

Financial Affairs
Richard H. Hinds, Chief Financial Officer

SUBJECT: REQUEST FOR AUTHORIZATION TO NEGOTIATE WITH CURRENT HEALTH PROVIDERS AND SEEK COMPETITIVE PROPOSALS FOR HEALTHCARE FOR EMPLOYEES, RETIREES, AND THEIR ELIGIBLE DEPENDENTS FOR COVERAGE TO BECOME EFFECTIVE JANUARY 1, 2003

At the Board meeting of August 22, 2001, the Board awarded its contract for group medical benefits, pursuant to the terms of Request For Proposal (RFP) # 090-AA10, Group Medical Benefits, to CIGNA, Humana, Inc., and HIP (currently VISTA Healthcare), for a five year contract, effective January 1, 2002. All three companies provided rates for just one year, effective January 1, 2002, with none of the three providing any kind of rate guarantees and/or rate caps beyond that date.

The Board received its renewal terms and rates for its benefits program renewal to become effective January 1, 2003. All three companies have provided rate increases, which are subject to specific caveats. One company provided the caveat which would restrict employee movement between plans at re-enrollment time. All companies provided a caveat which relies upon no change in the current healthcare providers, effective January 1, 2003. Unless these restrictions are met, the healthcare providers have informed the Board that they reserve the right to change the rates, which were provided on Friday, June 7, 2002, to be effective January 1, 2003.

Section 112.08, Florida Statutes provides that before entering any contract for insurance, the local government unit shall advertise for competitive bids; and such contract shall be let upon the basis of such bids. If a contracting health insurance provider becomes financially impaired as determined by the Department of Insurance or otherwise fails or refuses to provide the contracted-for coverage or coverages, the local government may purchase insurance, enter into risk management programs, or contract with third-party administrators and may make such acquisitions by advertising for competitive bids or by direct negotiations or contract.

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The Board issued an RFP last year, seeking competitive proposals for healthcare, effective January 1, 2002, for a five year period. The renewal rates, terms and conditions received from its current healthcare providers are subject to caveats, which in the opinion of outside counsel, would provide restrictions serious enough to allow the Board the latitude to directly negotiate and contract for health insurance contracts, effective January 1, 2003, pursuant to Section 112.08, Florida Statutes.

Staff is committed to negotiating renewal terms with the three healthcare providers for which the Board approved a five year contract. However, due to the significant rate increases being proffered, in conjunction with the caveats presented in the renewal documents, staff is recommending that the Superintendent be provided full authority to begin not only negotiations with the Board's current providers, but to also obtain competitive proposals from other providers, with coverage to be effective January 1, 2003. The authority would provide the Superintendent, pursuant to the terms of Section 112.08, the ability to fast-track the Board's ability to not only attempt renewals with current providers, but to simultaneously seek proposals from companies not currently under contract, to provide the Board with the best recommendations for healthcare coverage at an upcoming Board meeting.

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

1. acknowledge receipt of renewal rates, terms and conditions of its contracts for group medical benefits, pursuant to the provisions of Request For Proposal (RFP) # 090-AA10, Group Medical Benefits, for the second year renewal of its current five year contract, approved at the Board meeting of August 22, 2002; and
2. authorize the Superintendent of Schools to enter into negotiations for renewal of its contracts for group medical benefits with its current health providers, for coverage to be effective January 1, 2003, and simultaneously seek competitive proposals from other healthcare providers for group medical benefits and negotiate terms and conditions on the Board's behalf, subject to the authority provided in Section 112.08, Florida Statutes, for coverage to be effective January 1, 2003, with final recommendations to renew and/or award contracts for group medical benefits with coverage to be effective January 1, 2003, to be brought back to the Board at a subsequent Board meeting, following appropriate negotiations with applicable employee labor unions and employee organizations.