

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

FINANCIAL SERVICES DEPARTMENT

M_E_M_O_R_A_N_D_U_M

TO: Bruce Monson, Executive Director of Financial Services
FROM: Bert Palmer, Risk Manager
DATE: September 20, 2006
SUBJECT: Group Medical Insurance – Renewal 01/01/2007

Background

The district conducted a RFP for group medical insurance in 2006 with Blue Cross Blue Shield of Florida (BCBSFL) being the successful proposer with a 0% increase. The district added a fourth medical plan and agreed to subsidize the dependent cost of two of the plan offerings.

The 2005 renewal with BCBSFL resulted in a 6.26% on two plans and 0% on the third. The 2004 renewal with BCBSFL resulted in a 2.3% increase on all plans offered.

2007 Group Medical Renewal

BCBSFL has proposed an increase of 9.8% across the board on all four (4) of the plans offered by the district. The expiring and proposed BCBSFL contract monthly rates are as follows:

| 2006 Group Medical Monthly Contract Rates – (Expiring) * | | | | |
|---|------------------------|----------------------------|-------------------------|----------------------------|
| Coverage Tier | Blue Care HMO 5 | Blue Choice PPO 902 | Blue Care HMO 15 | Blue Choice PPO 125 |
| Single Only | \$401.82 | \$498.94 | \$369.66 | \$263.94 |
| Single + Spouse | \$835.76 | \$1,036.90 | \$768.90 | \$548.56 |
| Single + Children | \$759.98 | \$942.64 | \$690.18 | \$498.72 |
| Single+ Family | \$1,164.80 | \$1,445.22 | \$1,071.62 | \$764.58 |

| 2007 Group Medical Monthly Contract Rates – (Renewal) * | | | | |
|--|------------------------|----------------------------|-------------------------|----------------------------|
| Coverage Tier | Blue Care HMO 5 | Blue Choice PPO 902 | Blue Care HMO 15 | Blue Choice PPO 125 |
| Single Only | \$441.20 | \$547.84 | \$405.90 | \$289.82 |
| Single + Spouse | \$917.66 | \$1,138.52 | \$844.26 | \$602.32 |
| Single + Children | \$834.46 | \$1,035.02 | \$767.70 | \$547.60 |
| Single+ Family | \$1,278.96 | \$1,586.86 | \$1,176.64 | \$839.52 |

* The monthly rates contributed by the district and employees are shown on the attached exhibit titled, "Group Medical Insurance Rate Comparison".

The projected 2007 annual plan cost [based on enrollments as of 9/01/06] is \$35,424,371. This is an increase of \$3,161,884. The district projected annual cost [assuming a 9.8% increase on the existing dependent subsidy] will be \$30,571,567. This is an increase of \$2,728,743. If the district chooses not to increase the subsidy by 9.8% the district annual cost increase would be 8.5%, rather than 9.8%. The impact of each option is illustrated on the two attached exhibits titled, "Group Medical Insurance Rate & Cost Comparison".

Recommendation

Aon Benefit Consulting has reviewed the renewal and has found the underwriting assumptions to be within [or below] industry norms. They believe the renewal is fair and reasonable given our group claims experience and rating factors. I have attached a copy of their letter dated September 20, 2006.

It is my understanding that the district wishes to continue the dependent rate subsidy that was implemented in 2006. In order to maintain the current employee dependent rate structure, the district must increase the current subsidy on the Blue Care HMO 15 and Blue Choice PPO 125 by the same percentage as the overall rate increase of 9.8%. If the School Board wishes to take this approach it should be part of the agenda recommendation.

If you have any questions, please let me know.

Attachments:

1. Blue Cross Blue Shield of Florida renewal letter, dated 9/20/06
2. Aon Benefit Consulting review letter, dated 9/20/06
3. Group Medical Insurance Rate Comparison
4. Group Medical Insurance Rate & Cost Comparison (Increase of 9.8% on the district subsidy)
5. Group Medical Insurance Rate & Cost Comparison (No increase on the district subsidy)



**BlueCross BlueShield
of Florida**

An Independent Licensee of the
Blue Cross and Blue Shield Association

September 20, 2006

Bert Palmer
Risk Manager
The School Board of Sarasota County
1960 Landings Blvd.
Sarasota, FL 34231-3331

Re: Renewal Rates

Dear Bert,

Indicated in the table below, are the required 2007 renewal rates for The School Board of Sarasota County.

| Bluecare 5 Rx \$5/\$15/\$30 | Bluecare 15 Rx \$15/\$30/\$50 | Bluechoice 902 Rx \$5/\$15/\$30 | Bluechoice 125 Rx \$15/\$30/\$50 |
|--|--|--|---|
| \$441.20 | \$405.90 | \$547.84 | \$289.82 |
| \$917.66 | \$844.26 | \$1,138.52 | \$602.32 |
| \$834.46 | \$767.70 | \$1,035.02 | \$547.60 |
| \$1,278.96 | \$1,176.64 | \$1,586.86 | \$839.52 |

Please feel free to contact me if you have any questions or concerns.

Sincerely,

Robin T. MacDonald
Strategic Account Executive

RTM/ch
Cc: Ray Reid / AON Consulting

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

Blue Cross Blue Shield of FL
 Renewal Effective 01/01/2007
Group Medical Insurance Rate Comparison

Active Employee Enrollment
 as of 9/01/2006

Blue Care HMO 5

| | |
|-------------------|-------|
| Single Only | 2,427 |
| Single + Spouse | 186 |
| Single + Children | 208 |
| Single + Family | 44 |

Blue Choice PPO 902

| | |
|-------------------|-------|
| Single Only | 1,528 |
| Single + Spouse | 92 |
| Single + Children | 61 |
| Single + Family | 15 |

Blue Care HMO 15

| | |
|-------------------|-----|
| Single Only | 13 |
| Single + Spouse | 30 |
| Single + Children | 87 |
| Single + Family | 128 |

Blue Choice PPO 125

| | |
|-------------------|-----|
| Single Only | 7 |
| Single + Spouse | 58 |
| Single + Children | 78 |
| Single + Family | 148 |

Total Enrollment 5,110

| 2006 Monthly Rates | |
|--------------------|---------------|
| Employee Cost | District Cost |
| \$0.00 | \$401.82 |
| \$433.94 | \$401.82 |
| \$358.16 | \$401.82 |
| \$762.98 | \$401.82 |
| \$0.00 | \$498.94 |
| \$537.96 | \$498.94 |
| \$443.70 | \$498.94 |
| \$946.28 | \$498.94 |
| \$0.00 | \$369.66 |
| \$319.74 | \$449.16 |
| \$250.02 | \$449.16 |
| \$388.90 | \$682.72 |
| \$0.00 | \$263.94 |
| \$60.34 | \$488.22 |
| \$10.50 | \$488.22 |
| \$22.50 | \$742.08 |

| 2007 Monthly Rates | | | |
|--|----------|---------------|----------|
| Employee Cost | % Change | District Cost | % Change |
| \$0.00 | 0.0% | \$441.20 | 9.8% |
| \$476.46 | 9.8% | \$441.20 | 9.8% |
| \$393.26 | 9.8% | \$441.20 | 9.8% |
| \$837.76 | 9.8% | \$441.20 | 9.8% |
| \$0.00 | 0.0% | \$547.84 | 9.8% |
| \$590.68 | 9.8% | \$547.84 | 9.8% |
| \$487.18 | 9.8% | \$547.84 | 9.8% |
| \$1,039.02 | 9.8% | \$547.84 | 9.8% |
| <u>No increase to district subsidy.</u> | | | |
| \$0.00 | 0.0% | \$405.90 | 9.8% |
| \$395.10 | 23.6% | \$449.16 | 0.0% |
| \$318.54 | 27.4% | \$449.16 | 0.0% |
| \$493.92 | 27.0% | \$682.72 | 0.0% |
| <u>No increase to district subsidy.</u> | | | |
| \$0.00 | 0.0% | \$289.82 | 9.8% |
| \$114.10 | 89.1% | \$488.22 | 0.0% |
| \$59.38 | 465.5% | \$488.22 | 0.0% |
| \$97.44 | 333.1% | \$742.08 | 0.0% |

| 2007 Monthly Rates | | | |
|---------------------------------------|----------|---------------|----------|
| Employee Cost | % Change | District Cost | % Change |
| \$0.00 | 0.0% | \$441.20 | 9.8% |
| \$476.46 | 9.8% | \$441.20 | 9.8% |
| \$393.26 | 9.8% | \$441.20 | 9.8% |
| \$837.76 | 9.8% | \$441.20 | 9.8% |
| \$0.00 | 0.0% | \$547.84 | 9.8% |
| \$590.68 | 9.8% | \$547.84 | 9.8% |
| \$487.18 | 9.8% | \$547.84 | 9.8% |
| \$1,039.02 | 9.8% | \$547.84 | 9.8% |
| <u>Subsidy increased 9.8%.</u> | | | |
| \$0.00 | 0.0% | \$405.90 | 9.8% |
| \$351.08 | 9.8% | \$493.18 | 9.8% |
| \$274.52 | 9.8% | \$493.18 | 9.8% |
| \$427.00 | 9.8% | \$749.64 | 9.8% |
| <u>Subsidy increased 9.8%.</u> | | | |
| \$0.00 | 0.0% | \$289.82 | 9.8% |
| \$66.26 | 9.8% | \$536.06 | 9.8% |
| \$11.54 | 9.9% | \$536.06 | 9.8% |
| \$24.72 | 9.9% | \$814.80 | 9.8% |

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

Blue Cross Blue Shield of FL

Renewal Effective 01/01/2007

Group Medical Insurance Rate and Cost Comparison

(No increase on the district subsidy for HMO 15 & PPO 125.)

| Active Employee Enrollment as of 9/01/2006 | | 2006 Monthly Rates | | 2007 Monthly Rates | | | | 2006 Annual Cost | | 2007 Annual Cost | | | |
|---|-------|--------------------|------------------|--------------------|-------------|------------------|-------------|---------------------|------------------|---------------------|-------------|------------------|-------------|
| | | BCBSFL Contract | District Cost | BCBSFL Contract | % Change | District Cost | % Change | Contract Premium | District Cost | Contract Premium | % Change | District Cost | % Change |
| Blue Care HMO 5 | | | | | | | | | | | | | |
| Single Only | 2,427 | \$401.82 | \$401.82 | \$441.20 | 9.8% | \$441.20 | 9.8% | \$11,702,605.68 | \$11,702,605.68 | \$12,849,508.80 | 9.8% | \$12,849,508.80 | 9.8% |
| Single + Spouse | 186 | \$835.76 | \$401.82 | \$917.66 | 9.8% | \$441.20 | 9.8% | \$1,865,416.32 | \$896,862.24 | \$2,048,217.12 | 9.8% | \$984,758.40 | 9.8% |
| Single + Children | 208 | \$759.98 | \$401.82 | \$834.46 | 9.8% | \$441.20 | 9.8% | \$1,896,910.08 | \$1,002,942.72 | \$2,082,812.16 | 9.8% | \$1,101,235.20 | 9.8% |
| Single + Family | 44 | \$1,164.80 | \$401.82 | \$1,278.96 | 9.8% | \$441.20 | 9.8% | \$615,014.40 | \$212,160.96 | \$675,290.88 | 9.8% | \$232,953.60 | 9.8% |
| Blue Choice PPO 902 | | | | | | | | | | | | | |
| Single Only | 1,528 | \$498.94 | \$498.94 | \$547.84 | 9.8% | \$547.84 | 9.8% | \$9,148,563.84 | \$9,148,563.84 | \$10,045,194.24 | 9.8% | \$10,045,194.24 | 9.8% |
| Single + Spouse | 92 | \$1,036.90 | \$498.94 | \$1,138.52 | 9.8% | \$547.84 | 9.8% | \$1,144,737.60 | \$550,829.76 | \$1,256,926.08 | 9.8% | \$604,815.36 | 9.8% |
| Single + Children | 61 | \$942.64 | \$498.94 | \$1,035.02 | 9.8% | \$547.84 | 9.8% | \$690,012.48 | \$365,224.08 | \$757,634.64 | 9.8% | \$401,018.88 | 9.8% |
| Single + Family | 15 | \$1,445.22 | \$498.94 | \$1,586.86 | 9.8% | \$547.84 | 9.8% | \$260,139.60 | \$89,809.20 | \$285,634.80 | 9.8% | \$98,611.20 | 9.8% |
| Blue Care HMO 15 | | | | | | | | | | | | | |
| Single Only | 13 | \$369.66 | \$369.66 | \$405.90 | 9.8% | \$405.90 | 9.8% | \$57,666.96 | \$57,666.96 | \$63,320.40 | 9.8% | \$63,320.40 | 9.8% |
| Single + Spouse | 30 | \$768.90 | \$449.16 | \$844.26 | 9.8% | \$449.16 | 0.0% | \$276,804.00 | \$161,697.60 | \$303,933.60 | 9.8% | \$161,697.60 | 0.0% |
| Single + Children | 87 | \$699.18 | \$449.16 | \$767.70 | 9.8% | \$449.16 | 0.0% | \$729,943.92 | \$468,923.04 | \$801,478.80 | 9.8% | \$468,923.04 | 0.0% |
| Single + Family | 128 | \$1,071.62 | \$682.72 | \$1,176.64 | 9.8% | \$682.72 | 0.0% | \$1,646,008.32 | \$1,048,657.92 | \$1,807,319.04 | 9.8% | \$1,048,657.92 | 0.0% |
| Blue Choice PPO 125 | | | | | | | | | | | | | |
| Single Only | 7 | \$263.94 | \$263.94 | \$289.82 | 9.8% | \$289.82 | 9.8% | \$22,170.96 | \$22,170.96 | \$24,344.88 | 9.8% | \$24,344.88 | 9.8% |
| Single + Spouse | 58 | \$548.56 | \$488.22 | \$602.32 | 9.8% | \$488.22 | 0.0% | \$381,797.76 | \$339,801.12 | \$419,214.72 | 9.8% | \$339,801.12 | 0.0% |
| Single + Children | 78 | \$498.72 | \$488.22 | \$547.60 | 9.8% | \$488.22 | 0.0% | \$466,801.92 | \$456,973.92 | \$512,553.60 | 9.8% | \$456,973.92 | 0.0% |
| Single + Family | 148 | \$764.58 | \$742.08 | \$839.52 | 9.8% | \$742.08 | 0.0% | \$1,357,894.08 | \$1,317,934.08 | \$1,490,987.52 | 9.8% | \$1,317,934.08 | 0.0% |

Total Enrollment

Total Annual Premium

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

Blue Cross Blue Shield of FL

Renewal Effective 01/01/2007

Group Medical Insurance Rate and Cost Comparison

(Increase of 9.8% on the district subsidy for HMO 15 & PPO 125.)

| Active Employee Enrollment as of 9/01/2006 | | 2006 Monthly Rates | | 2007 Monthly Rates | | | | 2006 Annual Cost | | 2007 Annual Cost | | | |
|---|-------|--------------------|------------------|--------------------|-------------|------------------|-------------|---------------------|------------------|---------------------|-------------|------------------|-------------|
| | | BCBSFL Contract | District Cost | BCBSFL Contract | % Change | District Cost | % Change | Contract Premium | District Cost | Contract Premium | % Change | District Cost | % Change |
| Blue Care HMO 5 | | | | | | | | | | | | | |
| Single Only | 2,427 | \$401.82 | \$401.82 | \$441.20 | 9.8% | \$441.20 | 9.8% | \$11,702,605.68 | \$11,702,605.68 | \$12,849,508.80 | 9.8% | \$12,849,508.80 | 9.8% |
| Single + Spouse | 186 | \$835.76 | \$401.82 | \$917.66 | 9.8% | \$441.20 | 9.8% | \$1,865,416.32 | \$896,862.24 | \$2,048,217.12 | 9.8% | \$984,758.40 | 9.8% |
| Single + Children | 208 | \$759.98 | \$401.82 | \$834.46 | 9.8% | \$441.20 | 9.8% | \$1,896,910.08 | \$1,002,942.72 | \$2,082,812.16 | 9.8% | \$1,101,235.20 | 9.8% |
| Single + Family | 44 | \$1,164.80 | \$401.82 | \$1,278.96 | 9.8% | \$441.20 | 9.8% | \$615,014.40 | \$212,160.96 | \$675,290.88 | 9.8% | \$232,953.60 | 9.8% |
| Blue Choice PPO 902 | | | | | | | | | | | | | |
| Single Only | 1,528 | \$498.94 | \$498.94 | \$547.84 | 9.8% | \$547.84 | 9.8% | \$9,148,563.84 | \$9,148,563.84 | \$10,045,194.24 | 9.8% | \$10,045,194.24 | 9.8% |
| Single + Spouse | 92 | \$1,036.90 | \$498.94 | \$1,138.52 | 9.8% | \$547.84 | 9.8% | \$1,144,737.60 | \$550,829.76 | \$1,256,926.08 | 9.8% | \$604,815.36 | 9.8% |
| Single + Children | 61 | \$942.64 | \$498.94 | \$1,035.02 | 9.8% | \$547.84 | 9.8% | \$690,012.48 | \$365,224.08 | \$757,634.64 | 9.8% | \$401,018.88 | 9.8% |
| Single + Family | 15 | \$1,445.22 | \$498.94 | \$1,586.86 | 9.8% | \$547.84 | 9.8% | \$260,139.60 | \$89,809.20 | \$285,634.80 | 9.8% | \$98,611.20 | 9.8% |
| Blue Care HMO 15 | | | | | | | | | | | | | |
| Single Only | 13 | \$369.66 | \$369.66 | \$405.90 | 9.8% | \$405.90 | 9.8% | \$57,666.96 | \$57,666.96 | \$63,320.40 | 9.8% | \$63,320.40 | 9.8% |
| Single + Spouse | 30 | \$768.90 | \$449.16 | \$844.26 | 9.8% | \$493.18 | 9.8% | \$276,804.00 | \$161,697.60 | \$303,933.60 | 9.8% | \$177,544.80 | 9.8% |
| Single + Children | 87 | \$699.18 | \$449.16 | \$767.70 | 9.8% | \$493.18 | 9.8% | \$729,943.92 | \$468,923.04 | \$801,478.80 | 9.8% | \$514,879.92 | 9.8% |
| Single + Family | 128 | \$1,071.62 | \$682.72 | \$1,176.64 | 9.8% | \$749.64 | 9.8% | \$1,646,008.32 | \$1,048,657.92 | \$1,807,319.04 | 9.8% | \$1,151,447.04 | 9.8% |
| Blue Choice PPO 125 | | | | | | | | | | | | | |
| Single Only | 7 | \$263.94 | \$263.94 | \$289.82 | 9.8% | \$289.82 | 9.8% | \$22,170.96 | \$22,170.96 | \$24,344.88 | 9.8% | \$24,344.88 | 9.8% |
| Single + Spouse | 58 | \$548.56 | \$488.22 | \$602.32 | 9.8% | \$536.06 | 9.8% | \$381,797.76 | \$339,801.12 | \$419,214.72 | 9.8% | \$373,097.76 | 9.8% |
| Single + Children | 78 | \$498.72 | \$488.22 | \$547.60 | 9.8% | \$536.06 | 9.8% | \$466,801.92 | \$456,973.92 | \$512,553.60 | 9.8% | \$501,752.16 | 9.8% |
| Single + Family | 148 | \$764.58 | \$742.08 | \$839.52 | 9.8% | \$814.80 | 9.8% | \$1,357,894.08 | \$1,317,934.08 | \$1,490,987.52 | 9.8% | \$1,447,084.80 | 9.8% |

Total Enrollment

Total Annual Premium



Employee Benefit Consulting

September 20, 2006

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

RE: 2007 Medical Plan Renewal

Dear Mr. Palmer:

Aon Consulting was contracted to review the District's 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 challenged all assumptions used by BCBSFL in projecting where 2007 claims would fall. This project was done at Aon by one of our qualified health actuaries: Jay Miniati, Vice President, FSA, MAAA, MBA, CFP, along with review by Dick Klima and me.

Background

A comprehensive medical marketing was done in the summer of 2005. This marketing, which was publicly advertised and coordinated between your department and Procurement Services, resulted in responses from your incumbent, BCBSFL, as well as CIGNA, Aetna and United Healthcare.

A review of the District's experience under BCBSFL during the period preceding the marketing indicated a small renewal increase was warranted. As a result of the RFP, BCBSFL gave the District no increase in rates, and, in addition, provided an on-site representative in the Risk Management office to further enhance customer service. Additionally, the District was able to offer subsidized dependent coverage, making its benefit plan more attractive to its existing staff and new hires with dependents.

The Renewal

BCBSFL requested a 10.2% increase in their renewal. Aon's independent analysis indicated that a fair renewal would be 10.4%, thus indicating that BCBSFL was willing to risk a potential deficit in 2007. After further negotiation, the lowest renewal rate BCBSFL would provide is 9.8%. They did so on the basis that Sarasota Schools is a valued client.

The final monthly rates are as follows:

| 2007 Rates | HMO | | PPO | |
|-----------------------|--------------------|-------------------|--------------------|-------------------|
| <u>Tier</u> | <u>High</u> | <u>Low</u> | <u>High</u> | <u>Low</u> |
| Employee | \$441.20 | \$405.90 | \$547.84 | \$289.82 |
| Employee + Spouse | \$917.66 | \$844.26 | \$1,138.52 | \$602.32 |
| Employee + Child(ren) | \$834.46 | \$767.70 | \$1,035.02 | \$547.60 |
| Employee + Family | \$1,278.96 | \$1,176.64 | \$1,586.86 | \$839.52 |

The District's 9.8% increase for 2007, coupled with the 0.0% increase for 2006, with no plan changes to its High HMO and PPO plan design and offering the new Low HMO and PPO options is something the District can be proud of. Medical trend has been running in the range of 12 – 14%, indicating that the District might have seen an aggregate increase over two years in excess of 25%.

We believe the BCBSFL renewal to be below where it could be justified, and recommend that the District accept it.

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,

Raymond Reed
Vice President

RR/mdg

Cc: Dick Klima, Sr. V. P., Aon Consulting