total	\$ 12,734,806	\$ 10,766,384	\$ 1,968,422
September 2000 to Current	\$ 85,873,962	\$ 82,887,391	\$ 2,986,571

\* Highmark reserve of \$594,640 included in expenses

# WEC Schools Consortium

## ASC - EFFECTIVE SEPTEMBER 1, 2000 - FUND ACCUMULATION

<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>	<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>	<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>	<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>
<b>2000-2001</b>			<b>2001-2002</b>			<b>2002-2003</b>			<b>2003-2004</b>		
July			July		\$114,707	July		\$102,978	July		\$294,059
August			August*		(\$236,652)	August*		(\$125,557)	August*		\$65,943
September*		\$625,837	September		\$150,629	September		(\$54,469)	September		(\$74,075)
October		\$106,251	October		\$116,986	October		\$59,459	October*		(\$9,407)
November		\$235,773	November*		(\$19,025)	November*		(\$166,008)	November		\$271,063
December*		(\$219,582)	December		\$74,602	December		\$140,335	December		\$228,378
January		\$24,938	January		(\$2,933)	January*		(\$218,736)	January*		(\$500,552)
February		\$115,361	February		\$39,689	February		(\$280,348)	February		(\$9,522)
March*		(\$180,943)	March*		(\$123,103)	March		(\$18,834)	March		(\$127,213)
April		\$65,986	April		\$154,694	April		(\$346,241)	April*		(\$350,944)
May		\$108,836	May*		(\$122,202)	May*		(\$185,666)	May		(\$19,726)
June*		(\$85,589)	June		\$169,972	June		\$105,564	June		\$24,191
<b>Total</b>		<b>\$796,868</b>	<b>Total</b>		<b>\$317,364</b>	<b>Total</b>		<b>(\$987,523)</b>	<b>Total</b>		<b>(\$207,805)</b>
<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>	<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>	<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>	<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>
<b>2004-2005</b>											
July			July		(\$156,130)	July			July		
August*			August*		\$52,765	August*			August*		\$52,765
September			September		\$406,799	September			September		\$406,799
October*			October*		(\$106,754)	October*			October*		(\$106,754)
November			November		\$89,341	November			November		\$89,341
December*			December*		(\$202,503)	December*			December*		(\$202,503)
January			January		(\$235,154)	January			January		(\$235,154)
February			February		(\$13,104)	February			February		(\$13,104)
March			March		\$8,848	March			March		\$8,848
April*			April*		(\$146,401)	April*			April*		(\$146,401)
May			May		\$120,437	May			May		\$120,437
June			June		\$22,142	June			June		\$22,142
<b>Total</b>		<b>(\$159,714)</b>	<b>Total</b>		<b>(\$159,714)</b>	<b>Total</b>		<b>(\$159,714)</b>	<b>Total</b>		<b>(\$159,714)</b>

<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>	<b>Contract</b>	<b>Period</b>	<b>Monthly Outcome</b>
<b>2005-2006</b>			<b>2006-2007</b>		
July*		(\$61,811)	July		\$385,120
August		\$323,377	August		\$308,362
September*		\$3,306	September*		\$92,939
October		\$171,238	October		\$461,153
November		\$101,273	November		\$251,317
December*		\$88,244	December*		\$72,705
January		\$288,793	January		\$274,382
February		\$196,819	February		\$122,444
March*		\$7,695	March*		
April		\$79,874	April		
May		\$159,187	May		
June*		(\$155,545)	June*		
<b>Total</b>		<b>\$1,202,450</b>	<b>Total</b>		<b>\$1,968,422</b>

<b>Monthly Net Outcome Average by Contract Period</b>
September 2000 - June 2001#
July 2001 - June 2002
July 2002 - June 2003
July 2003 - June 2004
July 2004 - June 2005
July 2005 - June 2006
July 2006 - June 2007
# ten month period

\* denotes a five-week month

**WEC Schools Consortium  
Analysis of Fund Balance and Terminal Liability  
As of February 28, 2007**

Reserve Deposit with Highmark	\$ 594,640	
Fund Balance	<u>\$ 2,986,571</u>	
Total Reserve		\$ 3,581,211
Medical Terminal Liability (60 Days)	\$ 1,763,547	
Drug Terminal Liability (20 Days)	<u>\$ 157,138</u>	
Total Terminal Liability		<u>\$ 1,920,685</u>
Overfunded Terminal Liability		\$ 1,660,526

# WEC Schools Consortium Projected Claims Overview for July 1, 2007 - June 30, 2008

## Consortium Trended Projection

<u>Traditional Plan</u>	
<i>Incurred Claims 11/2005 - 10/2006</i>	\$ 1,902,121
Total Projected Cost (1)	\$ 2,892,771
<u>Managed Care Plans</u>	
<i>Incurred Claims 11/2005 - 10/2006</i>	\$ 11,681,801
Total Projected Cost (1)	\$ 15,005,988
<u>Combined Plans</u>	
<i>Incurred Claims 11/2005 - 10/2006</i>	\$ 13,583,922
Total Projected Cost (1)	\$ 17,898,760

## Current Funding

Traditional Plan - 07/2006 to 06/2007	\$ 1,386,003
Managed Care Plans - 07/2006 to 06/2007	\$ 17,396,359
Total Current Funding	\$ 18,782,362

## Proposed Funding Change

Traditional Plan	108.71%
Managed Care Plans	-13.74%
Overall Funding Change	-4.70%

## Highmark Trended Projection

<u>Traditional Plan</u>	
<i>Incurred Claims 11/2005 - 10/2006</i>	\$ 1,902,121
Total Projected Cost (1)	\$ 2,417,531
<u>Managed Care Plans</u>	
<i>Incurred Claims 11/2005 - 10/2006</i>	\$ 11,681,801
Total Projected Cost (1)	\$ 16,227,049
<u>Combined Plans</u>	
<i>Incurred Claims 11/2005 - 10/2006</i>	\$ 13,583,922
Total Projected Cost (1)	\$ 18,644,581

## Current Funding

Traditional Plan - 07/2006 to 06/2007	\$ 1,386,003
Managed Care Plans - 07/2006 to 06/2007	\$ 17,396,359
Total Current Funding	\$ 18,782,362

## Proposed Funding Change

Traditional Plan	74.42%
Managed Care Plans	-6.72%
Overall Funding Change	-0.73%

(1) Projected claims based on a 20 month trend factor for claims paid from 11/2005 through 10/2006, adjusted for current enrollment.  
Trend developed from claim periods 11/2004 through 10/2006.

**WEC SCHOOLS CONSORTIUM**  
**PROPOSED COMBINED RATE ADJUSTMENT**

**Combined Calculation: -4.70%**

Overall % Increase  
(incorporating a 3% maximum variance)

<u>School</u>	<u>Act 1 Projection</u>	<u>Updated Projection</u>
Crawford Central	2.19%	-1.40%
Forest Area	-1.81%	-5.40%
Titusville Area	-1.81%	-5.40%
Union City Area	-1.81%	-5.40%
Warren County	-1.81%	-6.40%
	-0.70%	-4.70%

**COMBINED CALCULATION: -4.70%**

**Notations:**

\* Loss ratio's reflect calendar year claims vs. funding



# PROPOSED RENEWAL FORMULA FOR WEC SCHOOLS CONSORTIUM

**COMBINED RENEWAL 2007 / 08: -4.70% Rate Adjustment**

**THREE YEAR AVERAGE LOSS RATIO = 81.23%**

**3% Variance**

+ Place each districts figure into the table:

62.51 - 67.50	=	-7.70
67.51 - 72.50	=	-6.70
72.51 - 77.50	=	-5.70
77.51 - 82.50	=	-4.70
82.51 - 87.50	=	-3.70
87.51 - 92.50	=	-2.70
92.51 - 97.50	=	-1.70