

Financial Services
Richard H. Hinds, Chief Financial Officer

SUBJECT: APPROVAL OF PREMIUM EQUIVALENT RATES FOR DISTRICT SELF INSURED HEALTHCARE PROGRAM AND GROUP HEALTHCARE BENEFITS FOR MEDICARE ELIGIBLE RETIREES FOR CALENDAR YEAR 2014

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY

In order to properly structure 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. Premium equivalent rates are determined by an annual actuarial analysis prepared by the District's employee benefits consulting firm, Aon Hewitt, as well as the District's third party administrator for the plan, Cigna. Additionally, an annual filing is required with the Office of Insurance Regulation, State of Florida, in order to demonstrate sufficient reserves have been accrued which complies with statutory requirements.

At the Board meeting of November 21, 2012, the Board approved a premium equivalent rate structure for Calendar Year 2013 based upon actuarial projections for that year. In addition, the Board approved a two-year rate for calendar years 2013 and 2014 for the administrative services only (ASO) and a one-year rate (2013) for Individual stop loss (ISL) with Cigna.

Cigna has provided a proposed rate structure for the Individual Stop Loss (ISL) for Calendar Year 2014 consisting of a 28% increase in rates for current attachment point of \$880,000. Staff and the District's consultants, Aon Hewitt are reviewing the proposed rate structure to determine if the proposed rate can be reduced or if it would be in the District's best interest to increase its attachment point to a higher level than the \$880,000 attachment point that the Board authorized at the November 21, 2012 Board Meeting.

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The premium equivalent rate structure provided herein reflects a total required increase in rates equal to a 17% increase over premium equivalent rates for calendar year 2013. The premium equivalent rate structure also includes the proposed Individual Stop Loss (ISL) rates as provided by Cigna, along with the approved Administrative Services Only (ASO) rate for Cigna. The factors which comprise the 17% increase are as follows:

- ✓ Medical Trend projections including increased cost for medical expenditures and utilization/Individual Stop Loss of 9%
- ✓ Fees associated with the Federal Affordable Care Act which are due and payable during calendar year 2014 including quarterly PCORI fees and Reinsurance fees representing an increase equal to 1%
- ✓ Plan design enhancement consisting of changes to the annual maximum out of pocket amount whereby all out of pocket expenses including deductibles, coinsurance amounts and co-pays count towards the maximum out of pocket at which point the healthplan pays 100% of eligible expenses. Enhancements to the existing plan design as a result of these changes represent an increase equal to 7%.

Labor negotiations regarding health insurance are continuing with all five employee unions. These negotiations include proposed changes to plan design as well as employer and employee premium contributions which would become effective on January 1, 2014. The result of these negotiations will affect the stated premium equivalent rates as outlined in this item and an alternate set of employer and employee healthcare rates for calendar year 2014 will be brought back to the Board for approval once negotiations are finalized.

For the past several years, the District has heavily subsidized the cost of dependent healthcare by providing differing levels of premium subsidies by level of income through the existing structure of 5 salary bands. **Rates appearing in this item reflect full rates, inclusive of a 17% increase if no changes are made to the existing plan design or contribution strategy and as such do not reflect actual rates which will be required of employees for calendar year 2014.**

The following monthly premium equivalent rates reflect contributions for all active, benefit-eligible full and part time employees, non-Medicare eligible retirees, previously employed personnel who have elected coverage under COBRA and their eligible dependents, effective January 1, 2014 through December 31, 2014 based upon existing plan design and contributions:

| 2013 Premium Equivalent Rates | | |
|-------------------------------|------------|------------|
| | OAP 10 | OAP 20 |
| Employee Only | \$626.00 | \$576.00 |
| EE + SP | \$1,513.00 | \$1,391.00 |
| EE + CH | \$1,251.00 | \$1,149.00 |
| Family | \$2,401.00 | \$2,206.00 |
| Adult Dependent | \$501.00 | \$459.00 |

| 2014 Premium Equivalent Rates (+17%) | | |
|--------------------------------------|------------|------------|
| | OAP 10 | OAP 20 |
| Employee Only | \$732.00 | \$673.00 |
| EE + SP | \$1,769.00 | \$1,626.00 |
| EE + CH | \$1,462.00 | \$1,343.00 |
| Family | \$2,807.00 | \$2,579.00 |
| Adult Dependent | \$586.00 | \$537.00 |

Note: The 2014 Premium equivalent rates include: 10% Trend and ACA Fees, +7% ACA enhancements for Medical/Rx Copays and deductibles included in current 2013 Out of Pocket Max limits.

*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).

At the Board meeting of November 21, 2012, Administrative Services Only fees (ASO) for Cigna were approved for both calendar year 2013 and 2014, reflecting the fourth and fifth year of the existing contract. The below chart reflects the rates as originally proposed by Cigna as a result of Request For Proposal (RFP)# 071-JJ10, and the negotiated set of rates through 2014 which over the five year period reflect savings to the District of \$4,039,000:

| | Proposed Rate | Negotiated Rate | Annual Savings |
|-------------------------|---------------|-----------------|----------------|
| 2010 | \$23.69 | \$23.69 | N/A |
| 2011 | \$24.12 | \$24.12 | N/A |
| 2012 | \$24.45 | \$24.12 | \$1,087,000 |
| 2013 | \$25.19 | \$24.12 | \$1,416,000 |
| 2014 | \$25.94 | \$24.60 | \$1,536,000 |
| TOTAL ESTIMATED SAVINGS | | | \$4,039,000 |

The above ASO rates do not reflect the existing \$6.13 per employee/per month (PEPM) decrement which is taken as part of the Cigna contract to capture Pharmaceutical rebates. An annual year-end audit of actual pharmaceutical rebates is provided by Cigna which provides the monthly decrements of ASO fees in conjunction with additional rebates collected and the District receives the difference.

The final premium equivalent rates will include the following components:

- Administrative Services Only (ASO) Fee
- Pharmaceutical Rebate Decrement
- Individual Stop Loss (ISL)
- Internal Service Fund Administrative Fee
- Medical and Pharmaceutical Claims Projection

Group Medicare Program

At the Board meeting of October 19, 2011, the Board awarded Request For Information (RFI) #040-LL10, Group Healthcare Benefits for Medicare Eligible Retirees to Humana effective January 1, 2012 through December 31, 2012, with the ability to renew for two additional one-year periods. Staff has negotiated the renewal of the contract effective January 1, 2014 through December 31, 2014 at the following monthly rates which have been approved by the Center for Medicare and Medicaid Services (CMS):

| <u>Regional HMOs (Miami-Dade/Broward/Palm Beach Co.)</u> | <u>2013</u> | <u>2014</u> |
|--|-------------|-------------|
| HMO 939 with Rx 22 | \$ 0.00 | \$ 0.00 |
| HMO 152 with Rx 5 | \$47.00 | \$49.71 |
| LPP0 with Rx3 | \$76.00 | \$77.42 |

The above monthly rates are per retiree and per eligible dependent over 65 and/or Medicare Eligible. Open enrollment information for Medicare eligible retirees will be mailed to their home address subsequent to the approval of this agenda item.

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, subject to existing plan design and contribution strategies, inclusive of proposed rate increases from Cigna for Individual Stop Loss coverage and approved Administrative Services Only (ASO) fees, subject to rate revisions following final union negotiations, effective January 1, 2014 - December 31, 2014;

| 2013 Premium Equivalent Rates | | | 2014 Premium Equivalent Rates (+17%) | | |
|-------------------------------|------------|------------|--------------------------------------|------------|------------|
| | OAP 10 | OAP 20 | | OAP 10 | OAP 20 |
| Employee Only | \$626.00 | \$576.00 | Employee Only | \$732.00 | \$673.00 |
| EE + SP | \$1,513.00 | \$1,391.00 | EE + SP | \$1,769.00 | \$1,626.00 |
| EE + CH | \$1,251.00 | \$1,149.00 | EE + CH | \$1,462.00 | \$1,343.00 |
| Family | \$2,401.00 | \$2,206.00 | Family | \$2,807.00 | \$2,579.00 |
| Adult Dependent | \$501.00 | \$459.00 | Adult Dependent | \$586.00 | \$537.00 |

Note: The 2014 Premium equivalent rates include: 10% Trend and ACA Fees, +7% ACA enhancements for Medical/Rx Copays and deductibles included in current 2013 Out of Pocket Max limits.

*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. confirm Administrative Services Only (ASO) fees for Cigna of \$24.60 PEPM for calendar year 2014, subject to the previously authorized \$6.13 PEPM decrement for pharmacy rebates;
3. Renew the Group Healthcare Benefits for Medicare Eligible Retirees contract with Humana at the following monthly rates for calendar year 2014:

Miami-Dade/Broward/Palm Beach Counties

| | <u>Mo. Rate</u> |
|--------------------|-----------------|
| HMO 939 with Rx 22 | \$ 0.00 |
| HMO 152 with Rx 5 | \$ 49.71 |
| LPPO with Rx3 | \$ 77.42 |

The above monthly rates are per retiree and per eligible dependent over 65 and/or Medicare Eligible.

RHH:sbc