

**THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**

**FINANCIAL SERVICES DEPARTMENT**

**M\_E\_M\_O\_R\_A\_N\_D\_U\_M**

TO: Al Weidner, Deputy Chief Financial Officer  
FROM: Bert Palmer, Risk Manager  
DATE: August 31, 2007  
SUBJECT: Group Medical Insurance – Renewal 01/01/2008

**Background**

The 2007 renewal with Blue Cross Blue Shield of Florida (BCBSFL) required a 9.8% rate increase on all plans. The district increased the dependent subsidies on the Blue Choice PPO 125 and Blue Care HMO 15 by the same 9.8%.

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 the Blue Choice PPO 125 and Blue Care HMO 15.

**2008 Group Medical Renewal**

BCBSFL has proposed an increase of 6% 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:

<b>2007 Group Medical Monthly Contract Rates – (Expiring) *</b>				
<b>Coverage Tier</b>	<b>Blue Care HMO 5</b>	<b>Blue Choice PPO 902</b>	<b>Blue Care HMO 15</b>	<b>Blue Choice PPO 125</b>
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

<b>2008 Group Medical Monthly Contract Rates – (Renewal) *</b>				
<b>Coverage Tier</b>	<b>Blue Care HMO 5</b>	<b>Blue Choice PPO 902</b>	<b>Blue Care HMO 15</b>	<b>Blue Choice PPO 125</b>
Single Only	\$467.68	\$580.72	\$430.24	\$307.22
Single + Spouse	\$972.70	\$1,206.84	\$894.92	\$638.46
Single + Children	\$884.52	\$1,097.12	\$813.76	\$580.46
Single+ Family	\$1,355.70	\$1,682.08	\$1,247.24	\$889.90

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

The projected 2008 calendar year annual total plan cost [based on active employee enrollments as of 8/01/07] is \$39,048,830. This is an increase of \$2,210,686. The district projected annual cost [assuming a 6% increase on the existing dependent subsidy] will be \$33,884,350. This is an increase of \$1,918,379. The projected calendar year annual cost is illustrated on the attached exhibit titled, "Group Medical Insurance Rate and 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, rating factors, no change to our existing plan designs and that medical trend [inflation] has been running between 10% and 12%. I have attached a copy of their letter dated August 31, 2007. Aon recommends the district accept the renewal offer and I agree with their recommendation.

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 6%. The 2008 employee dependent rates shown on the illustration are based upon a 6% increase to the existing rate subsidy.

If you have any questions, please let me know.

Attachments:

1. Blue Cross Blue Shield of Florida renewal letter, dated 8/31/2007
2. Aon Benefit Consulting review letter, dated 8/31/2007
3. Group Medical Insurance Rate and Cost Comparison
4. 2008 Group Health Insurance Monthly Rates
5. 2007 Group Health Insurance Monthly Rates