



October 1, 2008

Mr. Bert Palmer  
Director, Risk Management  
Sarasota County Public Schools  
1960 The Landings Blvd.  
Sarasota, FL 34231

**RE: 2009 Medical Plan Renewal**

Dear Mr. Palmer:

Aon Consulting has reviewed the District's 2009 Blue Cross Blue Shield of Florida (BCBSFL) renewal. This process involved reviewing the financial experience of the District's medical plan and independently assessing what a fair renewal would be. Aon performed a review of the District's experience and reviewed all assumptions used by BCBSFL in projecting 2009 claims and expenses. The project leader on this assignment was one of our qualified health actuaries: Jay Miniati, Vice President, FSA, MAAA, along with review by me.

Concurrent with developing the renewal projection and negotiating the renewal, Aon developed an array of possible plan design changes along with estimating the value of implementing these changes. The estimated value of the changes was determined by using the actuarial relative plan values for each of the considered changes. The relative plan value determines the value to the member in terms of out-of-pocket expense in relation to the current plan design. Summaries of the current plans, along with the array of plan design changes (Option 2) that were of interest to District staff is attached. Option 2 plan changes include the following:

Plan		Current	Option 2
<b>PPO High</b>	Deductible (Single/Family)	\$200/\$600	\$300/\$900
	PCP/Specialist Copay	\$15	\$25
	Rx (Retail)	\$5/\$15/\$30	\$15/\$30/\$50
<b>HMO High</b>	PCP/Specialist Copay	\$10	\$15/\$35
	Rx (Retail)	\$5/\$15/\$30	\$15/\$30/\$50
<b>HMO Low</b>	PCP/Specialist Copay	\$15/\$35	\$25/\$50
	Rx (Retail)	\$15/\$30/\$50	\$20/\$40/\$60
<b>PPO Low</b>	Rx (Retail)	\$15/\$30/\$50	\$20/\$40/\$60

**The Renewal**

BCBSFL initially calculated a required renewal increase of 17.7%. However, based upon last year's negotiations with Aon, BCBSFL modified its initial requested increase to 13.5%. Aon's independent analysis indicated that a fair renewal would be in the range of 8.5%. In ensuing discussions, BCBSFL countered with a renewal increase of 10.2%. Along with this counteroffer, BCBSFL included a 2-year surplus sharing arrangement, whereby the District would share 50%/50% in any surpluses that may occur over the following 2-year period, with no downside to the District. This essentially reduces the difference between Aon's projection and BCBSFL's from 1.7% to .85%.

However, the distribution of the increase initially proposed by BCBSFL was impactful from the standpoint that the increase was not to be distributed evenly across all plans. The greatest impact (at +53%) would have been on the Low PPO plan, in which many of the pre-65 retirees are enrolled. Aon proceeded with further negotiations and was able to demonstrate to BCBSFL that a flat increase across all plans was not only more

palatable to the District, but was also supported BCBSFL's strategy of achieving the total desired total premium, based on Aon's migration projections with respect to the removal of the dependent subsidy.

The District's 10.2% increase for 2009 follows a 6.0% increase for 2008, a 9.8% increase for 2007 and a 0.0% increase for 2006, with no plan changes to its HMO and PPO plan designs, in an era when medical trend has been running in the range of 10-12%. The decrease to 10.2% from BCBSFL's initial calculation of 17.7% results in a premium savings of approximately \$3.2 million.

With the recommended plan design changes highlighted in the attachment labeled Option 2, the renewal increase would be reduced from 10.2% to 5%. The value of the benefit plan changes credited by BCBSFL was validated based on Aon's independent assessment of the relative plan values described above.

We recommend that the District accept the proposed renewal, along with either the current plan designs or the Option 2 plan design changes, spread across all plans in a flat increase. Additionally, we recommend that the District accept the two-year surplus sharing arrangement, which could only improve the current cost basis.

The final monthly rates are as follows:

**2009 Rates Current Plans (Overall Increase of 10.2%)**

Tier	<u>HMO</u>		<u>PPO</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Employee	\$515.38	\$474.12	\$639.94	\$338.56
Employee + Spouse	\$1,071.90	\$986.20	\$1,329.92	\$703.56
Employee + Child(ren)	\$974.74	\$896.76	\$1,209.00	\$639.66
Employee + Family	\$1,493.96	\$1,374.44	\$1,853.62	\$980.66

**2009 Rates Option 2 Plans (Overall Increase of 5%)**

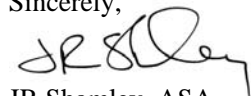
Tier	<u>HMO</u>		<u>PPO</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Employee	\$486.42	\$456.60	\$601.50	\$331.90
Employee + Spouse	\$1,011.68	\$949.70	\$1,250.12	\$689.78
Employee + Child(ren)	\$920.00	\$863.60	\$1,136.50	\$627.10
Employee + Family	\$1,410.00	\$1,323.58	\$1,742.40	\$961.40

**Looking Ahead**

We would encourage the District to continue to monitor its plans' experience monthly, and to discuss and explore ways to continue to offer affordable medical coverage to its staff.

Please do not hesitate to contact us with any questions.

Sincerely,



JR Shamley, ASA  
 Vice President