Office of Superintendent of Schools
Board Meeting of September 10, 2003

September 9, 2003

Office of Human Resources
Marjorie H. Adler, Chief Personnel Officer

SUBJECT: **FRINGE BENEFITS PROGRAM FOR CALENDAR YEAR 2004**

COMMITTEE: **LEGISLATIVE RELATIONS, PUBLIC RELATIONS AND PERSONNEL SERVICES**

Staff has been working with UnitedHealthcare of Florida, Inc., regarding the Board's renewal of the second year of the three year contract the Board approved at its meeting of September 24, 2002. Additionally, pursuant to Board direction, staff has been working on its flexible benefits program, through its third party administrator, Fringe Benefits Management Company, to negotiate renewal terms for the various flexible benefits programs offered to employees. Renewal terms have also been negotiated with the Board's core term life insurance carrier, MetLife, Inc.

HEALTH INSURANCE

The Board provided authorization last year to enter into negotiations with its existing health providers, as well as negotiating with any other interested providers, following CIGNA's admission that they had not provided adequate rates for its calendar year 2002 contract, resulting in renewal increases in excess of 100%. This culminated at the special Board meeting of September 24, 2002, wherein the Board authorized the termination of its current contracts for group healthcare coverage, and entered into a contract with UnitedHealthcare of Florida (United), effective January 1, 2003, for a three-year term, subject to annual premium re-rate.

The Board, and the employee unions and associations which represent all School Board employees, made some very difficult decisions last year regarding its fringe benefits program. The issues that the Board was forced to deal with occurred following the issuance of a Request For Proposal (RFP) in 2001, for calendar year 2002 benefits, as required by Florida Statutes, and Cigna's inability to properly price its product. It now appears that the Board's actions for calendar year 2003, however difficult, are providing positive returns.

REPLACEMENT
H-8

On May 28, 2003, a formal renewal letter was sent to United seeking renewal rates for 2004 for the existing program, and requesting that United provide alternatives to address the inordinately high cost of dependent coverage, Including:

- Implementation of an opt-out provision; and
- Creation of an alternative model to be offered in conjunction with the existing plan which would modify benefits to lower the cost of dependent healthcare

United provided preliminary renewal terms on June 18, 2003 consisting of an initial rate increase of 19.5% for the existing healthplan offering, along with a number of alternative health plan design offerings. Following several weeks of meetings with underwriters and actuaries from the Board's benefits consulting firm, Deloitte & Touche, LLP (DT), as well as meeting with staff from the Office of Risk and Benefits Management, final renewal rates for calendar year 2004 were successfully negotiated consisting of a confirmed 9.75% increase, for all programs, including Board paid and dependent coverage (a 50% reduction from the initial renewal proposal), which constitutes a savings for calendar year 2004 of $25 million for the program, $18 million of which is Board paid.

Additionally, United has agreed to allow the Board to introduce an opt-out provision for those benefit-eligible employees who can attest that they have health coverage elsewhere. Employees who take this option would only be able to get Board-paid coverage during calendar year 2004 if they experience a change in status, as defined by the Internal Revenue Service (IRS) 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.

United has also provided a quotation for an alternative plan, which staff is recommending that it be offered in conjunction with the current plan design. This alternative plan provides lower Board-paid and employee-paid premium structures and a more restrictive healthcare environment (no out of network benefits), with higher employee co-pays and deductibles.

A brief comparison of the current healthplan offering with renewal rates, as well as the alternative offering with negotiated rates is provided below.

	CURRENT PLAN	**ALTERNATIVE PLAN**
Physician's Office Co-payment (includes testing at physician's office	$15 – Primary $30 – Specialist	$35 – Primary $35 – Specialist

	CURRENT PLAN	ALTERNATIVE PLAN
Annual Medical Expense Deductible	None	$1,000
Coinsurance In-Network	None	80%/20%
Coinsurance Non-Network	70%/30%	N/A
Hospital Expense Deductible	$150/day - $450 Maximum	Included in above
Prescription co-pays	$10 generic $30 brand preferred $50 non-preferred	$10 generic $30 brand preferred $50 non-preferred

FLEXIBLE BENEFIT PROGRAM

The Board's current Internal Revenue Service (IRS) approved Section 125 Program provides for a selection of insurance products which can be purchased by employees on a pre-tax basis. As a result of the changes which were made in the benefit program for calendar year 2003, all offered flexible benefits became voluntary to the employee, except short term disability coverage, which became a core Board-paid benefit. All companies providing products through the flexible benefits program agreed to keep their 2002 premiums for 2003, however, due to the voluntary nature of the program, all companies experienced a significant decrease in enrollment. For example, there was a 67% drop in the number of employees enrolled in the vision care program with Optix, a 43% drop in the number of employees enrolled in the managed dental care program with Oral Health Services (Compdent), and MetLife experienced a 51% drop in enrollment for the indemnity dental benefit.

Because of the changes taking place in the health insurance arena, staff and the Board's benefit consulting firm, Deloitte & Touche, LLP, recommended that the Board offer to renew the flexible benefit contracts, including benefit modifications, to make the programs more user friendly and more affordable. This renewal is authorized pursuant to the terms of the Request For Proposal (RFP) 174-SS10, Group Flexible Benefits, whereby the Board reserved the right to negotiate renewals to the program following the original five year contract.

OPEN ENROLLMENT SCHEDULE

Pursuant to Internal Revenue Service (IRS) guidelines for Section 125 programs, such as the Board's program, an annual open enrollment for employees to make new selections in their benefits selections is required. Once bargaining is finalized, staff is prepared to have the Board take final action on the Fringe Benefits Program for 2004 and begin the open enrollment process. Because of the programming, printing, and education which needs to take place with active employees, retirees, and their eligible dependents, the timelines for conducting open enrollment are very stringent. Final tapes must be received in a timely manner by United, as well as the flexible benefits companies, in order for them to update their inforce and produce identification cards.

All active employees will be enrolling through the internet, as was done last year. Retirees will continue to receive open enrollment packages, and be asked to complete manual enrollment forms.

RECOMMENDED: That The School Board of Miami-Dade County, Florida receive this information and provide staff authorization to begin open enrollment activities following the conclusion of collective bargaining for calendar year 2004 benefits, and School Board final approval of calendar year 2004 benefits.

MHA:sc