

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT: APPROVAL OF PREMIUM EQUIVALENT RATES, ADMINISTRATIVE SERVICES ONLY (ASO) RENEWAL AND FEES, AND INDIVIDUAL AND AGGREGATE STOP LOSS COVERAGE FOR DISTRICT SELF INSURED HEALTHCARE PROGRAM AND GROUP HEALTHCARE BENEFITS FOR MEDICARE ELIGIBLE RETIREES FOR CALENDAR YEAR 2013**

**COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS**

**LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

Pursuant to the structure of a self-funded healthcare program, it is necessary to create premium equivalent rates to pay claims, stop loss premiums and necessary expenses on an annual basis. Premium equivalent rates are determined by an annual actuarial analysis prepared by the District's employee benefits consulting firm, Deloitte Consulting LLP, as well as the District's third party administrator for the plan, Cigna. Additionally, an annual filing is required with the Office of Insurance Regulation, State of Florida, to comply with statutory requirements that sufficient reserves have been accrued.

For calendar year 2012, the Board approved an initial set of premium equivalent rates at the Board meeting of November 22, 2011, as well as authorizing the Superintendent to enter into negotiations with Cigna for ASO renewal terms for calendar years 2013 and 2014. At the Board meeting of March 7, 2012, an updated set of premium equivalent rates were approved to reflect plan design and contribution changes which became effective on April 1, 2012. The initial actuarial projections for healthcare expenditures in calendar year 2013 consist of a 9% increase, totaling \$31,790,000, if no modifications to the current plan design or contribution strategy are made.

The rates shown below reflect the savings attained by negotiated plan design changes with one of the bargaining unions and reduced the increase to 6.4% or an increase of \$22,670,000 for calendar year 2013. This item is for purposes of establishing appropriate premium equivalent rates and not for purposes of collective bargaining.

**E-68**

The following monthly premium equivalent rates effective January 1, 2013 – December 31, 2013, will apply to contributions for all active, benefit-eligible full and part time employees, non-Medicare eligible retirees, previously employed personnel who have elected coverage under COBRA and their eligible dependents:

Coverage Tier	1/1/2013 - 12/31/2013	
	OAP20	OAP10
Employee Only	\$ 576	\$ 626
EE + Spouse	\$1,391	\$1,513
EE + Child(ren)*	\$1,149	\$1,251
EE + Family	\$2,206	\$2,401
Adult Dependent**	\$ 489	\$ 533

\*Rate includes adult children up to age 26 in compliance with 2010 Health Reform Act.

\*\*Rate is per eligible dependent 27-30 years of age in addition to other dependent rates as shown above in compliance with Florida Statute §627.602(c)(1).

If the District is unable to attain this same plan design agreement with other unions the following premium equivalent rates reflecting the 9% increase for calendar year 2013 would be effective for the applicable active, benefit-eligible full and part time employees effective January 1, 2013 - December 31, 2013.

Coverage Tier	1/1/2013 - 12/31/2013	
	OAP20	OAP10
Employee Only	\$ 590	\$ 641
EE + Spouse	\$1,424	\$1,550
EE + Child(ren)*	\$1,177	\$1,282
EE + Family	\$2,259	\$2,459
Adult Dependent**	\$ 500	\$ 546

\*Rate includes adult children up to age 26 in compliance with 2010 Health Reform Act.

\*\*Rate is per eligible dependent 27-30 years of age in addition to other dependent rates as shown above in compliance with Florida Statute §627.602(c)(1).

#### Administrative Services (ASO) Fees

At the Board meeting of September 9, 2009, approval was received for award of Request for Proposals (RFP) #071-JJ10, District Healthcare Benefit Program to CIGNA, for an initial 3-year term effective January 1, 2010, and authorization of an extension of the contract for a fourth and fifth year. Below are the proposed and negotiated rates per employee per month (PEPM) which results in total estimated savings of \$4,039,000:

	Proposed Rate	Negotiated Rate	Annual Savings
2010	\$23.69	\$23.69	N/A
2011	\$24.12	\$24.12	N/A
2012	\$24.45	\$24.12	\$1,087,000
2013	\$25.19	\$24.12	\$1,416,000
2014	\$25.94	\$24.60	\$1,536,000
TOTAL ESTIMATED SAVINGS			\$4,039,000

Stop Loss Coverage

One component of the self-funded healthcare program involves the purchase of stop loss coverage which transfers the risk of excess claims to an insurance contract. There are two types of stop loss coverage which have been purchased since the creation of the self funded program in January, 2010. The first type of coverage consists of individual stop loss (ISL) which provides insurance coverage when a specific claim exceeds a specific dollar threshold. The second type of coverage is aggregate stop loss coverage (ASL), which provides reimbursement when total annual claims exceed a specified percent of paid claims within a 12-month period, 120% for this program.

During calendar year 2010, six individual claims exceeded the \$700,000 ISL threshold resulting in reimbursement of \$2.71 million in claim expenses. For 2011 there were 9 claims resulting in reimbursement of \$3.106 million and for 2012 we have 6 claims which have exceeded the threshold so far.

As a result of known claims exposure in a self-insured environment, staff is recommending the continued purchase of the ISL coverage with increasing the threshold to \$880,000 in order to maintain the premium at \$5.66 PEPM for an estimated annual cost of \$2,502,784 for calendar year 2013.

Staff and the District's employee benefits consulting firm are recommending elimination of the aggregate stop loss (ASL) coverage resulting in premium savings of almost \$1million annually. There have been no claims made against the aggregate coverage which would attach if claims exceed 120% of expected claims in any one year.

Group Medicare Program

At the Board meeting of October 19, 2011, the Board awarded Request For Information (RFI) #040-LL10, Group Healthcare Benefits for Medicare Eligible Retirees to Humana effective January 1, 2012 through December 31, 2012, with the ability to renew for two additional one-year periods. Staff has negotiated the renewal of the contract effective January 1, 2013 through December 31, 2013 at the following monthly rates:

	<u>2012</u>	<u>2013</u>
<u>Regional HMOs (Miami-Dade/Broward/Palm Beach Co.)</u>		
HMO 076-939	\$ 0.00	\$ 0.00
HMO 076-152	\$68.00	\$47.00
National PPO 076-060	\$71.00	\$76.00

The above monthly rates are per retiree and per eligible dependent over 65 and/or Medicare Eligible. Open enrollment information for Medicare eligible retirees will be mailed to their home address subsequent to the approval of this agenda item.

**RECOMMENDED:**

That The School Board of Miami-Dade County, Florida:

1. approve the monthly premium equivalent rates for benefit eligible full and part time employees, eligible COBRA participants, non-Medicare eligible retirees and their eligible dependents for unions in agreement with plan design changes for the self-funded medical program administered by Cigna Healthcare effective January 1, 2013 - December 31, 2013;

Coverage Tier	1/1/2013 - 12/31/2013	
	OAP20	OAP10
Employee Only	\$ 576	\$ 626
EE + Spouse	\$1,391	\$1,513
EE + Child(ren)*	\$1,149	\$1,251
EE + Family	\$2,206	\$2,401
Adult Dependent**	\$ 489	\$ 533

2. approve the monthly premium equivalent rates for benefit eligible full and part time employees, eligible COBRA participants, non-Medicare eligible retirees and their eligible dependents for unions not in agreement with plan design changes for the self-funded medical program administered by Cigna Healthcare effective January 1, 2013 - December 31, 2013;

Coverage Tier	OAP20	OAP10
Employee Only	\$ 590	\$ 641
EE + Spouse	\$1,424	\$1,550
EE + Child(ren)*	\$1,177	\$1,282
EE + Family	\$2,259	\$2,459
Adult Dependent**	\$ 500	\$ 546

\*Rate includes adult children up to age 26 in compliance with 2010 Health Reform.

\*\* Rate is per eligible dependent 27-30 years of age in addition to other dependent rates as shown above in compliance with Florida Statute §627.602(c)(1).

3. approve Administrative Services Only (ASO) fees for Cigna of \$24.12 PEPM for calendar years 2013 and \$24.60 PEPM for calendar year 2014, subject to the previously authorized \$6.13 PEPM decrement for pharmacy rebates;

4. authorize the purchase of individual stop loss coverage (ISL) effective January 1 – December 31, 2013, with the following coverage limits and rates;

Individual Stop Loss (\$880,000)      \$5.66/ee/month

5. authorize elimination of aggregate stop loss (ASL) coverage effective January 1, 2013;

6. Renew the Group Healthcare Benefits for Medicare Eligible Retirees contract with Humana at the following monthly rates for calendar year 2013:

Miami-Dade/Broward/Palm Beach Counties

	<u>Mo. Rate</u>
HMO 076-939	\$ 0.00
HMO 076-152	\$ 47.00
PPO 076-060	\$ 76.00

The above monthly rates are per retiree and per eligible dependent over 65 and/or Medicare Eligible.

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