

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: EMPLOYEE BENEFITS PROGRAM FOR CALENDAR YEAR 2006

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

Staff and the Board's employee benefits consulting firm of Deloitte Consulting, LLP, have been discussing renewal terms for its health insurance program with UnitedHealthcare of Florida, Inc. (United). Numerous meetings have also been held with the various unions and employee organizations which represent Miami-Dade County School employees. As the Board is aware, United Teachers of Dade (UTD) settled its contract for 2005-2006, which was approved at the Board meeting of August 17, 2005, including the re-opener for health insurance. Negotiations are ongoing with the other bargaining units (DCSAA, DCSMEC, AFSCME & FOP) pursuant to their contractual rights. Additionally, the Flexible Benefits for calendar year 2006 were approved by the Board at its meeting of August 17, 2005, with all Board-paid and employee-paid coverages approved for a three year period.

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The terms and conditions for the employee benefits program for calendar year 2006 as contained in this document are applicable to UTD, non-represented employees, Board retirees and their eligible dependents. This program includes renewal of the Board's contract with UnitedHealthcare of Florida, Inc. for one year and includes the following components:

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- Two percent (2%) premium increase from 2005 rates which had remained the same since January 1, 2004
- New HMO offering in addition to the currently offered Point of Service (POS) and HMO with lower physician co-payments and lower dependent costs
- Re-introduction of Board-paid flexible benefits for employees who choose the currently offered HMO (\$20/month) or the newly offered HMO (\$40/month)
- Reduction in the co-payment on mail away (90 day supply) prescription drugs from 2.5 x 30-day supply to 2.0 x 30-day supply

Additionally, for this RFP staff in conjunction with the collective bargaining agents, will begin working on a comprehensive Request For Proposal (RFP) to seek competitive proposals for a multi-year health insurance contract, for an effective date of no later than January 1, 2007. The proposed timeframe for the entire RFP process is outlined later in this item.

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RECOMMENDED HEALTHCARE PROGRAM FOR CALENDAR YEAR 2006

Staff is recommending renewal of the current healthcare program, through UnitedHealthcare of Florida, Inc., effective January 1, 2006. The recommended plan consists of three plan offerings including the currently offered Point of Service (POS), and HMO, plus an additional new HMO option with lower physician co-payments and dependent premiums. This renewal includes a negotiated 2% premium increase for 2006 which is significantly below national healthcare trend currently in excess of 10%, with trends in high cost areas such as South Florida even higher.

As part of the negotiated healthcare program for 2006, staff is recommending that the Board absorb the cost of the negotiated 2% premium increase for employee-only Board-paid healthcare for all benefit eligible employees. Additionally, staff is recommending that the negotiated 2% increase be absorbed by the Board as part of its currently authorized dependent healthcare subsidy offered to employees who choose some form of dependent healthcare for 2006. Employees choosing any level of dependent healthcare will not spend any additional money for dependent healthcare premiums for the third consecutive year as a result of the Board's commitment to increase dependent subsidies in 2004, the United 0% increase for 2005, and the Board's willingness to absorb the 2% increase for 2006 as part of its subsidies, which is unprecedented in healthcare today.

Additionally, staff has been successful in negotiating plan design enhancements at no additional cost as a result of collective bargaining negotiations including the following:

- Coverage for bariatric surgery for pre-screened candidates for employees who enroll in the POS program and have the surgery performed by in-network providers
- The creation of a Maintenance of Benefits (MOB) provision whereby premiums, co-payments, and co-insurance amounts as well as the structure of the pharmaceutical formulary will not change during the course of the year, except where co-payments can be reduced
- Enrollment of all benefit eligible employees in UnitedHealth Allies for non-traditional benefits such as massage therapy, cosmetic dentistry, and lasik surgery at discounted prices
- Establishment of a global wellness program which will be initiated with an online health risk assessment, with specific follow-up and the development of wellness fairs for employees

2006 HEALTH PLAN STRUCTURE AND PREMIUMS

A brief summary of the three healthplan options and monthly premiums are shown below. All three options are based upon United's Open Access platform wherein referrals from primary care physicians are not required to access specialists. The POS option includes a nationwide provider network, with the two HMO options based upon a Florida-based provider network.

	POS	HMO 63	New HMO 62 to be Added Jan. 1, 2006
In Network			
Copay (PCP/Specialist)	\$15/\$30	\$20/\$20	\$10/\$15
Deductible (Ind/Fam)	None	\$250/\$500	\$500/\$1,000
Inpatient Hospitalization	\$150 per day to \$450	80%	80%
Coinsurance	100%	80%	80%
OOP Maximum (After which plan pays 100%)	\$1,500/\$3,000	\$1500/\$3,000	\$1,500/\$3,000
Rx	\$10/\$30/\$50 2 x MO	\$10/\$30/\$50 2 x MO	\$10/\$30/\$50 2 x MO
Out of Network			
Deductible	\$500/\$1,000	N/A	N/A
Coinsurance	70%		
OOP Maximum	\$3,000/\$6,000		

In addition to providing healthcare insurance for all eligible employees at no cost, staff is recommending continuation of the Board subsidy of dependent premiums for calendar year 2006. The monthly premiums, Board subsidy and cost to employees with and without the flex dollars is shown below. These subsidized rates are the basis for which the payroll reductions/deductions will be taken for all participating ten month and twelve month employees.

Plan/Tier of Coverage	Monthly Premium	Monthly Board Subsidy	Monthly Cost to Employee	Monthly Cost to Employee Net of Flex
POS				
Employee Only	\$408.95	\$408.95	0	N/A
Spouse	\$439.46	\$110.89	\$328.57	N/A
Child(ren)	\$381.99	\$104.76	\$277.23	N/A
Family	\$787.10	\$247.98	\$539.12	N/A
HMO 63 (\$20 Flex)				(Net of \$20 Flex)
Employee Only	\$373.90	\$373.90	0	\$20 Flex Benefits
Spouse	\$401.80	\$196.20	\$205.60	\$185.60
Child(ren)	\$349.25	\$172.46	\$176.79	\$156.79
Family	\$719.65	\$355.51	\$364.14	\$344.14
New HMO 62 (\$40 Flex)				(Net of \$40 Flex)
Employee Only	\$348.48	\$348.48	0	\$40 Flex Benefits
Spouse	\$374.47	\$201.61	\$172.86	\$132.86
Child(ren)	\$325.50	\$177.88	\$147.62	\$107.62
Family	\$670.71	\$360.93	\$309.78	\$269.78

Board Paid Flex Dollars

Staff is recommending that the Board re-introduce Board-paid flexible benefit contributions (flex dollars), a benefit which has not been offered since calendar year 2002. These flex dollars may be used by employees as an additional contribution to offset the cost of dependent healthcare or to purchase flexible benefits including dental, vision, pre-paid legal, disability, hospital income, or life insurance. Additionally employees may also use these flex dollars to fund a Flexible Spending Account (FSA) or take the flex dollars in cash, at which point the cash would become taxable.

Based upon the three healthplan offerings, the recommended flexible benefit contribution would be \$20 per month for employees who select the currently offered HMO 63 product for their healthcare choice, or \$40 per month for employees who select the newly offered HMO 62 product for their healthcare choice

MONTHLY PREMIUMS – PPO/OUT OF AREA ONLY

The Board continues to provide a Preferred Provider Option (PPO) for employees or retirees who may be living outside a network area, either within the State of Florida or across the nation. Based upon the vast network which United has assembled nationwide, it is anticipated that very few people would require this program; however, it is important that it be made available if a need arises. The negotiated 2% increase would be assumed by the Board for benefit-eligible employees only who enroll in this program, with the Board's contribution limited to the POS Board-paid amount (\$408.95/month) toward the premium shown below:

Employee/Retiree Only	\$ 849.71
Spouse	\$ 968.66
Child(ren)	\$ 845.46
Family	\$1,713.87

OPT-OUT PROVISION

The Board will continue providing employees with a \$100 per month opt-out benefit, which may be used for a package of flexible benefits, 401(k) contribution, flexible spending account (FSA), or cash. Employees who take this option would only be able to obtain Board-paid coverage during calendar year 2006 if they experience a change in status, as defined by the Internal Revenue Code (IRC), Section 125. All employees who opt-out would be eligible to re-enroll for coverage on an annual basis during open enrollment for the following calendar year, without proof of insurability.

HEALTHCARE COVERAGE FOR MEDICARE-ELIGIBLE RETIREES

Currently, Board retirees who are eligible for Medicare Parts A & B may elect to purchase a Medicare Supplement through the Board's health insurance program to supplement those expenses not covered by Medicare. Retirees residing in Miami-Dade, Broward or Palm Beach counties may also choose to participate in a Medicare Risk program, wherein the retiree waives traditional Medicare, and has Medicare pay a monthly fee to a selected HMO, which in turn provides healthcare services to the retiree.

Beginning with the calendar year 2004, United offered a group Medicare Risk contract for Miami-Dade County School Board retirees residing in the tri-county area who were Medicare-eligible. Due to the continued high cost of providing healthcare to retirees, United is only willing to continue offering the previously offered group Medicare Risk program for retirees who reside in Miami-Dade County. The benefits remain the same as the currently offered plan with the exception of the cost of brand name prescriptions going from \$15 to \$35. Generic prescriptions will remain at the current \$5.

Broward and Palm Beach County Medicare-eligible retirees may enroll in the Board's Medicare Supplement for 2006. Those who wish to obtain an individual Medicare Risk product may do so individually with United or any other Medicare Risk provider. In the past, any retiree who failed to enroll in a Board sponsored Medicare plan was precluded from future enrollment. Due to the unavailability of a group Medicare Risk plan in Broward and Palm Beach counties, the Board will maintain a database of retirees enrolled in the 2005 group United Medicare Risk program and will offer them an open enrollment opportunity for calendar year 2007. Retirees leaving the Board plan for an individual Medicare Risk product will be able to continue any optional flexible benefits they currently have in place through the Board.

All retirees enrolled in the plans below must continue to pay the Medicare Part B monthly premium which is currently \$78.20, subject to change by Medicare. Monthly premiums are as follows:

United Group Medicare Risk Plan Miami-Dade County Residents: \$108.27

United Medicare Supplement:

Retiree	\$408.95
Spouse	\$439.46
Child(ren)	\$381.99
Family	\$787.10

CORE TERM LIFE COVERAGE

Metropolitan Life Insurance Company (MetLife) provided a renewal quotation for Board-paid group term life insurance coverage to include basic, optional, accidental death and dismemberment coverage and group dependent life coverage pursuant to authorization by the Board to renegotiate with companies currently providing benefits to Board employees. The basic life rate for active employees was reduced to \$0.204/\$1,000 from the current rate of \$0.227/\$1,000 coverage. Basic life for retirees was reduced to \$0.55/\$1,000 from \$0.61/\$1,000 (10% reduction), resulting in annual savings of \$483,000. Optional life coverage for active employees which is age-banded was reduced by 30%. All rates were guaranteed for a three year period effective January 1, 2006 through December 31, 2008.

EMPLOYEE HEALTHCARE SURVEY

This past spring an employee healthcare survey to assess the healthcare needs of Board employees and their dependents was developed collaboratively with Board staff and representatives of the bargaining units and employee associations which represent School Board employees.

The survey was sent to 42,044 Board employees through school mail in February, 2005. Each employee received the same survey though the surveys were coded by bargaining unit in order to provide results by employee bargaining units. There were 10,957 completed surveys returned, representing a response rate of 26.1%, which is considered excellent for this type of survey.

Some high level results of the survey are as follows:

- 57.8% of respondents had eligible dependents
- 61.9% of those employees who have eligible dependents currently had some form of dependent coverage
- Of those who have dependent coverage, 43.2% participate in the Child(ren) tier; 19.8% participate in the Spouse tier; 32.4% participate in the Family tier; and 4.6% did not answer
- 70% of the respondents with eligible dependents enrolled their dependents in the M-DCPS healthcare program
- 20.4% of those employees with eligible dependents indicated that they had no healthcare program for their dependents

The Board's flexible benefits third party administrator, Fringe Benefits Management Company (FBMC), agreed to coordinate the distribution, collection and tabulation of this survey. Because of a relatively tight timeframe to present the findings of this survey, FBMC was asked to devote additional resources towards the collection and tabulation of the survey results. This required them to incur additional costs for data entry personnel, clerical support and technical analysis in the amount of \$4,200, and staff is recommending that the Board agree to pay FBMC for these additional costs for expedited analysis of the survey, with the funding for such services to be charged to the Board's Employee Benefits budget, pursuant to FBMC's existing contract with the Board for third party administrative services.

ISSUANCE OF REQUEST FOR PROPOSAL (RFP) # 019-FF10

As was highlighted at the beginning of this item, for this RFP staff is recommending that the Board begin work on RFP # 019-FF10 which will be constructed and evaluated collaboratively with collective bargaining agents for health benefits. The RFP will solicit proposals with an effective date of July 1, 2006 for DCSAA, DCSMEC, AFSCME and FOP, with a six month rate guarantee. The RFP will also solicit proposals with an effective date of January 1, 2007 for all benefit eligible employees, retirees and their dependents. This RFP issuance is in keeping with good business practices of testing the marketplace, as well as complying with the provisions of Section 112.08, Florida Statutes. The proposed timeline for construction and issuance of a comprehensive RFP, including the analysis, negotiations and final Board approval is as follows:

RFP & Evaluation Committee Meeting	September 21, 2005	} RE V I S S E D
Multiple Committee Meetings as Necessary	September, October 2005	
Final Draft of RFP	November 1, 2005	
Board Approval to Release RFP	November 16, 2005	
Release RFP to bidders	November 17, 2005	
Proposers' Conference	December 7, 2005	
Proposals Due (bid opening)	January 17, 2006	
Staff/Consultant analysis	January 18 – February 28, 2006	
RFP & Evaluation Committee Meetings	March, 2006	
Executive Session with Board	April, 2006	
Board Approval	May, 2006	

All dates are subject to change depending upon availability and collective bargaining schedule.

The School Board approved a one year extension to the Board's current Employee Benefits Consulting Services contract with Deloitte Consulting, LLP, effective July 1, 2005 to June 30, 2006. As a result of the recommendation to construct and issue an RFP for the Board's medical, behavioral health, wellness and prescription drug programs, effective January 1, 2007, staff feels that it would be in the Boards' best interest to move up the timeline for re-marketing the Board's employee benefits consulting services contract, so that it has a new multi-year contract in place as soon after January, 2006 as possible for continuity. Staff intends to bring the Request For Proposal (RFP) to the Board meeting of October 19, 2005 for release, in an effort to award a new employee benefits consulting services contract no later than the Board meeting in January, 2006.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, authorize the following renewals/modifications, pursuant to Board ratification of the 2005-2006 Addendum to the labor contract with the United Teachers of Dade on August 17, 2005, Agenda Item Replacement A-2, with implementation of recommendations for non-represented employees, Board retirees and their eligible dependents effective January 1, 2006 through December 31, 2006: } R
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1. renew the existing contract with UnitedHealthcare of Florida, Inc., to provide healthcare benefits to benefit eligible employees, retirees and their eligible dependents, for their Point of Service (POS) program, Choice Plus at the following monthly rate structure:

Employee/Retiree:	\$ 408.95
Spouse:	\$ 439.46
Child(ren):	\$ 381.99
Family:	\$ 787.10

2. renew the existing contract with UnitedHealthcare of Florida, Inc., to provide healthcare benefits to benefit eligible employees, retirees and their eligible dependents for their Choice 63 HMO, consisting of benefits as filed with the State of Florida, Department of Insurance, at the following monthly rate structure:

Employee/Retiree:	\$ 373.90
Spouse:	\$ 401.80
Child(ren):	\$ 349.25
Family:	\$ 719.65

- authorize the addition of a new low cost HMO contract with UnitedHealthcare of Florida, Inc., to provide healthcare benefits to benefit eligible employees, retirees and their eligible dependents for their Choice 62 HMO, consisting of benefits as filed with the State of Florida, Department of Insurance, at the following monthly rate structure:

Employee/Retiree:	\$ 348.48
Spouse:	\$ 374.47
Child(ren):	\$ 325.50
Family:	\$ 670.71

- renew the existing contract with UnitedHealthcare of Florida, Inc. and UnitedHealthcare Insurance Company, to provide healthcare benefits to benefit eligible employees and their eligible dependents, with the Board contributing the POS employee only contribution, as well as to Board retirees, for the Preferred Provider Organization (PPO) program, at the following monthly rate structure:

Employee/Retiree:	\$ 849.71
Spouse:	\$ 968.66
Child(ren):	\$ 845.46
Family:	\$1,713.87

- renew the existing contract with UnitedHealthcare of Florida, Inc. and UnitedHealthcare Insurance Company to provide the United Medicare Supplement to Medicare-eligible retirees, at the following monthly rate structure:

Retiree	\$ 408.95
Spouse	\$ 439.46
Child(ren)	\$ 381.99
Family	\$ 787.10

- approve UnitedHealthcare of Florida, Inc. to offer the group Medicare Complete program to M-DCPS Medicare-eligible retirees in Miami-Dade County, and their eligible dependents, effective January 1, 2006, with benefits and premium costs pursuant to the plan filings as approved by the Center for Medicare and Medicaid Services (CMS), at the following monthly rate structure:

Miami-Dade County Residents: \$ 108.27

7. authorize the expenditure of funds to subsidize monthly dependent premiums for active, benefit-eligible Board employees who elect dependent coverage, effective January 1, 2006, to be paid directly to UnitedHealthcare of Florida, Inc., on behalf of the active, benefit-eligible Board employees who elect dependent healthcare, in order to fully fund the approved rate structure for healthplans, including Choice Plus POS, Choice 63 HMO and Choice 62 HMO, in the following amounts, with funds to be taken from the Board's healthcare budget:

	<u>POS</u>	<u>HMO 63</u>	<u>HMO 62</u>
Spouse	\$110.89	\$ 196.20	\$ 201.61
Child(ren)	\$ 104.76	\$ 172.46	\$ 177.88
Family	\$ 247.98	\$ 355.51	\$ 360.93

8. authorize the opt-out provision for active, full time, benefit-eligible employees, effective January 1, 2006, who can attest to the fact that they will be covered by another healthcare product, with such employees who elect not to participate in the Board's healthcare program to receive a monthly benefit equal to \$100, to be utilized for the purchase of a pre-determined selection of Board-approved flexible benefit products, including investment in the Board's supplementary retirement 401(k) program, FSA or cash (taxable pursuant to the requirements of the Internal Revenue Code, Section 125);
9. authorize the re-introduction of Board-paid flexible benefit contributions in the amount of \$20 per month for employees who select the Choice 63 HMO and \$40 per month for employees who select the Choice 62 HMO, effective January 1, 2006, to be utilized for the purchase of a pre-determined selection of Board-approved flexible benefit products, including investment in the Board's supplementary retirement 401(k) program, FSA, cash (taxable pursuant to the requirements of the Internal Revenue Code, Section 125), or to offset dependent healthcare premiums;
10. renew its contract with UnitedHealthcare Insurance Company, to provide the hospital income benefit consisting of \$350/day while confined to a hospital for negotiated benefit eligible employees represented by the American Federation of State, County, and Municipal Employees (AFSCME), local 1184, for a monthly premium of \$17.55 effective January 1, 2006;

11. renew its contract with Metropolitan Life Insurance Company, effective January 1, 2006, for a three year contract, for group term life insurance coverage including basic, optional, accidental death and dismemberment coverage and group dependent life at the following monthly rates:

Basic Active Life:	\$.204/\$1,000 coverage
Basic Retiree Life:	\$.55/\$1,000 coverage
Optional Life	
Under 25 years	\$.042/\$1,000 coverage
25-29 years	\$.042/\$1,000 coverage
30-34 years	\$.056/\$1,000 coverage
35-39 years	\$.077/\$1,000 coverage
40-44 years	\$.077/\$1,000 coverage
45-49 years	\$.147/\$1,000 coverage
50-54 years	\$.210/\$1,000 coverage
55-59 years	\$.400/\$1,000 coverage
60-64 years	\$.462/\$1,000 coverage
65-69 years	\$.900/\$1,000 coverage
70-74 years	\$ 1.442/\$1,000 coverage
75+ years	\$ 2.212/\$1,000 coverage
AD&D Basic	\$.02/\$1,000 coverage
AD&D Optional	\$.03/\$1,000 coverage
Dependent (spouse)	\$.49/\$5,000 coverage
Age banded to	\$ 8.29/\$5,000 coverage
Dependent (child)	\$.99/\$5,000 coverage
Age banded to	\$ 1.98/\$5,000 coverage

12. authorize the expenditure of funds to pay the Board's third party administrator, Fringe Benefits Management Company, \$4,200 for their expedited analysis of the Employee Healthcare Survey;
13. authorize staff to prepare a comprehensive Request For Proposal (RFP) No. 019-FF10 collaboratively with collective bargaining agents for Medical Benefits, Behavioral Health, Wellness and Prescription Drug Programs;
14. authorize staff to prepare a comprehensive Request For Proposal (RFP) No. 018-FF10 for Consulting Services, Employee Benefits Program effective no later than January 31, 2006.

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