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MEMO

May 8, 2026

To: Dave Cook, IPBC Executive Director
From: Barb Dewey, FSA, MAAA
Jacob Sargent, ASA, MAAA
Susannah Gallup
Re: **Estimated impact of plan design changes on funding rates**

IPBC requested estimated impacts of common plan design changes on funding rates for the purpose of aiding plan design change discussions. The exhibits that follow are intended to provide an order of magnitude estimate of how a plan design change would impact plans' rates. The actual funding rate impact will still be calculated using a pricing model that is more closely calibrated to the plan design, region, and demographics of the IPBC member making the change.

In this memo, we provide summary tables of a number of independent proposed plan design changes. We also discuss the modeling approach we used to estimate the funding rate impact of each proposed plan design change and identify limitations associated with these estimates.

We understand that this memo will be shared with IPBC's contracted benefit consultants for the purpose of discussing potential benefit design changes.

Exhibits

In this memo, we provide four summary tables, as described below.

- Table 1 – Estimated impact of moving between UnitedHealthcare's standard plan designs
- Table 2 – Estimated impact of plan design changes on PPO plans
- Table 3 – Estimated impact of plan design changes on high deductible health plans (HDHPs)
- Table 4 – Estimated impact of plan design changes on HMO plans

TABLE 1 – ESTIMATED IMPACT OF MOVING BETWEEN UHC’S STANDARD PLAN DESIGNS

Smaller IPBC members with UnitedHealthcare (UHC) use UHC’s standard plan designs. The following table shows the estimated rate increase/decrease to move from one standard plan to another. When using the table, refer to the columns for your current plan and the rows for the plan you would move to.

	Current Plan					
	Choice+ \$250 Ded	Choice+ \$500 Ded	Choice+ \$1,000 Ded	Choice+ \$1,500 Ded	UHC Navigate Plan	HSA Embedded
New Plan						
Choice+ \$250 Ded	0.0%	6.8%	8.2%	16.1%	16.7%	23.2%
Choice+ \$500 Ded	-6.4%	0.0%	1.3%	8.7%	9.3%	15.3%
Choice+ \$1,000 Ded	-7.6%	-1.3%	0.0%	7.3%	7.9%	13.9%
Choice+ \$1,500 Ded	-13.9%	-8.0%	-6.8%	0.0%	0.6%	6.1%
UHC Navigate Plan	-14.3%	-8.5%	-7.3%	-0.6%	0.0%	5.6%
HSA Embedded	-18.8%	-13.3%	-12.2%	-5.8%	-5.3%	0.0%
Surest Plan	-19.3%	-13.8%	-12.7%	-6.3%	-5.8%	-0.5%

- The above savings and cost projections are estimates only and do not guarantee actual costs. The actual rate impact will be determined by IPBC’s underwriter on a case-by-case basis.
- The actual cost/savings for each IPBC member will depend on that member’s demographics, starting plan design, geographic location, and underlying healthcare utilization patterns. These estimated rate impacts were calculated using IPBC’s demographics as of February 2026 and UHC’s standard plan designs.
- The Navigate PPO network is stronger in the greater Chicago area than other parts of the state. The expected savings from changing to the Navigate PPO in the table above is based on an average over IPBC’s geographic distribution. IPBC members outside of the greater Chicago area will likely see about 1%-4% less savings than what is quoted above.
- For the HSA Embedded plan, we assumed a deductible of \$3,500 as an estimate of what will be the minimum embedded deductible for an HSA eligible plan in 2027.

TABLE 2 – ESTIMATED IMPACT OF PLAN DESIGN CHANGES ON PPO PLANS

The following plan design changes were modeled relative to the UHC Choice+ \$1,000 deductible plan.

Description		Estimated % Rate Impact
Deductible	\$100 Increase	-0.3%
Out-of-Pocket Maximum	20% Increase	-0.8%
Move from UHC Choice+ to UHC Core Network	Maintain same plan design, change networks	-3.1%
Move to BCO Network	Map in-network to Tier 1 and out-of-network to Tier 2. Set out-of-network deductible \$1,000 higher than Tier 2 deductible and set out-of-network coinsurance to 50%.	-4.9%
Coinsurance	Decrease coinsurance from 90% to 80%	-1.8%
	Decrease coinsurance from 90% to 70%	-3.1%
Office Visit Copay	\$5 PCP increase, \$10 Specialist increase	-0.9%
	\$10 PCP increase, \$20 Specialist increase	-1.7%
Emergency Room Copay	\$50 increase	-0.1%
	\$100 increase	-0.2%
Rx Copay	Increase Preferred Brand and Non-Preferred Brand by \$10	-0.2%
	Increase Generic by \$5, Preferred Brand by \$15, & Non-Preferred Brand by \$20	-0.6%

- The impact of a deductible increase is highly dependent on the current deductible. For example, a \$100 increase to a low deductible like \$250 will result in more savings than a \$100 increase to a higher deductible like \$1,500.
- The impact of an out-of-pocket maximum increase is highly dependent on the coinsurance. A lower coinsurance percentage will reduce the impact of a change in the out-of-pocket maximum.

- Using the UHC Choice+ \$1,000 deductible plan design, the impact of moving from the BCBSIL PPO network to the BCO network is similar to the impact of moving from the UHC Choice+ network to the BCO network.
- Deductible and out-of-pocket maximum changes assume that the in-network and out-of-network multipliers remain the same.
- The above savings and cost projections are estimates only and do not guarantee actual rate changes. The actual rate impact will be determined by IPBC's underwriter on a case-by-case basis.
- The rate impacts above have been calculated assuming benefit changes are made independently and not in combination with other changes. Changes to multiple benefit features at a time may result in different estimated rate impacts compared to the sum of the individual rate impacts.
- The actual cost/savings for each IPBC member will depend on that member's demographics, starting plan design, geographic location, and underlying healthcare utilization patterns. These estimated rate impacts were calculated using IPBC's demographics as of February 2026.

TABLE 3 – ESTIMATED IMPACT OF PLAN DESIGN CHANGES ON HDHPS

Description		Estimated % Rate Impact
Aggregate Deductible	Increase deductible and out-of-pocket maximum by \$50	-0.4%
	Increase deductible and out-of-pocket maximum by \$100	-0.8%
Embedded Deductible	Increase deductible and out-of-pocket maximum by \$100	-0.7%

- The impact of an out-of-pocket maximum increase is highly dependent on the coinsurance. A lower coinsurance percentage will reduce the impact of a change in the out-of-pocket maximum.
- Deductible, out-of-pocket maximum, and coinsurance changes assume that the in-network and out-of-network relativities remain the same.
- The above savings and cost projections are estimates only and do not guarantee actual rate changes. The actual rate impact will be determined by IPBC's underwriter on a case-by-case basis.
- The rate impacts above have been calculated assuming benefit changes are made independently and not in combination with other changes. Changes to multiple benefit features at a time may result in different estimated rate impacts compared to the sum of the individual rate impacts.
- The actual cost/savings for each IPBC member will depend on that member's demographics, starting plan design, geographic location, and underlying healthcare utilization patterns. These estimated rate impacts were calculated using IPBC's demographics as of February 2026 and a starting plan design with a (1) a \$1,700 aggregate deductible, \$5,000 individual out-of-pocket maximum, and 90% coinsurance and (2) a \$3,400 embedded deductible, \$3,400 individual out-of-pocket maximum, and 100% coinsurance.

TABLE 4.1 – ESTIMATED IMPACT OF PLAN DESIGN CHANGES ON BAHMO PLANS

Description		Estimated % Rate Impact
Office/Specialist Visit Copay	Increase copays from \$10 / \$20 to \$15 / \$30	0.1%
	Increase copays from \$10 / \$20 to \$20 / \$40	0.7%
	Increase copays from \$20 / \$40 to \$25 / \$50	-1.5%
	Increase copays from \$20 / \$40 to \$30 / \$60	-2.8%
	Increase copays from \$20 / \$40 to \$35 / \$70	-3.4%
	Increase copays from \$20 / \$40 to \$40 / \$80	-3.8%
Emergency Room Copay	\$50 increase	-0.1%
	\$100 increase	-0.2%
Rx Copay	Increase Preferred Brand and Non-Preferred Brand by \$10	-0.3%
	Increase Generic by \$5, Preferred Brand by \$15, & Non-Preferred Brand by \$20	-0.7%

TABLE 4.2 – ESTIMATED IMPACT OF PLAN DESIGN CHANGES ON HMOI PLANS

Description		Estimated % Rate Impact
Office/Specialist Visit Copay	Increase copays from \$10 / \$20 to \$15 / \$30	-1.3%
	Increase copays from \$10 / \$20 to \$20 / \$40	0.2%
	Increase copays from \$20 / \$40 to \$25 / \$50	-2.0%
	Increase copays from \$20 / \$40 to \$30 / \$60	-3.0%
	Increase copays from \$20 / \$40 to \$35 / \$70	-2.4%
	Increase copays from \$20 / \$40 to \$40 / \$80	-2.5%
Emergency Room Copay	\$50 increase	-0.1%
	\$100 increase	-0.2%
Rx Copay	Increase Preferred Brand and Non-Preferred Brand by \$10	-0.3%
	Increase Generic by \$5, Preferred Brand by \$15, & Non-Preferred Brand by \$20	-0.7%

- The above savings and cost projections are estimates only and do not guarantee actual costs. The actual rate impact will be determined by IPBC's underwriter on a case-by-case basis.
- The rate impacts above have been calculated assuming benefit changes are made independently and not in combination with other changes. Changes to multiple benefit features at a time may result in different estimated rate impacts compared to the sum of the individual rate impacts.
- The actual cost/savings for each IPBC member will depend on that member's demographics, starting plan design, geographic location, and underlying healthcare utilization patterns.
- The office visit copay impacts for HMO plans in the tables above are based on Physician Services Fees (PSFs) for July 2026 through June 2027. New PSFs will be set for the following year based on enrollment and claims data. In addition, PSFs may be updated mid-year if there is significant enrollment shifting. Changes to the PSFs can have a significant impact on actual expenses and/or renewal funding rate changes.

Data Sources and Methodology

We used the Milliman Health Cost Guidelines (HCGs) to calculate the expected change in costs associated with the various plan design changes. The Milliman HCGs are a health insurance pricing and benchmarking tool developed and maintained by Milliman. They are used extensively by Milliman's actuaries and many of our clients and are broadly accepted as an actuarial standard within the health insurance industry. To maintain the HCGs, we collect data from a variety of sources, including health insurance companies, large employers, data vendors, Medicare, and other sources.

We used the Milliman Discount Benchmark Model to examine the range in discounts off billed charges in several regions in Illinois. We used these benchmarks in combination with UHC's assessment of their Navigate PPO savings over the Choice+ \$1,000 deductible plan to model reduced provider reimbursement rates under the Navigate PPO plan design and network.

We first calibrated our benchmarks to the region and demographics appropriate for IPBC's overall membership as of February 2026. We also calibrated the benchmarks to reflect expected claims costs and patterns associated with the geographic distribution of IPBC members, with a majority of membership in the Chicago-Naperville-Evanston and Lake County-Kenosha County metropolitan statistical areas. We trended our model to a plan year running from January 1, 2027 to December 31, 2027. We relied on reimbursement data for UHC and BCBS from an internal analysis, which uses Uniform Discount Standard (UDS) data to evaluate reimbursement differences by MSA, carrier, and network.

To populate Table 1, we used our models to estimate the costs associated with each of IPBC's UnitedHealthcare standard plan designs. We used benefit detail from the files "IPBC Plan Grid Common Plan Strat Modified for 1-1-18.xls" and "NEW SET-IPBC IV Navigate Medical Benefit Summary.docx." For the UHC Navigate PPO plan design, we included adjustments to account for improved reimbursement discounts. Table 1 shows the impact of moving between each of the UHC plan designs. To calculate the impact of moving to the new IPBC standard Surest plan design, we relied on the quote provided by UHC for moving from the current UHC Choice+ \$1,500 deductible plan design to the new IPBC standard Surest plan design ("20260101 Surest C5000 Mx Only Plan Modeling - Slice - IPBC - 20250219.pdf"). We combined the UHC quoted impact with the impact of moving from each UHC standard plan to the UHC Choice+ \$1,500 to arrive at the overall rate impact of moving from each current plan design to the new Surest plan design.

To populate Table 2, we used the UHC Choice+ \$1,000 deductible plan design as a baseline. While benefit design changes will have different impacts depending on the starting plan design, we did this to reflect a common plan design for IPBC. We then changed one feature of the plan design at a time. For example, we calculated the impact of increasing the deductible by \$100 without changing any other features. The starting pharmacy benefit copays were \$10 for generics, \$25 for preferred brands, and \$40 for non-preferred brands.

To populate Table 3, we first set up two HDHPs: (1) a \$1,700 aggregate deductible, \$5,000 individual out-of-pocket maximum, and 90% coinsurance and (2) a \$3,400 embedded deductible, \$3,400 individual out-of-pocket maximum, and 100% coinsurance. We then changed one feature of the plan design at a time. Finally, we changed both the deductible and out-of-pocket maximum together. We used the 2026 minimum deductibles for HSA eligible plans as a starting point since that is where most plans will start from as they consider plan changes for 2027. There will likely be a requirement to increase the deductible above this level to maintain HSA eligibility in 2027.

To populate Table 4, we used a typical IPBC HMO plan design (\$0 deductible, \$1,500 out-of-pocket maximum, \$20 PCP copay, \$40 SCP copay, \$150 ER copay) as the starting HMO plan design and then varied the professional office visit, ER, and pharmacy copays. Similar to the PPO plans, the starting pharmacy benefit copays for the HMOs were \$10 for generics, \$25 for preferred brands, and \$40 for non-

preferred brands. We used the Physician Service Fees (PSFs) from the file "IPBC 07.01.2026 PSFs.xlsx" to model the impact of office visit copays within the HMOI and BAHMO networks.

For all of our plan design modeling, we considered the fact that these plan design changes would have different impacts on claims costs at each layer based on IPBC's pooling methodology: under \$50,000 per member, between \$50,000 and \$150,000 per member, and between \$150,000 and the ISL per member.

LIMITATIONS

Milliman's work is prepared solely for the internal business use of the IPBC for the purposes of guiding IPBC members and benefits consultants in the selection of plan changes to be included in underwriting requests. Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit any third-party recipient of its work product, even if Milliman consents to the release of its work product to such third party.

Milliman has developed certain models to estimate the values included in this memo. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP). The models rely on data and information as input to the models. We have relied upon certain data and information provided by IPBC and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete. The models, including all input, calculations, and output may not be appropriate for any other purpose.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors of this memo are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses in this memo.