



MEMORANDUM

TO: David A. Hulseberg
Village Manager

FROM: Nicole P. Aranas
Assistant Village Manager

DATE: June 18, 2013

SUBJECT: Intergovernmental Personnel Benefit Cooperative (“IPBC”) Membership

Attached please find relevant information regarding the Intergovernmental Personnel Benefit Cooperative (IPBC), a public entity insurance cooperative. Staff is seeking authorization and direction to explore and execute documents to initiate membership for the Village of Lombard into the IPBC cooperative.

BACKGROUND

The IPBC is an intergovernmental entity created under Illinois state law, which allows municipal entities to band together for the purposes of insurance. Established in 1979, the cooperative currently includes more than sixty-nine (69) local government entities and covers more than 11,000 employee and retiree lives. IPBC has successfully used its large size to stabilize rate fluctuations for member municipalities and obtain favorable pricing on services.

The purpose of the IPBC is to provide economies of scale and risk pooling to allow member organizations more financial stability than is offered by the commercial insurance market. In the PPO program, the plan provides unique pooling of risk among all the members for individual claims between \$30,000 and \$125,000, with full reinsurance for claims over \$125,000. Accordingly, individual members are responsible for their claims under \$30,000 and only the redistributed share of aggregate claim costs across the pool between \$30,000 and \$125,000. This pooling allows for increased stability in rates and budgeting from year to year.

Within the IPBC individual members retain the right to retain, create and change their insurance plan design. The PPO program allows member communities to continue their insurance benefit plans without changing their deductibles, coinsurance or copayment amounts.

CONSIDERATIONS

There are a number of benefits towards participation in the IPBC cooperative worth considering:

- There are economies of scale in negotiating and purchasing insurance products and services through intergovernmental cooperatives.
- Pooling through the IPBC will reduce vulnerability of the Village to drastic market swings in the private insurance market. Historically, rate increases through the IPBC have trended lower than industry standards.
- Pooling of annual claims between \$30,000 and \$125,000 across the cooperative insulates and buffers the Village against experiencing direct impact of individual employee claims and resultant swings or increases in premiums from year to year.

- IPBC allows the Village to modify its approach to purchasing health insurance within the same Blue Cross Blue Shield of Illinois network without necessitating material changes to the plan design or coverage.
- Membership in the IPBC will provide the Village with access to a full Public Sector Services Team including underwriters, wellness consultants and a compliance team to support Village staff. In light of future changes in health insurance delivery due to implementation of healthcare reform, participation in the cooperative will give the Village access to resources, a support team and a network of peer communities to maneuver changes and their impacts upon local government employers.

AUTHORIZATION

Staff is requesting authorization to begin the formal process to initiate application towards membership into the cooperative. Upon direction from the Village Board, staff can initiate a letter of intent and application for submittal to IPBC membership. The full membership of IPBC and its executive committees will consider the request and analyze Village financials leading to consideration of the Village's application towards IPBC membership.

Concurrently, the Village will work with Gallagher Benefit Services, who professionally manages IPBC and provides benefit consulting services, to obtain a quote for renewal of our health insurance through Blue Cross Blue Shield of Illinois. If the IPBC Board votes to accept the Village of Lombard, a formal intergovernmental agreement will subsequently be presented for review and approval.