

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

FINANCIAL SERVICES DEPARTMENT

M_E_M_O_R_A_N_D_U_M

TO: Mitsi Corcoran, Chief Financial Officer
FROM: Bert Palmer, Risk Manager
DATE: August 26, 2009
SUBJECT: Group Medical Insurance – Renewal 01/01/2010

2010 Group Medical Renewal

Blue Cross Blue Shield of Florida (BCBSFL) has proposed a rate increase of 7.5% across the board on all four (4) of the plans offered by the district. The expiring and proposed BCBSFL monthly contract rates are as follows:

2009 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	\$486.42	\$601.50	\$456.60	\$331.90
Single + Spouse	\$1,011.68	\$1,250.12	\$949.70	\$689.78
Single + Children	\$920.00	\$1,136.50	\$863.60	\$627.10
Single+ Family	\$1,410.00	\$1,742.40	\$1,323.58	\$961.40

2010 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	\$522.90	\$646.60	\$490.84	\$356.80
Single + Spouse	\$1,087.56	\$1,343.88	\$1,020.92	\$741.52
Single + Children	\$989.00	\$1,221.74	\$928.36	\$674.14
Single+ Family	\$1,515.74	\$1,873.08	\$1,422.86	\$1,033.50

*** The monthly rates contributed by the district and employees are shown on the attached exhibit titled, "Group Health Insurance Monthly Rates".**

The estimated 2010 calendar year total plan cost [district paid & employee paid] based on enrollments as of August 2009 is \$40,898,200.68. This is an increase of \$2,853,084.86 or 7.5%. The estimate does not include retirees and Cobra. The projected annual district cost is \$34,651,434.38. This is an increase in cost of \$2,417,017.36 or 7.5%.

Recommendation

Aon Benefit Consulting has reviewed the renewal and has found the underwriting assumptions to be within industry norms. They believe the renewal is fair and reasonable given our group claims experience, rating factors, and that medical trend [inflation] continues to average 10.5%. I have attached a copy of their letter dated August 25, 2009. Aon recommends the district accept the renewal offer and I agree with their recommendation.

Group Medical Insurance – Renewal 01/01/2010
August 26, 2009
Page 2

If you have any questions, please let me know.

Attachments:

1. Blue Cross Blue Shield of Florida renewal letter, dated 8/25/2009
2. Aon Benefit Consulting review letter, dated 8/25/2009
3. 2010 Group Health Insurance Monthly Rates
4. 2009 Group Health Insurance Monthly Rates

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Group Health Insurance Monthly Rates

PLAN YEAR 2009
Effective 01/01/2009

BCBSFL - PPO (Blue Choice Plan 902)

	<u>Monthly Contract Premium</u>	Employee Cost		<u>District Cost</u>		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$601.50	\$0.00	\$0.00	\$601.50	\$300.75	\$613.53
Employee + Spouse	\$1,250.12	\$648.62	\$324.31	\$601.50	\$300.75	\$1,275.12
Employee + Children	\$1,136.50	\$535.00	\$267.50	\$601.50	\$300.75	\$1,159.23
Employee + Family	\$1,742.40	\$1,140.90	\$570.45	\$601.50	\$300.75	\$1,777.25

BCBSFL - HMO (Blue Care Plan 5)

	<u>Monthly Contract Premium</u>	Employee Cost		<u>District Cost</u>		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$486.42	\$0.00	\$0.00	\$486.42	\$243.21	\$496.15
Employee + Spouse	\$1,011.68	\$525.26	\$262.63	\$486.42	\$243.21	\$1,031.91
Employee + Children	\$920.00	\$433.58	\$216.79	\$486.42	\$243.21	\$938.40
Employee + Family	\$1,410.00	\$923.58	\$461.79	\$486.42	\$243.21	\$1,438.20

BCBSFL - PPO (Blue Choice Plan 125)

	<u>Monthly Contract Premium</u>	Employee Cost		<u>District Cost</u>		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$331.90	\$0.00	\$0.00	\$331.90	\$165.95	\$338.54
Employee + Spouse	\$689.78	\$203.36	\$101.68	\$486.42	\$243.21	\$703.58
Employee + Children	\$627.10	\$140.68	\$70.34	\$486.42	\$243.21	\$639.64
Employee + Family	\$961.40	\$474.98	\$237.49	\$486.42	\$243.21	\$980.63

BCBSFL - HMO (Blue Care Plan 15)

	<u>Monthly Contract Premium</u>	Employee Cost		<u>District Cost</u>		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$456.60	\$0.00	\$0.00	\$456.60	\$228.30	\$465.73
Employee + Spouse	\$949.70	\$463.28	\$231.64	\$486.42	\$243.21	\$968.69
Employee + Children	\$863.60	\$377.18	\$188.59	\$486.42	\$243.21	\$880.87
Employee + Family	\$1,323.58	\$837.16	\$418.58	\$486.42	\$243.21	\$1,350.05

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Group Medical Insurance Monthly Rates

PLAN YEAR 2010
Effective 01/01/2010

BCBSFL - PPO (Blue Choice Plan 902)

	Monthly Contract Premium	Employee Cost		District Cost		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$646.60	\$0.00	\$0.00	\$646.60	\$323.30	\$659.53
Employee + Spouse	\$1,343.88	\$697.28	\$348.64	\$646.60	\$323.30	\$1,370.76
Employee + Children	\$1,221.74	\$575.14	\$287.57	\$646.60	\$323.30	\$1,246.17
Employee + Family	\$1,873.08	\$1,226.48	\$613.24	\$646.60	\$323.30	\$1,910.54

BCBSFL - HMO (Blue Care Plan 5)

	Monthly Contract Premium	Employee Cost		District Cost		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$522.90	\$0.00	\$0.00	\$522.90	\$261.45	\$533.36
Employee + Spouse	\$1,087.56	\$564.66	\$282.33	\$522.90	\$261.45	\$1,109.31
Employee + Children	\$989.00	\$466.10	\$233.05	\$522.90	\$261.45	\$1,008.78
Employee + Family	\$1,515.74	\$992.84	\$496.42	\$522.90	\$261.45	\$1,546.05

BCBSFL - PPO (Blue Choice Plan 125)

	Monthly Contract Premium	Employee Cost		District Cost		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$356.80	\$0.00	\$0.00	\$356.80	\$178.40	\$363.94
Employee + Spouse	\$741.52	\$218.62	\$109.31	\$522.90	\$261.45	\$756.35
Employee + Children	\$674.14	\$151.24	\$75.62	\$522.90	\$261.45	\$687.62
Employee + Family	\$1,033.50	\$510.60	\$255.30	\$522.90	\$261.45	\$1,054.17

BCBSFL - HMO (Blue Care Plan 15)

	Monthly Contract Premium	Employee Cost		District Cost		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$490.84	\$0.00	\$0.00	\$490.84	\$245.42	\$500.66
Employee + Spouse	\$1,020.92	\$498.02	\$249.01	\$522.90	\$261.45	\$1,041.34
Employee + Children	\$928.36	\$405.46	\$202.73	\$522.90	\$261.45	\$946.93
Employee + Family	\$1,422.86	\$899.96	\$449.98	\$522.90	\$261.45	\$1,451.32



**BlueCross BlueShield
of Florida**

An Independent Licensee of the
Blue Cross and Blue Shield Association

August 25, 2009

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

Dear Bert:

We have reviewed the factors that affect the cost of The Sarasota School District's group health benefits program and, after negotiations, offer a revised renewal of 7.5% increase above current rates with no benefit changes as follows:

2010 Renewal Rates

	HMO High	HMO Low	PPO High	PPO Low
Single	\$522.90	\$490.84	\$646.60	\$356.80
Emp/Sp	\$1087.56	\$1020.92	\$1343.88	\$741.52
Emp/Child	\$989.00	\$928.36	\$1221.74	\$674.14
Family	\$1515.74	\$1422.86	\$1873.08	\$1033.50

Thank you for the opportunity to continue to serve the employees of The School Board of Sarasota County. We truly value your business and look forward to working with you as a valued partner in the future.

Sincerely

Robin T. MacDonald
Strategic Account Executive

C.C AON Consulting
BCBSFL File



August 25, 2009

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

RE: 2010 Medical Plan Renewal

Dear Mr. Palmer:

Aon Consulting has reviewed the District’s 2010 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 2010 claims and expenses. The project leader on this assignment was one of our qualified health actuaries, Jay Miniati, Vice President, FSA, MAAA, along with peer review by other actuaries within Aon Consulting.

For 2010, Aon Consulting was able to leverage the negotiated terms from the 2009 renewal to expedite the process. The key items that were negotiated from BCBSFL’s standard renewal formula were medical trend factors, expense factors, and the incurral factors utilized to project the future claims. The savings generated from these negotiated factors was \$2.5 million. The details on the negotiated savings are as follows:

- Trend factor reduction of 3.4% on HMO and 2.5% on PPO \$1.7 million
- Expense factors reduction of 2.1% on HMO \$0.7 million
- Incurral Factor reduction to 1.5% \$0.1 million

Additionally, through year over year analysis on actual realized claim trends, Aon Consulting was able to negotiate an additional \$0.5 million on the trend factor for the 2010 renewal. Therefore the total realized savings on BCBSFL’s standard factors is \$3.0 million. The net increase for Sarasota Schools is 7.5% over the 2009 rates.

Aon Consulting surveys the medical markets regarding trend rates they are experiencing in their current book of business which impacts their future pricing on upcoming renewals. Our survey includes 44 of the top medical insurers including Blue Cross Blue Shield of Florida. Below is a chart that illustrates the impact of the market trend rate over the past 5 years relative to the renewals that Sarasota Schools has experienced over the same time period.

	2006	2007	2008	2009	2010	Cumulative Increase Since 2005
Aon Trend Survey	13.2%	12.2%	10.9%	10.6%	10.5%	72.1%
Sarasota Schools	0.0%	9.8%	6.0%	5.0%	7.5%	31.4%

Based on the negotiated rate position with BCBSFL, Aon Consulting recommends that Sarasota Schools accepts the renewal as is for the current plan design.

The current 2009 and renewed 2010 monthly rates are as follows:

2009 Current Rates

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

2010 Renewal Rates (7.5% increase)

Tier	<u>HMO</u>		<u>PPO</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Employee	\$522.90	\$490.84	\$646.60	\$356.80
Employee + Spouse	\$1,087.56	\$1,020.92	\$1,343.88	\$741.52
Employee + Child(ren)	\$989.00	\$928.36	\$1,221.74	\$674.14
Employee + Family	\$1,515.74	\$1,422.86	\$1,873.08	\$1,033.50

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
 Senior Vice President

JRS/mdg