

Alberto M. Carvalho, Superintendent of Schools

SUBJECT: APPROVAL OF PREMIUM EQUIVALENT RATES, AND INDIVIDUAL AND STOP LOSS COVERAGE FOR DISTRICT SELF INSURED HEALTHCARE PROGRAM AND GROUP HEALTHCARE BENEFITS FOR MEDICARE ELIGIBLE RETIREES FOR CALENDAR YEAR 2014

LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY

At the Board meeting of October 16, 2013, the Board approved the 2014 monthly premium equivalent rates for benefit eligible full and part time employees, eligible COBRA participants, non-Medicare eligible retirees and their eligible dependents, subject to plan design and contribution strategies in place for calendar year 2013, inclusive of previously approved Administrative Services Only (ASO) fees and anticipated changes to premiums for Individual Stop Loss coverage effective January 1, 2014 – December 31, 2014. The increase over 2013 premium equivalent rates inclusive of medical trend, as well as fees and required plan design changes under the Federal Affordable Care Act is 17%.

Negotiations with one of the bargaining units have proven successful for savings attained by negotiated plan design changes as well as contribution changes. These savings on a District-wide basis would result in a reduction in cost increases for calendar year 2014 of \$27,861,000 or approximately an 8% increase overall. The Board's contribution for the negotiation is approximately \$7 million for fiscal year 2013-2014, which would result in the same amount for fiscal year 2014-2015 being that the health insurance program is on a calendar year basis.

SP-2

This item is for purposes of establishing appropriate premium equivalent rates, based upon approved changes to the District's healthcare program effective January 1, 2014 – December 31, 2014 and will apply to 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, for associations (Managerial Exempt Personnel, Confidential Exempt Personnel) and unions in agreement with plan design and contribution changes for the self funded medical program administered by Cigna Healthcare.

At the Board meeting of November 21, 2012, authorization was received to purchase individual stop loss coverage (ISL), effective January 1, 2013 – December 31, 2013, subject to an individual stop loss attachment point of \$880,000 with a rate structure of \$5.66/employee/month. So far in calendar year 2013, five claimants have exceeded the attachment point of \$880,000, resulting in the individual stop loss carrier, Cigna paying \$1,788,062.08 in claims costs.

Based upon that continuing exposure, negotiations were entered into with Cigna for purposes of establishing rate and attachment point alternatives for calendar year 2014. Negotiations have proven successful in retaining the District's existing attachment point for ISL of \$880,000 with a rate increase of 13% or \$6.40/employee/month, with all other provisions remaining the same to include unlimited lifetime and annual maximum and prescription drugs included in the ISL coverage for calendar year 2014.

Additionally, the Administrative Services Only (ASO) Cigna rate was confirmed by the Board at the Board meeting of October 16, 2013 consisting of \$24.60/employee/month, subject to a \$6.13/employee/month decrement for pharmacy rebates. A break out of the rate structure from 2013 as compared to 2014 on a per month/per employee is provided as follows reflecting all components of the premium equivalent rate structure of claims, ISL, ASO fees and internal administrative fees.

	<u>2013</u>	<u>2014</u>
Cigna ASO Fee:	\$24.12	\$24.60
Rx Decrement:	<u>(\$6.13)</u>	<u>(\$6.13)</u>
Net Cigna Fee:	<u>\$17.99</u>	<u>\$18.47</u>
MDCPS Administrative Fee:	<u>\$ 1.59</u>	<u>\$ 1.59</u>
Individual Stop Loss Fee:	<u>\$ 5.66</u>	<u>\$ 6.40</u>

The following monthly premium equivalent rates effective January 1, 2014 – December 31, 2014, 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 for unions and associations in agreement with plan design and contribution changes for the self-funded medical program administered by Cigna Healthcare which achieve the outlined savings.

The rates shown below reflect the savings attained by negotiated plan design changes with one of the bargaining units. This item is for purposes of establishing appropriate premium equivalent rates and not for purposes of collective bargaining.

2014 Premium Equivalent Rates			
	OAP 10	OAP 20	Local Plus
Employee Only	\$655.00	\$632.00	\$636.00
EE + SP	\$1,582.00	\$1526.00	\$1536.00
E + CH	\$1,307.00	\$1,261.00	\$1269.00
Family	\$2,508.00	\$2,420.00	\$2435.00
Adult Dependent	\$557.00	\$537.00	\$541.00

*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).

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 associations (Managerial Exempt Personnel, Confidential Exempt Personnel) and unions in agreement with plan design and contribution changes for the self-funded medical program administered by Cigna Healthcare effective January 1, 2014 - December 31, 2014;

2014 Premium Equivalent Rates			
	OAP 10	OAP 20	Local Plus
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EE + SP	\$1,582.00	\$1526.00	\$1536.00
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Family	\$2,508.00	\$2,420.00	\$2435.00
Adult Dependent	\$557.00	\$537.00	\$541.00

*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).

2. authorize the purchase of individual stop loss coverage (ISL) effective January 1, 2014 – December 31, 2014, with the following coverage limits and rates; and

Individual Stop Loss (\$880,000) \$6.40/ee/month

3. confirm the following ASO structure for the District's self funded healthcare program for calendar year 2014:

2014

Cigna ASO Fee:	\$24.60
Rx Decrement:	<u>(\$6.13)</u>
Net Cigna Fee:	<u>\$18.47</u>

MDCPS Administrative Fee:	<u>\$ 1.59</u>
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