

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 23, 2010
SUBJECT: Group Medical Insurance – Renewal 01/01/2011

2011 Group Medical Renewal

Blue Cross Blue Shield of Florida (BCBSFL) has proposed a rate increase of 10.5% 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:

2010 Group Medical Monthly Contract Rates – (Expiring) *				
Coverage Tier	Blue Care HMO 5	Blue Choice PPO 702	Blue Care HMO 15	Blue Choice PPO 117
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

2011 Group Medical Monthly Contract Rates – (Renewal) *				
Coverage Tier	Blue Care HMO 5	Blue Choice PPO 702	Blue Care HMO 15	Blue Choice PPO 117
Single Only	\$577.80	\$714.50	\$542.38	\$394.26
Single + Spouse	\$1,201.74	\$1,485.00	\$1,128.12	\$819.38
Single + Children	\$1,092.84	\$1,350.02	\$1,025.84	\$744.92
Single+ Family	\$1,674.88	\$2,069.74	\$1,572.26	\$1,142.02

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

The estimated 2011 calendar year total plan cost [district paid & employee paid] based on enrollments as of August 2010 is \$42,822,607. This is an increase of \$4,069,088 or 10.5%. The estimate does not include retirees and Cobra. The projected annual district cost is \$36,784,908. This is an increase in cost of \$3,495,354 or 10.5%.

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 10.9%. I have attached a copy of their letter dated August 17, 2010. Aon recommends the district accept the renewal offer.

If you have any questions, please let me know.

Attachments (4)



August 17, 2010

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

RE: 2011 Medical Plan Renewal

Dear Mr. Palmer:

Aon Consulting has reviewed the District’s 2011 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: Jason Swann, Assistant Vice President, ASA, MAAA, along with peer review by other actuaries within Aon Consulting.

For 2011, Aon Consulting was able to leverage the negotiated terms from 2010’s renewal to expedite the process. The key items that were negotiated from BCBSFL’s standard renewal formula were medical trend and health care reform design change value. In addition, Aon was able to leverage our market place presence and Sarasota Schools past experience to negotiate additional rate concessions from BCBSFL. The savings generated from these negotiated factors was \$1.47 million. The details on the negotiated savings are as follows:

o Trend factor reduction	\$530,000
o Health Care Reform required plan change value	\$400,000
o <u>Additional Rate Concession</u>	<u>\$540,000</u>
o Total Rate Relief	\$1,470,000

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.

	2007	2008	2009	2010	2011	Cumulative Increase Since January 2007
Aon Trend Survey	12.2%	10.9%	10.6%	10.5%	10.9%	68.6%
Sarasota Schools	9.8%	6.0%	5.0%	7.5%	10.5%	45.2%

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

The current 2010 and renewed 2011 monthly rates are as follows:

2010 Renewal Rates

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

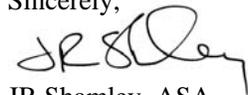
2011 Renewal Rates (10.5% increase)

Tier	<u>HMO</u>		<u>PPO</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Employee	\$577.80	\$542.38	\$714.50	\$394.26
Employee + Spouse	\$1,201.74	\$1,128.12	\$1,485.00	\$819.38
Employee + Child(ren)	\$1,092.84	\$1,025.84	\$1,350.02	\$744.92
Employee + Family	\$1,674.88	\$1,572.26	\$2,069.74	\$1,142.02

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



**BlueCross BlueShield
of Florida**

An Independent Licensee of the
Blue Cross and Blue Shield Association

August 18, 2010

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 10.5% increase above current rates with no benefit changes. However, as part of health care reform to be compliant whilst maintaining your grandfathered status certain provisions of the plans will change as previously outlined during the renewal process. If the school district makes any contribution changes >5% please advise me at your earliest convenience as this would also impact certain benefits and the district would lose the grandfathered status.

2011 Renewal Rates

	HMO High	HMO Low	PPO High	PPO Low
Single	\$577.80	\$542.38	\$714.50	\$394.26
Emp/Sp	\$1201.74	\$1128.12	\$1485.00	\$819.38
Emp/Child	\$1092.84	\$1025.84	\$1350.02	\$744.92
Family	\$1674.88	\$1572.26	\$2069.74	\$1142.02

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

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

PLAN YEAR 2011
Effective 01/01/2011

BCBSFL - PPO (Blue Choice Plan 702)

	Monthly Contract Premium	Employee Cost		District Cost		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$714.50	\$0.00	\$0.00	\$714.50	\$357.25	\$728.79
Employee + Spouse	\$1,485.00	\$770.50	\$385.25	\$714.50	\$357.25	\$1,514.70
Employee + Children	\$1,350.02	\$635.52	\$317.76	\$714.50	\$357.25	\$1,377.02
Employee + Family	\$2,069.74	\$1,355.24	\$677.62	\$714.50	\$357.25	\$2,111.13

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	\$577.80	\$0.00	\$0.00	\$577.80	\$288.90	\$589.36
Employee + Spouse	\$1,201.74	\$623.94	\$311.97	\$577.80	\$288.90	\$1,225.77
Employee + Children	\$1,092.84	\$515.04	\$257.52	\$577.80	\$288.90	\$1,114.70
Employee + Family	\$1,674.88	\$1,097.08	\$548.54	\$577.80	\$288.90	\$1,708.38

BCBSFL - PPO (Blue Choice Plan 117)

	Monthly Contract Premium	Employee Cost		District Cost		COBRA
		Per Month	Per Pay (24)	Per Month	Per Pay (24)	Per Month
Employee Only	\$394.26	\$0.00	\$0.00	\$394.26	\$197.13	\$402.15
Employee + Spouse	\$819.38	\$241.58	\$120.79	\$577.80	\$288.90	\$835.77
Employee + Children	\$744.92	\$167.12	\$83.56	\$577.80	\$288.90	\$759.82
Employee + Family	\$1,142.02	\$564.22	\$282.11	\$577.80	\$288.90	\$1,164.86

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	\$542.38	\$0.00	\$0.00	\$542.38	\$271.19	\$553.23
Employee + Spouse	\$1,128.12	\$550.32	\$275.16	\$577.80	\$288.90	\$1,150.68
Employee + Children	\$1,025.84	\$448.04	\$224.02	\$577.80	\$288.90	\$1,046.36
Employee + Family	\$1,572.26	\$994.46	\$497.23	\$577.80	\$288.90	\$1,603.71

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

PLAN YEAR 2010
Effective 01/01/2010

BCBSFL - PPO (Blue Choice Plan 702)

	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 117)

	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