

Financial Services
Richard H. Hinds, Chief Financial Officer

SUBJECT: APPROVAL OF PREMIUM EQUIVALENT RATES, PHARMACEUTICAL ADMINISTRATION FEES AND INDIVIDUAL AND AGGREGATE STOP LOSS COVERAGE FOR DISTRICT SELF-INSURED HEALTHCARE PROGRAM FOR CALENDAR YEAR 2011

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES

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. These rates are determined by an annual actuarial analysis prepared by the District's employee benefits consulting firm, Deloitte Consulting LLP. 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. The following monthly premium equivalent rates are created as a result of the actuarial projections and are recommended to become effective January 1, 2011 – December 31, 2011.

THIS RATE STRUCTURE ONLY REFLECTS REQUIRED CONTRIBUTIONS TO THE SELF FUNDED HEALTHCARE PROGRAM, AS DETERMINED ACTUARIALLY FOR CALENDAR YEAR 2011. COLLECTIVE BARGAINING IS CURRENTLY UNDERWAY TO DETERMINE THE BOARD CONTRIBUTIONS AS WELL AS EMPLOYEE COST SHARE AND DEPENDENT PREMIUMS FOR CALENDAR YEAR 2011.

Pursuant to the requirements of Florida Statute 112.0801, public entities are required to offer the same healthcare program and the same cost to non-Medicare eligible retirees as is offered to active employees. The following rate structure will apply to this retiree group and their eligible dependents.

| Coverage Tier | 2011 | | 2010 | | % Increase |
|-------------------|---------|---------|---------|---------|------------|
| | OAP20 | OAP10 | OAP 20 | OAP 10 | |
| Employee Only | \$489 | \$531 | \$453 | \$492 | 7.9% |
| EE + Spouse | \$1,182 | \$1,285 | \$1,095 | \$1,191 | 7.9% |
| EE + Child(ren)* | \$977 | \$1,063 | \$906 | \$985 | 7.9% |
| EE + Family | \$1,875 | \$2,039 | \$1,738 | \$1,890 | 7.9% |
| Adult Dependent** | \$415 | \$452 | \$385 | \$419 | 7.9% |

*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).

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. The two current stop loss coverages consist of individual stop loss (ISL) which provides insurance coverage when a specific claim exceeds a specific dollar threshold; and aggregate stop loss coverage (ASL), when total annual claims exceed a specified percent of paid claims within a 12 month period. As of August 2010, three individual claims have exceeded the \$700,000 for the calendar year 2010 program.

As a result of known claims exposure and overall limited claims experience in a self-insured environment, staff is recommending the continued purchase of both ISL for individual claims which exceed \$700,000 and ASL if total claims exceed 120% of the District's annual paid claims. Pricing on this coverage is provided on a per employee/month basis. The rates are as follows:

Individual Stop Loss (\$700,000 threshold)

\$4.29/employee/month

Estimated annual premium for 2011 - \$2,067,334 (54% increase)

Aggregate Stop Loss (claim expenditures reach 120% of annual paid claims)

\$2.04/employee/month

Estimated annual premium for 2011 - \$983,068 (10% increase)

While these increases are significant, first year stop loss rates are always difficult to determine until actual claims experience develops. As the District's self-funded program matures, staff in conjunction with the District's employee benefits consulting firm, will determine the need for continued purchase of stop loss coverages in future years. Stop loss premiums are quoted on an annual basis.

At the Board meeting of January 13, 2010, approval was received for an administration fee of \$.90 per prescription (claim) for retail and mail order prescriptions funded by the District's self-funded healthcare program administered by CIGNA, effective January 1 – December 31, 2010. Authorization is sought for the second and third year of the contract.

RECOMMENDED:

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

1. approve the monthly premium equivalent rates for benefit eligible employees, non-Medicare eligible retirees and their eligible dependents for the self-funded medical program administered by CIGNA Healthcare effective January 1 - December 31, 2011;

| Coverage Tier | OAP20 | OAP10 |
|-------------------|---------|---------|
| Employee Only | \$489 | \$531 |
| EE + Spouse | \$1,182 | \$1,285 |
| EE + Child(ren)* | \$977 | \$1,063 |
| EE + Family | \$1,875 | \$2,039 |
| Adult Dependent** | \$415 | \$452 |

*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 both individual stop loss and aggregate stop loss coverages effective January 1 – December 31, 2011, with the following coverage limits and rates;

Individual Stop Loss (\$700,000) \$4.29/ee/month
Aggregate Stop Loss (120%) \$2.04/ee/month
and;

3. approve the budgeted administration fee of \$0.90 per prescription (claim) for retail and mail order prescriptions funded by the District's self-funded healthcare program administered by CIGNA, effective January 1, 2011 - December 31, 2012.

RHH:sbc