

Financial Services
Judith M. Marte, Chief Financial Officer

**SUBJECT: APPROVAL OF PREMIUM EQUIVALENT RATES, AND
INDIVIDUAL STOP LOSS COVERAGE FOR DISTRICT
SELF INSURED HEALTHCARE PROGRAM FOR
CALENDAR YEAR 2015**

**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.

Additionally, the School Board approved new rates for the District's Administrative Services Only (ASO) contract with Cigna as well as rates for its individual stop loss (ISL) insurance coverage at the Board meeting of September 3, 2014. These new rates will be incorporated into the calculation for premium equivalent rates which will become effective January 1, 2015. These premium equivalent rates provide a base rate as determined by actuarial projections and negotiated contracts, assuming no changes to plan designs and employee/employer contributions.

Plan design changes and employee/employer contributions are determined through the collective bargaining process which is currently ongoing with all employee unions. Once labor and management have reached agreement on these items, finalized rates reflecting any changes which are agreed to through the collective bargaining process can be finalized and approved.

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The premium equivalent rate structure provided herein reflects a total required increase in rates equal to a 4.0% increase over premium equivalent rates for calendar year 2014. 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 4.0% increase are as follows:

- ✓ Medical Trend projections including increased cost for medical expenditures and utilization/Individual Stop Loss of 9%
- ✓ A reduction in fees associated with the Federal Affordable Care Act which are due and payable during calendar year 2015 including quarterly PCORI fees and Reinsurance fees representing a decrease equal to -1%
- ✓ A reduction equal to -\$4% due to improvement in the medical and pharmacy claim loss ratio

Labor negotiations regarding health insurance are continuing with all five employee unions. 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 2015 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 4.0% 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 2015.**

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, 2015 through December 31, 2015 based upon existing plan design and contributions:

2014 Premium Equivalent Rates				2015 Premium Equivalent Rates (+4.0%)		
	OAP 10	OAP 20	Local Plus	OAP 10	OAP 20	Local Plus
Employee Only	\$655.00	\$632.00	\$636.00	\$683.00	\$658.00	\$657.00
EE + SP	\$1,582.00	\$1,526.00	\$1,536.00	\$1,643.00	\$1,585.00	\$1,583.00
EE + CH*	\$1,307.00	\$1,261.00	\$1,269.00	\$1,364.00	\$1,316.00	\$1,314.00
Family	\$2,508.00	\$2,420.00	\$2,435.00	\$2,611.00	\$2,520.00	\$2,516.00
Adult Dependent**	\$557.00	\$537.00	\$541.00	\$580.00	\$559.00	\$558.00

Note: The 2015 Premium equivalent rates include: 9% Trend, -1% ACA Fees, -4% improvement in claim loss ratio.

*Rate includes adult children up to age 26 in compliance with 2010 Federal Affordable Care 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 September 3, 2014, the Board awarded RFP #040-PP10, District Healthcare Benefits Program which included the Administrative Services Only (ASO) component to Cigna. A break out of the rate structure for 2014 and 2015 on a per month/per employee is provided as follows reflecting all components of the premium equivalent rate structure of claims, ISL, ASO fees and internal administrative fees.

	2014	2015
Administrative Services Only (ASO) Fee	\$24.60	\$21.46
Pharmaceutical Rebate Decrement	(\$6.13)	(\$7.00)
Individual Stop Loss (ISL)	\$6.40	\$7.80
Internal Service Fund Administrative Fee	\$1.59	\$3.08
Total	26.46	\$25.34

The above rates include a 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.

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 rate revisions following final union negotiations, effective January 1, 2015 - December 31, 2015;

	OAP 10	OAP 20	Local Plus
Employee Only	\$683.00	\$658.00	\$657.00
EE + SP	\$1,643.00	\$1,585.00	\$1,583.00
EE + CH*	\$1,364.00	\$1,316.00	\$1,314.00
Family	\$2,611.00	\$2,520.00	\$2,516.00
Adult Dependent**	\$580.00	\$559.00	\$558.00

Note: The 2015 Premium equivalent rates include: 9% Trend, -1% ACA Fees, -4% improvement in claim loss ratio.

*Rate includes adult children up to age 26 in compliance with 2010 Federal Affordable Care 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).

2. confirm the following ASO structure for the District's self-funded healthcare program for calendar year 2015:

	2015
Administrative Services Only (ASO) Fee	\$21.46
Pharmaceutical Rebate Decrement	(\$7.00)
Individual Stop Loss (ISL)	\$7.80
Internal Service Fund Administrative Fee	\$3.08
Total	\$25.34

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