

Mr. Merrett R. Stierheim, Superintendent of Schools

**SUBJECT: EMPLOYEE BENEFIT PROGRAM FOR CALENDAR YEAR 2003**

District staff, in conjunction with the employee union and association members who make up the Compensatory Fringe Benefits Council, have finalized negotiations for the Board's fringe benefits program for calendar year 2003.

The Board will remember that following the receipt of renewal rates from the three carriers it contracted with last year, pursuant to the issuance of Request For Proposal (RFP) 090-AA10, Group Medical Benefits, the Board authorized the Superintendent to continue to negotiate renewal terms, and also negotiate proposals for coverage with any other interested carriers for calendar year 2003. This authorization was received as a result of a legal opinion received from the law firm of Colodny, Fass, Talenfeld, Karlinsky & Abate, P.A., which opined that the renewal rates received from Cigna met the litmus test set forth under Section 112.08, Florida Statutes, which allows a public entity to negotiate employee benefits in the event the carrier cannot provide the contracted-for benefits, or becomes financially impaired.

This approach for obtaining Board benefits is unprecedented, because no public entity has negotiated its benefits program in this manner since Florida Statutes provided the authority to do so. As such, the negotiations have been carried on directly with the carriers with changes occurring daily. In order to provide structure to the process, the Board's consultant, Mr. John Erb, Deloitte & Touche, LLP, implemented a four phase process which was followed in order to provide all possible alternatives to the Fringe Benefits Council and the Board.

**OUTLINE OF RECOMMENDED BENEFITS**

Since 1999, the Board has employed a concept of defined contribution whereby the Board contributes an equal amount on behalf of each benefit eligible employee. The employee would then select a health insurance program with the residual amount of this defined contribution, if any, to be used for flexible benefits, including insurance products, dependent premium offsets, 401(k) investment contributions, and cash. Because of the significant increase in the cost of the health insurance benefits for calendar year 2003, it is being recommended that the Board increase its contribution in an effort to cover the monthly cost of the health insurance; however, that leaves little left over for other benefits.

It is also being recommended that the Board add short term disability to the already established set of core benefits which all eligible employees receive. All Board employees will also continue to receive term life insurance.

Other benefits within the Board's flexible benefits program are still available, and can be purchased on a pre-tax basis through payroll reduction. All rates for flexible benefit programs for Account B (employee-paid), for calendar year 2003, which were approved at the Board meeting of August 22, 2001, have been confirmed.

**REPLACEMENT SP-1**

The additional expenditure required for this recommended program is \$30 Million for calendar year 2003 (\$15 Million for fiscal year 2002-2003), which is being funded from the Board's collective bargaining fund and money from the contingency budget. After funding the increased cost of health coverage for employees, as well as the cost of the short term disability coverage, it is recommended that remaining available funds from the benefits budget be utilized for the reduction of the cost of dependent coverage. Additionally, it is recommended that \$200,000 of consulting expenses incurred by the Board for the benefit negotiations and analysis, be funded from the Board's benefits budget, as a direct cost for benefit administration, and that \$200,000 from the Board's benefits budget be used for a comprehensive study to be completed to evaluate the opportunities which may exist for future years including self-insurance, consumer-driven health insurance programs, wellness programs, and the establishment of health benefit trusts.

**HEALTH INSURANCE**

The recommended program for health insurance for calendar year 2003 consists of the Board entering into a contract with United Healthcare, for a Point of Service (POS)/Dual Option Program, consisting of in-network and out-of-network benefits, on a fully-insured basis, effective January 1, 2003, for a three-year contract, subject to annual re-rate.

United Healthcare has one of the largest provider networks in the South Florida area. The recommended POS program includes the open access provision which provides employees the ability to seek treatment directly from specialists without obtaining referrals through a primary care physician. Additionally, the POS product provides access to United POS networks across the state of Florida, and on a national basis. With the ability to utilize these networks, including an integrated out of network benefit in the POS, the only need to offer the PPO program is for people who may be in an area where no United POS network exists. United conducted an interruption study for the Board's employees, retirees, and their eligible dependents, and found that less than 10 retirees are living in an area where there is not a United POS network, thus requiring them to enroll in the United PPO, should they choose coverage through the Board.

This is significant, as the Board will provide a program consisting of comprehensive coverage to virtually all employees, retirees and their eligible dependents as part of a provider network where fee negotiations and managed care program are in place. The results of having everyone covered by one program, and having that program provide broad in-network coverage, is the creation of a stable program which will provide alternatives for the Board, and its employee unions and associations for the future.

The premiums attributable to the recommended program as are follows:

**1001 CLG  
SINGLE BOARD-PAID MONTHLY RATES (FULLY INSURED)  
(Employee and Retiree under 65)**

| <u>Company</u>    | <u>Coverage Type</u>   | <u>Monthly Rate</u> |
|-------------------|--|---------------------|
| United Healthcare | Point of Service (POS)/Dual Option   | \$ 365.31           |
| United Healthcare | Preferred Provider (PPO)/<br>Out of Area Only(OOA)<br><b><i>Coverage only where no POS network exists,<br/>currently estimated to be less than 10 retirees</i></b> | \$ 759.04           |

**DEPENDENT EMPLOYEE-PAID MONTHLY RATES (FULLY INSURED)  
(Employee and Retiree under 65)**

| <u>Company</u>    | <u>Coverage Type</u>   | <u>Monthly Rate</u> |
|-------------------|--|---------------------|
| United Healthcare | Point of Service (POS)/Dual Option/Child(ren)  | \$ 341.23           |
| United Healthcare | Point of Service (POS)/Dual Option/Spouse  | \$ 392.57           |
| United Healthcare | Point of Service (POS)/Dual Option/Family  | \$ 703.17           |
| United Healthcare | Preferred Provider (PPO)/Child(ren)/OOA  | \$ 755.25           |
| United Healthcare | Preferred Provider (PPO)/Spouse/OOA  | \$ 865.31           |
| United Healthcare | Preferred Provider (PPO)/Family/OOA  | \$1,530.99          |
|                   | <b><i>Coverage only where no POS network exists,<br/>currently estimated to be less than 10 retirees</i></b> |                     |

**RETIREE MONTHLY RATES OVER AGE 65 AND/OR MEDICARE ELIGIBLE**

| <u>Company</u>    | <u>Coverage Type</u>   | <u>Monthly Rate</u> |
|-------------------|--|---------------------|
| United Healthcare | Point of Service (POS)/Dual Option   | \$ 365.31           |
| United Healthcare | Preferred Provider (PPO)/<br>Out of Area Only(OOA)   | \$ 759.04           |
|                   | <b><i>Coverage only where no POS network exists,<br/>currently estimated to be less than 10 retirees</i></b> |                     |

**DEPENDENT MONTHLY RATES OVER AGE 65 AND/OR MEDICARE ELIGIBLE**

| <u>Company</u>    | <u>Coverage Type</u>   | <u>Monthly Rate</u> |
|-------------------|--|---------------------|
| United Healthcare | Point of Service (POS)/Dual Option/Child(ren)  | \$ 341.23           |
| United Healthcare | Point of Service (POS)/Dual Option/Spouse  | \$ 392.57           |
| United Healthcare | Point of Service (POS)/Dual Option/Family  | \$ 703.17           |
| United Healthcare | Preferred Provider (PPO)/Child(ren)/OOA  | \$ 755.25           |
| United Healthcare | Preferred Provider (PPO)/Spouse/OOA  | \$ 865.31           |
| United Healthcare | Preferred Provider (PPO)/Family/OOA  | \$1,530.99          |
|                   | <b><i>Coverage only where no POS network exists,<br/>currently estimated to be less than 10 retirees</i></b> |                     |

**GROUP LIFE INSURANCE**

At the Board meeting of August 22, 2001, the Board extended its contract with Metropolitan Life Insurance Company for one year at existing rates. This extension was important as Metropolitan Life Insurance Company had provided additional features such as portability, which allows retiring/terminating employees the opportunity to either convert the entire amount of life insurance they have as an active employee to whole life, or retain the optional term coverage outside their employment with Miami-Dade County Public Schools (M-DCPS) at significantly more attractive rates. Besides providing life insurance for active employees, Metropolitan also provides life insurance for retirees who have retired under one of the Board approved Retirement Incentive Plans, which provides for Board-paid life insurance for a time certain.

Currently, all benefit-eligible employees receive Board-paid life insurance, and designate a beneficiary or beneficiaries to whom the proceeds of the life coverage will be paid in the event of the employee's death. These beneficiary forms are currently housed in the Board's Payroll Deduction Section in paper form. Requests for beneficiary updates are periodically sent to employees to update their beneficiary(ies) selection for not only their core life coverage, but also their accrued terminal benefits (sick/vacation), Florida Retirement System (FRS), and any supplemental retirement programs in which they participate. Additionally, retirees who have retired as part of a Board-provided retirement incentive program, must complete separate beneficiary designations, which are currently housed in the Office of Risk and Benefits Management in paper form.

Staff feels that there is considerable liability attached to the controlling of the multiple beneficiary forms currently in use, and convened a task force last year to address this situation and develop recommendations for opportunities. As part of that task force, the Office of Risk and Benefits Management was made aware of a benefit offered by Metropolitan Life Insurance Company which is offered to many large employers they provide benefits for, including General Motors, etc., which consists of their housing all Metropolitan-related benefits' beneficiary forms. This program, called "Easy Benefits", provides for internet-access to benefit information, as well as beneficiary forms being collected and electronically stored by Metropolitan. By utilizing this program, when an employee or retiree dies, the on-site Metropolitan Life Insurance Company representative simply retrieves the electronic beneficiary document, confirms benefits, and begins working with the family to distribute funds and/or provide assignments to funeral homes. This benefit traditionally is provided to employers at a cost.

Following negotiations with Metropolitan Life Insurance Company, they have agreed to offer "Easy Benefits" at no cost to the district. Additionally, Metropolitan Life Insurance Company has agreed to extend their current life and accidental death and dismemberment rates for two additional years, through December 31, 2004. Staff is recommending the extension of the contract with Metropolitan Life Insurance Company for its life and accidental death and dismemberment coverage, with the addition of "Easy Benefits" , effective January 1, 2003.

#### **SHORT TERM DISABILITY INSURANCE**

Last year, a Request For Proposal (RFP) was issued for a combination Short Term/Long Term Disability program. Competitive proposals were received from five companies and following a review, the program offered by UNUM/Provident was approved by the Board at its meeting of August 22, 2001.

Currently the Board has a self-funded Hardship/Dire Emergency Leave Program which provides employees who use all of their accrued sick/vacation leave, the ability to receive 50% of their salary for a stated period of time, following specified waiting periods. In addition to funding this program, which incurs expenses of approximately \$3 Million annually, the Board also contracts with Physician Consulting Services, Inc., to provide medical authorization of the disability. Last year the Board spent over \$74,000 for the medical administration aspect of the program.

By replacing the Board's Hardship/Dire Emergency Program with an insured Short Term Disability Program, on a core-benefit basis, all employees would receive a better benefit, which would not require them to use all of their accrued leave time, prior to receiving a disability benefit. Additionally, UNUM/Provident already has the staff to monitor the disability of each person who applies for the benefit, so that the employee is returned to work as soon as possible, resulting in increased productivity. The current monthly premium for the short term disability benefit with a 30 day waiting period, and a 22 week benefit of 60% of base salary, up to \$500 weekly, is \$12.25. The annual cost to provide this benefit is estimated to be \$5.8 Million (12.25 X 40,000 X 12). Since the current annual expenditure of the Board's Dire Emergency/Hardship benefit is approximately \$3 Million, only an additional \$2.8 Million is required to provide the benefit. Staff and the Members of the Fringe Benefits Council are recommending this benefit be instituted as a core benefit, effective January 1, 2003.

### **FLEXIBLE BENEFIT PROGRAM**

As stated earlier, the Board's flexible benefits program is made up of various insurance products which employees could purchase with Board-provided funds (Account A), or through payroll reduction (Account B). At the Board meeting of August 22, 2001, the Board approved rates and three year contracts with each of the companies, effective January 1, 2002 through December 31, 2004. All companies have been contacted to be certain that the approved rates will remain in the event that only Account B rates apply and all companies have verified that they will remain in effect for 2003. The individual products and applicable rates have been sent to the Board under separate cover.

### **DEPENDENT RATE SUPPLEMENT**

Throughout these negotiations, one of the significant concerns has been the increase in the cost covering eligible dependents for calendar year 2003. Under the CIGNA HMO program for calendar year 2002, the rates were set so low that employees who chose to enroll their eligible dependents were able to do so very inexpensively by using flexible benefit dollars to offset dependent coverage costs. While this was a benefit for calendar year 2002, these artificially low rates have created a "sticker shock" problem when confronted with dependent rates for 2003, which are more in line with current dependent premiums in the health insurance market.

To provide some relief for employees who provide coverage for their eligible dependents, the Board's Compensatory Fringe Benefits Council has agreed, and it is being recommended that the unused balance of the Board's calendar year 2003 fringe benefits budget be used to offset dependent coverage.

To accomplish this, once the Board funds the increased cost of employee-only coverage for calendar year 2003, and provides all employees short term disability coverage, the remaining funds will be used to supplement dependent coverage, rather than provide all employees with a small flexible benefit contribution, which has been the Board's past practice.

The monthly supplement and resultant monthly dependent rates will be as follows:

|             |                            |
|-------------|----------------------------|
| Child(ren): | \$341.23 - \$64 = \$277.23 |
| Spouse:     | \$392.57 - \$64 = \$328.57 |
| Family:     | \$703.17 - \$64 = \$639.17 |

Additionally, the Compensatory Fringe Benefits Council proposed that alternatives to dependent care coverage through the School Board's fringe benefits plan be explored and that information be made available to employees. Such alternatives will include information on Healthy Kids, and Florida KidCare, as well as other health insurance plans which provide coverages on an individual basis. It is recommended that this information be provided to employees during open enrollment as an alternative.

#### **CREATION OF TASK FORCE TO ANALYZE FUNDING AND BENEFIT ALTERNATIVES FOR EMPLOYEE BENEFITS FOR FUTURE YEARS**

The Board's consultant, Mr. John Erb, Deloitte & Touche, LLP has recommended that the Board seriously consider moving to a self-insured program in the future, rather than having the current and recommended fully insured program continue. The rationale of this recommendation is that the Board's claims are predictable on an actuarial basis when the entire group is rated together. Part of the problem which has occurred in the past is that with numerous companies providing benefits to Board employees, the consistency and accuracy of the claims data has been poor, thus creating a problem for the underwriters to adequately predict future claim utilization.

Now that Board employees will be under one carrier, staff and the consultant can begin to analyze the data and prepare the needed studies to determine where the Board's rates should be set to adequately establish a self-funded program.

It is being recommended that a task force be constructed consisting of Board staff, the Board's benefits consultant, Mr. John Erb, and interested members of the Fringe Benefits Council, to work with the recommended health carrier to obtain the needed data, and develop strategies and timeframes for which the recommendation can be made to move to a self-insured plan in the future. Such strategies and recommendations will be made well in advance so that adequate time is provided to establish the program, determine who will provide the Administrative Services (ASO), including networks, claims, stop loss coverage, employee cost share, etc., in conjunction with other required administrative services for a self-insured plan.

#### **OPEN ENROLLMENT**

Due to the lateness in finalizing the Board's employee benefits program for calendar year 2003, time is of the essence in getting employees, retirees, and their eligible dependents enrolled for coverage. The Board introduced three years ago the on-line enrollment, which provides employees the ability to enroll for their benefits through an internet site, which is provided as a link through the School Board's web site.

To maximize the amount of time needed for enrollment, it is recommended that where possible, the entire enrollment be conducted through the on-line enrollment web site. The Board's third party administrator and enrollment company, Fringe Benefits Management Company (FBMC) is currently structuring teams of enrollers who will be able to go from worksite to worksite to assist employees in enrolling on-line. Additionally, it is recommended that weekend enrollments be conducted at key School Board locations to assist employees in their enrollment needs.

RECOMMENDED:

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

1. terminate its current contracts for group healthcare coverage with Connecticut General Insurance Company (CIGNA), Humana, Inc., and Vista Healthcare (HIP HMO), pursuant to the provisions of Request For Proposal (RFP) #090-AA10, wherein the Board has the ability to terminate its contracts with 60 days advance notice, effective January 1, 2003;
2. enter into a contract with United Healthcare of Florida, Inc., and United Healthcare Insurance Company to provide employee benefits to Board employees, retirees, and their eligible dependents, pursuant to the terms of their negotiated proposal for their Point of Service (POS) program, Choice Plus-1001CLG, wherein they will provide in-network benefits provided by United Healthcare of Florida, Inc. (A.M. Best A) and out-of network benefits provided by United Healthcare Insurance Company (A.M. Best A XV) for eligible enrollees who are within a stipulated service area, as designated by United Healthcare of Florida, Inc., effective January 1, 2003, for a three-year term, subject to annual premium re-rate;
3. enter into a contract with United Healthcare Insurance Company (A.M. Best A XV) to provide employee benefits to Board employees, retirees, and their eligible dependents, pursuant to the terms of their negotiated proposal for their Preferred Provider Organization (PPO) program, NTLPPO5, PPO, wherein they will provide benefits to enrollees who do not reside in an area where United Healthcare does have contracted in-network providers through the Choice Plus-699T POS program, as designated by United Healthcare of Florida, Inc., effective January 1, 2003, for a three-year term, subject to annual premium re-rate;
4. approve the following rate structure for benefits, effective January 1, 2003 for a one-year period for the United Healthcare Point of Service (POS) program:

Active Employees, Board Retirees, and eligible dependents -  
Under age 65, age 65 and over and/or Medicare Eligible:

|                  | <u>Company</u>    | <u>Monthly Rate</u> |
|------------------|-------------------|---------------------|
| Employee/Retiree | United Healthcare | \$ 365.31           |
| Child(ren)       | United Healthcare | \$ 341.23           |
| Spouse           | United Healthcare | \$ 392.57           |
| Family           | United Healthcare | \$ 703.17           |

5. approve the following rate structure for benefits, effective January 1, 2003, for a one-year period for the United Healthcare Preferred Provider Organization (PPO) program: Active Employees, Board Retirees, and eligible dependents, Under age 65, age 65 and over and/or Medicare Eligible:

|                  | Company           | Monthly Rate |
|------------------|-------------------|--------------|
| Employee/Retiree | United Healthcare | \$ 759.04    |
| Child(ren)       | United Healthcare | \$ 755.24    |
| Spouse           | United Healthcare | \$ 865.31    |
| Family           | United Healthcare | \$1,530.99   |

6. approve United Healthcare of Florida, Inc., to offer the Medicare Risk Program, Medicare Complete, to Board retirees, and their eligible dependents, who reside in an area where the Medicare Complete Product is being offered, with benefits and premium costs, if any, pursuant to the plan filing as approved by Center for Medicare and Medicaid Services (CMS);
7. renew its contract with Metropolitan Life Insurance Company, effective January 1, 2003 for a two-year term, for group term life insurance coverage to include basic, optional, accidental death and dismemberment coverages and group dependent life at the following rates, including the addition of the "Easy Benefits" on-line program and beneficiary services:

|                    |  |
|--------------------|--|
| Basic Active Life  | \$ .275/\$1000 coverage/month                            |
| Basic Retiree Life | \$ .610/\$1000 coverage/month                            |
| Optional Life      |  |
| Under 25           | \$.06/\$1000 coverage/month                              |
| 25-29              | \$.06/\$1000 coverage/month                              |
| 30-34              | \$.08/\$1000 coverage/month                              |
| 35-39              | \$.11/\$1000 coverage/month                              |
| 40-44              | \$.11/\$1000 coverage/month                              |
| 45-49              | \$.21/\$1000 coverage/month                              |
| 50-54              | \$.30/\$1000 coverage/month                              |
| 55-59              | \$.57/\$1000 coverage/month                              |
| 60-64              | \$.66/\$1000 coverage/month                              |
| 65-69              | \$1.27/\$1000 coverage/month                             |
| 70-74              | \$2.06/\$1000 coverage/month                             |
| 75+                | \$3.16/\$1000 coverage/month                             |
| AD&D Basic         | \$ .02/\$1000 coverage/month                             |
| AD&D Optional      | \$ .03/\$1000 coverage/month                             |
| Dep. Life (spouse) | \$ .49/\$5000 age banded to \$8.29/\$5000 coverage/month |
| Dep. Life (child)  | \$ .99/\$5000 age banded to \$1.98/\$5000 coverage/month |



8. approve making the Boards currently offered Short Term Disability Benefit, offered by UNUM/Provident, a core benefit offered to all benefit-eligible employees, except those whose labor contracts call for just health insurance coverage, with a 30 day waiting period, and a 22-week benefit of 60% of base salary, not to exceed \$500 weekly, at a monthly rate of \$12.25 per employee;
9. acknowledge that all companies which provide insurance products as part of the Board's flexible benefits program have confirmed their previously-approved rates for Employee-paid (Account B) for calendar year 2003;
10. authorize the rates for dependent coverage, for those employees who elect dependent coverage for calendar year 2003, to be subsidized by the Board in the amount of \$64 per month, with funding for this subsidy to come from the Board's fringe benefits budget, in conjunction with employees being provided alternative insurance possibilities for dependent coverages, including HealthyKids, Florida KidCare, and insurance companies which provide individual policies;
11. authorize \$200,000 of consulting expenses incurred by the Board with its benefits consulting firm, Deloitte & Touche, LLP, for benefit negotiations and analysis for calendar year 2003 benefits be taken from the Board's allocated budget for fringe benefits for fiscal year 2002-2003, as a direct cost for benefit administration;
12. authorize the funding of a comprehensive study to be performed by an outside consulting organization of benefit strategies for future years, including, but not limited to the transition to self-insurance, consumer-driven health insurance programs, wellness programs, and the creation of benefit trusts, with a draft Request For Proposal (RFP) to be constructed, in conjunction with the members of the Compensatory Fringe Benefits Council, which will come back to the Board prior to issuance, with expenditures for such study not to exceed \$200,000, funding to be taken from the Board's fringe benefits budget;
13. authorize the creation of a task force, consisting of Board staff, the Board's benefit consultant, and interested members fo the Fringe Benefits Council, review the results of the comprehensive study, and to work with the recommended health carrier to obtain the needed data, and develop strategies and recommendations for future funding changes, with such recommendations being brought back to the School Board and the Fringe Benefits Council;

14. approve the Board's open enrollment for calendar year 2003 benefits be conducted through the Board's on-line enrollment program, where possible, for employees and eligible dependents, to maximize the time needed for enrollment activities, including the creation of enrollment representatives to visit worksites with laptop computers to enroll employees, as well as conducting weekend enrollment opportunities at key Board worksites; and
15. approve the Memorandum of Understanding with the United Teachers of Dade (UTD), the American Federation of State, County, and Municipal Employees (AFSCME), Local 1184, the Dade County School Maintenance Employee Committee (DCSMEC), the Fraternal Order of Police (FOP), Lodge 133, the Dade County School Administrators' Association (DCSAA), Local 77, the Dade Association of School Administrators (DASA), and Confidential Exempt Personnel.

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