

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT: APPROVAL OF PREMIUM EQUIVALENT RATES, PHARMACEUTICAL ADMINISTRATION FEES, ADMINISTRATIVE SERVICES ONLY (ASO) FEES AND INDIVIDUAL AND AGGREGATE STOP LOSS COVERAGE FOR DISTRICT SELF INSURED HEALTHCARE PROGRAM FOR CALENDAR YEAR 2012**

**COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS**

**LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

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 on an annual basis. These rates are determined by an annual actuarial analysis prepared by the District's employee benefits consulting firm, Deloitte Consulting LLP. For 2012, this actuarial analysis was also reviewed and approved by actuaries from Cigna. 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, 2012 – December 31, 2012.

**THIS RATE STRUCTURE ONLY REFLECTS REQUIRED CONTRIBUTIONS TO THE SELF FUNDED HEALTHCARE PROGRAM, AS DETERMINED ACTUARIALLY FOR CALENDAR YEAR 2012. COLLECTIVE BARGAINING IS CURRENTLY UNDERWAY TO DETERMINE THE BOARD CONTRIBUTIONS AS WELL AS EMPLOYEE COST SHARE AND DEPENDENT PREMIUMS FOR CALENDAR YEAR 2012.**

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. Currently, the loss ratio for this group of non-Medicare retirees is approximately 260%, reflecting that for every \$1 paid in premium, the self funded plan is paying out \$2.60 in claims.

**E-67**

The following 2012 rate structure will apply to contributions for all active, benefit-eligible full and part time employees, non-Medicare retirees, previously employed personnel who have elected coverage under the extension of benefits offered by the Federal Law known as COBRA:

Coverage Tier	2012		2011		% Increase***
	OAP20	OAP10	OAP 20	OAP 10	
Employee Only	\$581	\$632	\$489	\$531	18.8
EE + Spouse	\$1,405	\$1,528	\$1,182	\$1,285	18.8
EE + Child(ren)*	\$1,161	\$1,264	\$977	\$1,063	18.8
EE + Family	\$2,228	\$2,424	\$1,875	\$2,039	18.8
Adult Dependent**	\$493	\$537	\$415	\$452	18.8

\*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).

\*\*\*increase is subject to recommended changes in pharmacy fees with Cigna.

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. There are two types of stop loss coverage which have been purchased since the creation of the self funded program in January, 2010. The first type of coverage consists of individual stop loss (ISL) which provides insurance coverage when a specific claim exceeds a specific dollar threshold. The second type of coverage is aggregate stop loss coverage (ASL), which provides reimbursement when total annual claims exceed a specified percent of paid claims within a 12-month period.

During calendar year 2010, six individual claims exceeded the \$700,000 ISL threshold totaling \$2.71 million. As of October 2011, six different individual claims have exceeded the \$700,000 threshold totaling \$1.45 million so far. There have been no claims made against the aggregate coverage which would attach if claims exceed 120% of expected claims in any one year.

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 and ASL coverage for calendar year 2012. Pricing on this coverage is provided on a per employee/month basis, with the following rate structure:

Individual Stop Loss (\$700,000 threshold)  
 2012 Renewal rate \$5.66/employee/month (32% increase)  
 2011 Current Rate \$4.29/employee/month  
 Estimated annual premium for 2012 - \$2,686,372

Aggregate Stop Loss (claim expenditures reach 120% of annual paid claims)  
2012 Renewal Rate           \$2.04/employee/month   (No increase)  
2011 Current Rate           \$2.04/employee/month  
Estimated annual premium for 2012 - \$968,233

At the Board meeting of September 9, 2009, approval was received for award of Request for Proposals (RFP) #071-JJ10, District Healthcare Benefit Program to CIGNA, inclusive of Administrative Services Only (ASO) fees of \$23.69, \$24.12 and \$24.45 per employee/month for calendar years 2010, 2011 and 2012 respectively. CIGNA has offered to waive the previously approved increase for ASO for calendar year 2012, thus maintaining the current ASO fee of \$24.12 per employee/month for calendar year 2012, resulting in estimated savings of \$156,626.

At the Board meeting of October 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, 2011 – December 31, 2012. Cigna has offered to eliminate this fee for calendar year 2012, and for 2013 and 2014 if the contract with them is extended. Annual savings for the elimination of this fee is approximately \$600,000, although actual savings are subject to utilization.

The Contract Term/Rate Guarantees section of Request for Proposals (RFP) #071-JJ10, District Healthcare Program, indicates that the contract term would be for a three-year term with the ability to renew for two additional one-year periods. The 2012 ASO renewal recommendation is the last year of the approved three-year period of the contract. Therefore, staff is requesting authorization to enter into negotiations with Cigna for renewal terms for calendar years 2013 and 2014.

**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 the self-funded medical program administered by Cigna Healthcare effective January 1 - December 31, 2012;

Coverage Tier	OAP20	OAP10
Employee Only	\$581	\$632
EE + Spouse	\$1,405	\$1,528
EE + Child(ren)*	\$1,161	\$1,264
EE + Family	\$2,228	\$2,424
Adult Dependent**	\$493	\$537

\*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, 2012, with the following coverage limits and rates;

Individual Stop Loss (\$700,000) \$5.66/ee/month  
Aggregate Stop Loss (120%) \$2.04/ee/month;

3. approve Administrative Services Only (ASO) fees for Cigna at current rate of \$24.12 per employee/month effective January 1 – December 31, 2012, subject to the previously authorized \$6.13 per employee/month decrement for pharmacy rebates;
4. eliminate the current 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, 2012 - December 31, 2012 and;
5. authorize the Superintendent to enter into negotiations with Cigna for ASO renewal terms for calendar years 2013 and 2014.

RHH:sbc